**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the UK Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. The Offer Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares after Admission.

It is expected that admission to AIM and dealings in the Offer Shares will commence on 10 December 2012.

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STEPPE CEMENT

# STEPPE CEMENT LTD

*(Company No. LL04433)*
*(Incorporated and registered in Federal Territory of Labuan, Malaysia under the Labuan Companies Act 1990 with company number LL04433)*

## OFFER FOR SUBSCRIPTION OF 40,000,000 ORDINARY SHARES OF NO PAR VALUE EACH AT 25 PENCE PER SHARE (FULLY UNDERWRITTEN)

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**Only Qualifying Shareholders on the Record Date can subscribe to the Offer Shares and the minimum subscription amount for the Offer for Subscription is £85,000 (i.e. 340,000 Offer Shares). The Offer for Subscription closes at 3.00 p.m. on 30 November 2012. If you are a Qualifying Shareholder and wish to apply for Offer Shares, you should follow the procedures set out in Part III of this document and, where relevant, complete and return the accompanying Application Form.**

**This document should be read as a whole. Your attention is drawn to the Letter to Shareholders from the Board of Steppe Cement Ltd which is set out in Part I of this document and to the terms and conditions of the Offer for Subscription which are set out in Part III of this document. In addition, your attention is drawn to Part II of this document entitled "Risk Factors" which you should consider before subscribing for the Offer Shares.**

### NOTICE TO INVESTORS

The Offer Shares will not be registered under (and do not qualify for distribution under) the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan (each a "Restricted Territory") and no prospectus in relation to the Offer Shares has been prepared, lodged with or registered by the Australian Securities and Investments Commission, the Japanese Ministry of Finance or the relevant regulatory authority of any other Restricted Territory. Accordingly, subject to certain limited exceptions, the Offer Shares may not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into any Restricted Territory and this Circular may not be mailed or otherwise distributed or sent to or into any Restricted Territory.

**UK Notice**

The Offer for Subscription is only being made in the UK to persons who are of a kind described in Article 43(2) (members and creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended).

As the minimum subscription amount for the Offer for Subscription is £85,000, in accordance with Section 85 of FSMA, this Circular does not (and is not required to) constitute a prospectus for the purposes of the Prospectus Rules and a copy of it has not been, and will not be, reviewed or approved by the UK Financial Services Authority, the UK Listing Authority, the London Stock Exchange plc or any other authority or regulatory body.

This Circular contains no offer to the public within the meaning of Section 102(B) of the FSMA, the Companies Act 1985, the Companies Act 2006 or otherwise.

**Overseas Shareholders**

Overseas Shareholders and any person (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate legal advice before taking any action. The attention of Overseas Shareholders is drawn to the section headed "Overseas Shareholders" set out on page 31 of Part III of this Document.

This Circular is dated 7 November 2012

# FORWARD LOOKING STATEMENTS

Certain statements in this document including but not limited to statements, estimates and projections of future trends and of the anticipated future performance of the Group constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group, or industry results, to differ materially from any future results, performance or achievements implied by such forward-looking statements.

Statements in this document that are forward-looking and involve numerous risks and uncertainties that could cause actual results to differ materially from expected results are based on the Group's current beliefs and assumptions regarding a large number of factors affecting its business. Actual results may differ materially from expected results. There can be no assurance that (i) the Group has correctly measured or identified all of the factors affecting its business or the extent of their likely impact, (ii) the publicly available information with respect to these factors on which the Group's analysis is based is complete or accurate, (iii) the Group's analysis is correct or (iv) the Group's strategy, which is based in part on this analysis, will be successful.

# CONTENTS

## DEFINITIONS

| | |
|---|---|
| **"Admission"** | admission of the Ordinary Shares to trading on AIM. |
| **"AIM"** | the AIM market operated by the London Stock Exchange. |
| **"Application"** | an application from a Qualifying Shareholder for Offer Shares in connection with the Offer for Subscription. |
| **"Application Form"** | the application form to be used by Qualifying Shareholders in connection with the Offer for Subscription. |
| **"Board"** | the board of directors of Steppe Cement Ltd. |
| **"Certificated form" or "in certificated form"** | an ordinary share recorded on a company's share register as being held in certificated form (namely, not in CREST). |
| **"Company or Steppe Cement"** | Steppe Cement Ltd (Company number LL04433). |
| **"Circular"** | this Circular dated 7 November 2012 sent to Shareholders. |
| **"Clinker"** | an intermediary product, which is the main constituent of cement, formed after an intense heating process in the kiln of limestone, clay and iron ore. |
| **"CREST"** | the system (as defined in the CREST Regulations) for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited. |
| **"CREST Regulations"** | the Uncertificated Securities Regulations 2001 (SI 2001 No 01/3755). |
| **"Depository Interests"** | depository interests in respect of Ordinary Shares. |
| **"Director"** | the directors of the Company as at the date of this document. |
| **"EBRD"** | European Bank for Reconstruction and Development. |
| **"EBRD Tranche C Loan Facility"** | Tranche C of the Loan Agreement, further details of which are set out in the summary of the Group's indebtedness on page 15 of this document. |
| **"Enlarged Issued Ordinary Share Capital"** | the issued ordinary share capital of the Company following the issue of the Offer Shares pursuant to the Offer for Subscription (assuming full subscription). |

| | |
|---|---|
| **"Ex-factory price"** | the selling price of cement for collection at the factory. This excludes transportation costs from the factory to the buyer's premises and all other charges from there to the final destination. |
| **"Existing Ordinary Shares"** | the 179,000,000 Ordinary Shares of no par value each in the capital of the Company in issue at the date of this document. |
| **"Government"** | the Government of Kazakhstan. |
| **"Group"** | the Company and the Subsidiaries. |
| **"HSBC"** | HSBC Bank Kazakhstan JSC. |
| **"HSBC Loan Facility"** | the loan agreement dated 22 September 2008 signed between Karcement JSC and HSBC, further details of which are set out in the summary of the Group's indebtedness on page 15 of this document. |
| **"LIBOR"** | the London inter-bank offered rate from time to time. |
| **"Loan Agreement"** | the loan agreement dated 13 December 2005, as amended and restated on 28 June 2007, signed between Karcement JSC and EBRD. |
| **"London Stock Exchange"** | London Stock Exchange plc. |
| **"Labuan Companies Act"** | the Labuan Companies Act 1990 of Federal Territory of Labuan, Malaysia. |
| **"Offer Price"** | 25 pence per new Ordinary Share. |
| **"Offer Shares"** | the 40,000,000 Ordinary Shares which are to be made available for subscription by Qualifying Shareholders under the Offer for Subscription. |
| **"Offer" or "Offer for Subscription"** | the offer to Qualifying Shareholders to subscribe for the Offer Shares at the Offer Price, subject to the conditions set out in this document. |
| **"Ordinary Shares"** | Ordinary Shares of no par value each in the capital of the Company. |
| **"Overseas Shareholders"** | Shareholders who are located or resident in, or who are citizens of, or who have registered addresses in, territories other than the United Kingdom. |
| **"Prospectus Rules"** | the Prospectus Rules of the Financial Services Authority. |
| **"Qualifying CREST** | persons who are registered as holders of Depository Interests on the |

| | |
|---|---|
| **Holders"** | Record Date. |
| **"Qualifying non-CREST Shareholders"** | persons who are registered as holders of Ordinary Shares on the Record Date. |
| **"Qualifying Shareholders"** | persons who are registered as holders of Ordinary Shares (being Qualifying non-CREST Shareholders) on the Record Date and persons who are registered as holders of Depository Interests (being Qualifying CREST Holders) on the Record Date. |
| **"Receiving Agent"** | Computershare Investor Services PLC, Corporate Actions – Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH. |
| **"Record Date"** | 5.00 p.m. on 7 November 2012. |
| **"Registrar"** | Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE. |
| **"Shareholders"** | the holders of any issued Ordinary Shares in the share capital of the Company (or Depository Interests in respect of Ordinary Shares in the share capital of the Company) from time to time. |
| **"Subsidiaries"** | Steppe Cement (M) Sdn Bhd, Mechanical & Electrical Consulting Services Ltd, Steppe Cement Holdings B.V., Central Asia Cement JSC, Karcement JSC and Central Asia Services LLP. |
| **"Underwriters"** | Asian Investment Management Services Ltd, Halfmoon Bay Capital Limited & Mango Bay Enterprises Inc. and Portola Group Limited. |
| **"Underwriting Agreement"** | the conditional underwriting agreement dated 7 November 2012 entered into between the Company and the Underwriters. |
| **"Underwriting Fee"** | 3% of the maximum gross proceeds of the Offer. |
| **"UK"** or "**United Kingdom"** | the United Kingdom of Great Britain and Northern Ireland. |
| **"£" and "pence"** | the currency of Great Britain. |
| **"USD"** | the currency of the United States of America. |
| **"KZT" or "Kazakh Tenge"** | the currency of Kazakhstan. |

# EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
|---|---|
| Record date | 5.00 p.m. on Wednesday, 7 November 2012 |
| Latest time and date for receipt of completed Application Forms and payment in full | 3.00 p.m. on Friday, 30 November 2012 |
| Announcement of results of the Offer | 7.00 a.m. on Monday, 3 December 2012 |
| Offer Shares credited to CREST accounts | 8.00 a.m. on Monday, 10 December 2012 |
| Admission and commencement of dealings on AIM | 8.00 a.m. on Monday, 10 December 2012 |
| Despatch of share certificates | On Thursday, 13 December 2012 |

Notes to the timetable

(1) The times and dates of principal events above and mentioned throughout this Circular may be adjusted, in which event details of the new times and dates will be notified to the London Stock Exchange and Qualifying Shareholders.

(2) References to times in this timetable are to London (BST) times unless otherwise stated.

# OFFER FOR SUBSCRIPTION STATISTICS

| | |
|---|---|
| Offer Price | 25 pence |
| Number of Ordinary Shares in issue at the date of this document | 179,000,000 |
| Number of Offer Shares to be issued by the Company pursuant to the Offer | 40,000,000 |
| Number of Ordinary Shares in issue immediately following completion of the Offer (assuming full subscription) | 219,000,000 |
| Number of Offer Shares as a percentage of Existing Ordinary Shares | 22.3% |
| Number of Offer Shares as a percentage of Enlarged Issued Ordinary Share Capital of the Company immediately following completion of the Offer (assuming full subscription) | 18.3% |
| Maximum gross proceeds of the Offer | £10,000,000 |
| Estimated net proceeds of the Offer | £9,670,000 |
| Market capitalisation on completion of the Offer at the Offer Price | £54,750,000 |

## DIRECTORS, COMPANY SECRETARY AND ADVISERS

| | |
|---|---|
| **Directors** | Malcolm Ronald Brown (Non-Executive Chairman)<br>Javier del Ser Perez (Chief Executive Officer)<br>Paul Rodzianko (Non-Executive Director) |
| **Company Secretary** | TMF Trust Labuan Limited |
| **Registered Office** | Brumby Centre<br>Lot 42, Jalan Muhibbah<br>87000 Federal Territory of Labuan<br>Malaysia |
| **Nominated Adviser** | RFC Ambrian Limited<br>Level 14<br>19-31 Pitt Street<br>Sydney, New South Wales, 2000<br>Australia<br><br>and<br><br>Level 15, QV1 Building<br>250 St Georges Tce<br>Perth, Western Australia 6000<br>Australia |
| **Broker** | Westhouse Securities Limited<br>One Angel Court<br>London EC2R 7HJ<br>England |
| **Solicitors to the Company** | Watson, Farley & Williams LLP<br>15 Appold Street<br>London<br>EC2A 2HB<br>England |
| **Receiving Agent** | Computershare Investor Services PLC<br>Corporate Actions - Projects<br>The Pavilions<br>Bridgwater Road<br>Bristol BS99 6AH<br>England |
| **Registrar** | Computershare Investor Services PLC<br>The Pavilions<br>Bridgwater Road<br>Bristol BS13 8AE<br>England |

# PART I

## LETTER TO SHAREHOLDERS

Directors:
Malcolm Ronald Brown, Non-Executive Chairman
Javier del Ser Perez, Chief Executive Officer
Paul Rodzianko, Non-Executive Director

**Steppe Cement Ltd (Co. No. LL04433)**
10th Floor
West Wing, Rohas Perkasa
8 Jalan Perak
50450 Kuala Lumpur
Malaysia.
Tel: (603) 2161 7552 / 2161 7542
Fax: (603) 2161 8730
Email: ir@steppecement.com
Website: www.steppecement.com

Dear Shareholder,

**OFFER FOR SUBSCRIPTION OF 40,000,000 ORDINARY SHARES AT 25 PENCE PER SHARE (FULLY UNDERWRITTEN)**

### 1. INTRODUCTION

On 7 November 2012, the Board announced on behalf of the Company the intention to raise £10 million before expenses by way of an Offer for Subscription of 40,000,000 new Ordinary Shares at 25 pence per share to be conditionally underwritten by the Underwriters.

The Offer Price of 25 pence per Offer Share represents a discount of approximately 6.1% to the closing middle market quotation of an Ordinary Share on 1 November 2012 (being the latest practicable date prior to publication of this Circular). The Offer Price represents an 8.1% discount to the volume weighted average price of 27.2192 pence for the last 30 trading days.

Subscriptions can be made by Qualifying Shareholders only and any subscriptions made must be for a minimum £85,000 (i.e.340,000 Offer Shares). Further particulars of the terms and conditions of the Offer for Subscription and underwriting are described in paragraph 4 and 5 of Part I of this Circular and Part III of this Circular.

The Offer Shares will represent approximately 22.3% of the Existing Issued Ordinary Share Capital and approximately 18.3% of the Enlarged Issued Ordinary Share Capital. The net proceeds of the Offer will be used toward the completion of the reconstruction of Line 5 (as defined in Part II of this Circular), for general working capital requirements and, if required, to repay a portion of the Company's short-term bank borrowings.

**Purpose of the Circular**

**The purpose of this Circular is to explain to you the background to and rationale for the Offer for Subscription. Shareholder approval is not required for the Offer for Subscription by the Labuan Companies Act, the Company's Articles of Association or otherwise. The Board believes that this financing is in the best interests of the Company and, accordingly, will not seek Shareholder approval.**

## 2. BACKGROUND AND RATIONALE OF THE OFFER FOR SUBSCRIPTION

The Kazakhstan economy has continued to rebound from the lows of 2009 thanks to continuing high commodity prices and government action. The cement market, which bottomed out in 2009 at 5.1 million tonnes, has rebounded to an expected 7.0 million tonnes in 2012. Steppe Cement has increased its selling volumes from 930,000 tonnes in 2009 to 1,229,000 tonnes in 2011 and is expecting 1,350,000 tonnes in 2012. The selling price of cement has increased from USD55/tonne ex-factory in 2009 to USD67/tonne in 2011 and an expected USD74/tonne in 2012.

The dry line number 6 ("Line 6") that was commissioned in late 2008 is expected to contribute 57% of the sales volume in 2012 and its cash cost per tonne is USD12/tonne lower than the older wet lines.

The board believes it is of strategic importance to complete the refurbishment of dry line 5 ("Line 5") as soon as possible in order to replace the less cost efficient production of the wet lines and allow Steppe Cement to increase production and take advantage of the growing market consumption and to maintain its competitive position.

The revamped Line 5 will have an annual capacity of 1.2 million tonnes of cement and Steppe Cement expects to save approximately USD8.5 million per year compared with the current production costs of the wet lines.

The total additional investment required to complete Line 5 is estimated at USD34 million as of 30 September 2012. Therefore, in addition to the current share issue, Steppe Cement requires USD18 million of debt financing. Steppe Cement has been exploring different funding options:

- Central Asia Cement JSC (a wholly-owned subsidiary of Steppe Cement) has registered a 5 and a 6 year unsecured KZT denominated bonds issue in the Kazakhstan Stock Exchange. These bonds may be sold if the price demanded by the investors is attractive.

- Negotiations are in place with multilateral organizations and an export credit agency for 7 year USD denominated loans.

Steppe Cement expects to make the decision between these funding options before the end of 2012, depending on the pricing and conditions attached.

Once Line 5 is completed, the total production capacity of Steppe Cement will be 2.8 million tonnes, of which 2 million tonnes will be dry.

On the back of the recovery of the Kazakh economy and commodity prices, the Board has remained committed to reducing the Group's indebtedness and further strengthening its financial position. Since 2009, the Group has spent all free cash flows on loan principal repayments and interest servicing. As of 30 September 2012, the Group's long-term indebtedness consisted of the EBRD loan of USD32 million and a HSBC loan of USD13.4 million at a weighted average interest cost of 6-months LIBOR + 5.8% per annum. In addition, as of 30 September 2012, the Group had approximately USD2.3 million of short-term loans outstanding at an interest rate of 10.75% per annum to cover working capital requirements and these are usually drawn down during the winter and paid back during the summer months. The Group has up to USD19.7 million of short-term credit lines available.

Steppe Cement intends to raise cash by way of an Offer for Subscription to help meet the capital investment requirements of the Group. The Offer for Subscription provides an opportunity for all Qualifying Shareholders to participate in the Company's future growth prospects. The Offer for Subscription does not require the production of a prospectus which would have to comply with the Prospectus Rules and be pre-vetted and approved by the UK Financial Services Authority. The Board believes that the time, resources and costs spent in the production of a prospectus is not justified in the context of the size of the Offer and timing of the Group's cash flow requirements.

## 3. UTILISATION OF PROCEEDS

The net proceeds of the Offer for Subscription are expected to be up to approximately £9.67 million. The net proceeds will be used to help finance the completion of the reconstruction of Line 5, repay a portion of the Group's short-term bank borrowings and for the general working capital requirements of the Group.

### 3.1 Line 5 summary project description

Line 5 was built between 1970 and 1975 and worked until 1992. In early 2007 the reconstruction of Line 5 started alongside Line 6 repairs and refurbishment. Line 6 was commissioned in autumn 2008 and it is currently producing 770,000 tonnes per year, close to its initial estimated maximum capacity of 800,000 tonnes per year. The reconstruction of Line 5 started at the same time but was stopped in late 2008 to preserve cash as the market and prices were not favourable at that time. Line 5 reconstruction is more ambitious than Line 6 as Steppe Cement intends to replace the total pyro-processing equipment. In addition to the general revamping, new motors, electrical controls, process instrumentation and filters are also intended to be replaced.

The Group intends to engage similar contractors with an established track record for Line 5 reconstruction. These contractors and the Group's engineers were mostly involved in the Line 6 refurbishment.

Additionally, the majority of the new equipment is already on site including the kiln section and all accessories, the cooler, all fans, all the bigger motors, electrical control equipment, filters, conveyors etc. Purchases of equipment are expected to be minimal and mainly electrical items towards the tail-end of the project.

Steppe Cement estimates that the Line 5 project will be completed during autumn 2013.

### 3.2 Line 5 summary project cost

A total of USD65 million had been spent on Line 5 until 2008. Most of the imported materials have been bought and are already on-site. Since then, some of these materials were used as spare parts for Line 6 or as consumables for the factory to preserve cash.

**The budgeted costs for the Line 5 completion are estimated at USD40 million**. Steppe Cement has spent USD6 million over the last 9 months on the project using funds generated from operations and the balance required is USD34 million. The USD6 million spent was used to continue with the local fabrication parts and to order the long lead items that require significant delivery time. The Group is currently completing the kiln and cooler assembly and working on the preheater modification**.** Since the re-starting of the project activity, the Group has completed 95% of the remaining civil works and total design review of the electrical network services. The total estimated cost for the revamping of Line 5 is estimated at USD105 million for a production capacity of 1.2 million tonnes or the equivalent of USD 88/tonne. This is significantly lower than the estimated construction costs of a green-field cement plant in Kazakhstan at USD200/tonne and an average 3 years for completion. The estimated total costs of constructing a green-field cement plant of similar capacity in Kazakhstan is over USD200 million according to a VTB Capital research report.

The following is a summary of costs itemized by category of works and taxes:

| | As of 30 September 2012 | | | |
|---|---|---|---|---|
| **In USD million** | **Budgeted** | **Contracted** | **Paid** | **Balance** |
| Repairs of existing equipment | 7.8 | 5.5 | 2.7 | 5.1 |
| Pyro line (kiln, cooler, preheater) | 46.7 | 34.4 | 32.2 | 14.5 |
| Environmental protection | 2.8 | 1.9 | 1.9 | 0.9 |
| Conveying | 5.0 | 5.0 | 4.7 | 0.3 |
| Weight feeders / proportioning | 1.8 | 1.4 | 1.4 | 0.4 |
| Electricals | 13.3 | 6.0 | 9.5 | 3.8 |
| Design & Engineering | 0.9 | 0.9 | 0.9 | - |
| Civil works | 3.4 | 2.8 | 1.0 | 2.4 |
| Mechanical installation | 6.0 | 3.4 | 1.2 | 4.8 |
| Common items to Lines 5 and 6 | 13.6 | 13.6 | 13.6 | - |
| Contingencies - mechanical | 0.6 | - | - | 0.6 |
| Contingencies - electrical | 0.4 | - | - | 0.4 |
| Import taxes | 2.3 | 1.7 | 1.7 | 0.6 |
| Withholding taxes | 0.5 | 0.3 | 0.3 | 0.2 |
| **Total in USD million** | **105.1** | **76.9** | **71.1** | **34.0** |

### 3.3 Overview of the Group's indebtedness

As of 30 September 2012, the Group's outstanding debt was approximately USD47.7 million comprising:

- USD45.4 million of long term loans from EBRD and HSBC which includes interest accrued of USD0.8 million; and
- USD2.3 million of short-term loans from Halyk Bank JSC and Bank CenterCredit JSC out of the total facilities of USD19.7 million.

The details of the Group's indebtedness are shown in the following table:

**Summary of the group's indebtedness as at 30 September 2012**

| Financial Institution/Issuer | | Outstanding | Purpose | Interest Rate | Terms of Principal and Interest Repayment | Maturity Date |
|---|---|---|---|---|---|---|
| EBRD | Tranche A | USD21.7 m | To partially finance the refurbishment of production Lines number 5 and 6. | LIBOR (6-month USD) + 5.0% p.a. | The remaining six (6) principal repayments are payable semi-annually commencing on 11 November 2012 and ending on 11 May 2015.<br>Interest is payable semi-annually from the date of initial drawdown. | 11 May 2015 |
| | Tranche C | USD10.3 m | To partially finance the refurbishment of production Lines number 5 and 6. | LIBOR (6-month USD) + 6.5% p.a. | Principal is to be repaid in one bullet payment on 11 May 2015.<br>Interest is payable semi-annually at the same time as Tranche A interest payments. | 11 May 2015 |
| HSBC Bank Kazakhstan JSC | | USD13.4 m | To partially finance the refurbishment of Lines 5 and 6 in parallel with EBRD's facility. | LIBOR (6-month USD) + 6.5% p.a. | Principal is payable semi-annually in six (6) instalments commencing 22 March 2013. The interest terms remain unchanged. | 22 Sep 2015 |
| Halyk Bank JSC | | KZT 345 m outstanding and KZT 1.905 m available (approximately USD2.3 million and USD12.7 million respectively) | To finance working capital requirements and Line 5 construction. | 10.75% p.a. for 6 months. | Drawdown is in KZT. Principal and interest are repayable monthly in the six month period from the date of drawdown. | 23 Jan 2013 |
| Bank CenterCredit JSC | | Nil outstanding and KZT 700 m available | To finance working capital requirements. | 11% p.a. for 3 month principal maturity period. | Principal is payable in a bullet payment after 3 months or quarter end from the date of drawdown. | 22 Feb 2013 |

*Note: 'm' denotes million.*

### 3.4 Schedule of the Group's long-term debt repayment obligations

The Group's funding cost based on the latest weighted average interest rate of the Group's long-term loans was 6.43% per annum as at 30 September 2012. The following is a schedule of the Group's long-term debt repayment obligations commencing 1 October 2012 based on this latest weighted average interest rates:

| Year | Principal (USD'million) | Interest (USD'million) | Total (USD'million) |
|---|---|---|---|
| 2012* | 1.2 | 1.0 | 2.2 |
| 2013 | 12.2 | 2.6 | 14.8 |
| 2014 | 13.4 | 1.8 | 15.2 |
| 2015 | 17.8 | 0.6 | 18.4 |

* From 1 October 2012 to 31 December 2012.

Steppe Cement expects that the proceeds from the offer for subscription, together with additional loans or bonds and internally generated cash flows are sufficient to match this repayment profile while completing Line 5.

### 3.5 Macroeconomic overview in Kazakhstan

Kazakhstan is the major producer and exporter of energy and commodities in Central Asia.

The Kazakhstan economy was hit earlier than many other countries by the reduced availability of credit. As early as September 2007, local banks faced problems in refinancing their short-term international credit lines. As a result of the crisis, the Kazakhstan Government devalued its currency, took significant controlling stakes in the four major banks and injected billions into the economy. Most of the local banks had to make provisions for non-performing loans of up to 25% of the total loans portfolio. The situation stabilized in 2011 and lending has resumed since then but at a slower pace as the banks are widely unable to tap international markets. The government continues to encourage the banks to resume credit to boost the economy through subsidized loans and indirect financing of major infrastructure related projects.

Economic growth was limited in 2009 but rebounded strongly in 2010, 2011 and the first half of 2012 on the back of a recovery in commodity prices. The Tenge has remained stable for the last 3 years trading from KZT145 to KZT150 per USD.

***Construction sector***

- The demand for cement followed GDP growth and increased from 1.1 million tonnes in 2000 to 7.6 million tonnes in 2007 but in 2008 and 2009, the cement market volume decreased to 5.6 and 5.1 million tonnes respectively.

- The Kazakhstan Government supported the construction sector from 2010 by injecting funds into several infrastructure and real estate projects. This contributed to an increase in demand for cement of 5.7 and 6.2 million tonnes in 2010 and 2011 respectively.

- The cement market consumption trend is expected to continue in 2012 and 2013 where demand is expected to grow to 7.0 and 7.5 million tonnes respectively.

| Year | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | *2012E* |
|---|---|---|---|---|---|---|---|---|
| GDP Growth (%)* | 9.7 | 10.7 | 8.9 | 3.0 | 1.0 | 5.0 | 7.0 | *5.5* |
| Cement Demand (‘000 tonnes) | 5,200 | 6,300 | 7,600 | 5,700 | 5,100 | 5,700 | 6,200 | *7,000* |
| Local Supply (‘000 tonnes) | 3,600 | 4,000 | 4,100 | 3,900 | 4,000 | 4,600 | 5,300 | *6,000* |
| Cement Ex-factory Price (KZT per tonne) | 8,300 | 9,100 | 15,577 | 12,762 | 8,351 | 7,953 | 9,914 | *11,100* |

** Source: National Bank of Kazakhstan*

*E = Estimate*

- Steppe Cement expects the construction sector’s share of GDP to continue to grow in 2012 based on the strong investment in infrastructure and house building.

- Once Line 5 refurbishment is completed, the Group is expected to maintain its 20% market share in the cement market.

## 4. SUMMARY DETAILS OF THE OFFER FOR SUBSCRIPTION

The Offer for Subscription allows participation by all Qualifying Shareholders on the Record Date. Qualifying Shareholders are invited to apply, subject to a minimum subscription of £85,000 (i.e. 340,000 new Ordinary Shares) and to the other terms and conditions of the Offer set out in Part III and in the Application Form, for the Offer Shares at a price of 25 pence per Offer Share payable in cash in full on application.

The Offer Shares issued pursuant to the Offer for Subscription will, when issued and fully paid, rank *pari passu* in all respects with, and will carry the same voting and dividend rights as, the Existing Ordinary Shares. The Offer for Subscription is conditional, *inter alia*, upon:

(i) Admission of the Offer Shares becoming effective by 8.00 a.m. on 10 December 2012 (or such later time or date as the Company may determine); and

(ii) the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms.

The results of the Offer for Subscription are expected to be announced by the Company on or around 3 December 2012. The issue and allotment of the Offer Shares are expected to take place on 10 December 2012. It is expected that Admission will occur and dealings in the Offer Shares will commence on 10 December 2012.

It is expected that Offer Shares validly applied for by Qualifying CREST Holders will be credited to the CREST accounts of such Qualifying CREST Holders on 10 December 2012. It is expected that share certificates (in respect of shares to be held in certificated form) in respect of Offer Shares validly applied for by Qualifying non-CREST Shareholders will be despatched on 13 December 2012.

Further details of the Offer are set out in Part III Terms and Conditions of the Offer for Subscription.

## 5. UNDERWRITING AGREEMENT

The Offer for Subscription is fully underwritten by the Underwriters. The Underwriting Agreement is conditional upon the fulfilment of all the terms and conditions contained therein.

An Underwriting Fee, being 3% of the maximum gross proceeds of the Offer, is payable to the Underwriters pursuant to the Underwriting Agreement. The salient terms of the Underwriting Agreement, *inter alia*, are as follows:

(a) The Underwriters severally agree to underwrite the Offer for Subscription in the proportions set out in the Underwriting Agreement in accordance with the terms and conditions set out in the Underwriting Agreement;

(b) The conditions precedent in the Underwriting Agreement include, but are not limited to, the following:

i) there having been no material adverse change in the Group's financial condition and business operations, nor occurrence or discovery of any event, circumstance or fact which may render inaccurate, untrue or incorrect any of the representations and warranties contained in the Underwriting Agreement and that, to the satisfaction of the Underwriters, the Company has complied with all relevant rules and applicable laws; and

ii) the representations and warranties of the Company contained in the Underwriting Agreement, the Circular and the financial statements of the Group being true, correct and complete as at closing of the Offer at 3.00 p.m. on 30 November 2012 (and with the same force and effect as though such representations and warranties had been made at and as of such time with respect to the state of facts then existing), provided that completion of the sale and purchase of Offer Shares pursuant to the Underwriting Agreement shall not be, nor be deemed to be, a waiver of the representations and warranties contained in the Underwriting Agreement, the Circular or the financial statements of the Group, which representations and warranties shall continue in full force and effect for the benefit of the Underwriters as provided in the Underwriting Agreement;

(c) The Underwriters have a right to terminate the Underwriting Agreement prior to Admission if:

(i) any warranty, representation or undertaking given by the Company is breached;

(ii) there shall have occurred, happened or come into effect any material and adverse change to the Group's business or financial condition;

(iii) there shall have occurred, happened or come into effect any material change in the financial, economic or political conditions or any change in law, regulation, directive, policy or ruling in any jurisdiction or any events beyond the reasonable control of the Underwriters (including but not limited to, acts of God, war, terrorism, sabotage) which would have a material effect on and/or materially prejudice the Underwriters and/or the Group's business or operations, the success of the Offer for Subscription or the admission of the Offer Shares for dealing on AIM, or which has or is likely to make the Underwriting Agreement incapable of performance:

(iv) there is a failure on Underwriters and/or the Company's part to perform any obligations in the Underwriting Agreement; and

(v) any of the conditions precedent in the Underwriting Agreement are not fulfilled by the closing of the Offer for Subscription at 3.00 p.m. on 30 November 2012.

(d) The Underwriting Agreement is governed by Malaysian law.

## 6. CURRENT TRADING UPDATE

In the financial year ended 2011, the Group achieved revenues of USD96 million and sales of 1.23 million tonnes representing approximately 20% of the Kazakh domestic cement market. Profit after tax was USD3.3 million for 2011. In the first half of 2012 the turnover increased to USD52 million from USD43 million in the first half of 2011.

Delivered selling price during the first half of 2012 increased to USD 86/tonne from USD72/tonne in the same period of the previous year. For the full year of 2012 the Group is expecting an increase in delivered selling price to USD88/tonne from USD78/tonne in 2011. Third quarter sales volumes in 2012 showed an increase of 16% over the same quarter in 2011.

The table below shows the market volumes, sales volumes, ex-factory selling prices as well as the market share achieved by the Group over the last seven years and the estimate for 2012:

| **Year** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | ***2012E*** |
|---|---|---|---|---|---|---|---|---|
| **Cement Market ('000 tonnes)** | 5,200 | 6,300 | 7,600 | 5,700 | 5,100 | 5,700 | 6,200 | *7,000* |
| **Group Sales Volume ('000 tonnes)** | 708 | 760 | 820 | 805 | 930 | 1,157 | 1,229 | *1,350* |
| **Ex-Factory Price (KZT per tonne)** | 8,300 | 9,100 | 15,577 | 12,762 | 8,350 | 8,700 | 10,000 | *11,100* |
| **Market share (%)** | 14 | 12 | 11 | 14 | 18 | 20 | 20 | *20* |
| **Imports share (%)** | 31 | 37 | 46 | 27 | 21 | 20 | 16 | *14* |

*E = Estimate*

From 2002 to 2007, local producers were unable to increase production quick enough to cope with demand and the supply gap was covered by imports. This unfulfilled demand gap brought about high prices per tonne. The situation began to reverse in 2008 and accelerated in 2009 as local factories increased production including our Line 6 plus two new factories commissioned in 2009 and 2010.

During late 2008 and early 2009 the Group commissioned Line 6 and decided to put dry Line 5 on stand-by.

From 2010 to 2012 the Group achieved great improvements in productivity and reliability of Line 6 with it currently producing up to 2,700 tonnes of clinker per day or the equivalent of 3,350 tonnes of cement.

The Group intends to continue to operate Line 6 and the wet lines during the remaining of 2012 and 2013, at nearly full capacity to match increasing demand.

The Group estimates that a further USD34 million is required to bring Line 5 to completion. The cost advantages of using Line 5 over the wet lines (cash cost savings of USD16/tonne) are expected to be enough to recover this additional investment over a few years from commencement of actual Line 5 operations.

Our weighted average cash cost of cement before completion of Line 5 in 2012 is expected to be USD47/tonne. It is estimated that upon completion and with the current input costs, the average cash cost per tonne will be reduced to around USD39/tonne.

The expected average ex-factory selling price for 2012 is USD74 per tonne.

During 2012, the Group has continued its efforts to control costs particularly in electricity. In 2013 these efforts are expected to be reflected in the Group's bottom line. There are also additional opportunities to reduce cement transportation costs in the coming year.

**Market and competition**

The 2012 actual production capacity of the factories in Kazakhstan to date is approximately 6.5 million tonnes of which 40% is estimated to be dry process and 60% wet process. The domestic market in 2012 is estimated at 7.0 million tonnes. Over the next 5 years Steppe Cement expects the market to increase to 9.0 million tonnes while the supply may increase by between 3 and 4 million tonnes. By then the dry process factories are expected to represent 60% of the market.

It is expected that the new production capacity from Line 5 will allow us to compete to maintain our market share.

The Group enjoys significant competitive advantages over its main competitors, particularly in terms of cost and location. The Group benefits from:

- Low cost production;
- Availability of high quality raw materials near the factory including access to the limestone quarry, with the licence of sub-surface use extended until 2043;
- Cheap supplies of electricity, coal and slag as the producers are near the factory;
- The only producer located near the new capital Astana and can serve the markets in the centre and the north that represent 25% of the overall market; and
- Low debt levels.

## 7. OPINION OF INDEPENDENT DIRECTORS

Shareholders should be aware that the Underwriters to this offer, being Asian Investment Management Services Ltd, Halfmoon Bay Capital Limited & Mango Bay Enterprises Inc. and Portola Group Limited are related parties of Steppe Cement. Asian Investment Management Services Ltd and Halfmoon Bay Capital Limited & Mango Bay Enterprises Inc are substantial shareholders (as defined by the AIM Rules) and Portola Group Limited is part of Steppe Cement Director, Mr Javier del Ser Perez's, family trust and is the vehicle through which Mr del Ser Perez holds his shares in Steppe Cement.

The Directors of the Company (other than Mr Javier del Ser Perez) consider, having consulted with their nominated adviser RFC Ambrian Limited, that the terms of the Offer are fair and reasonable insofar as Shareholders are concerned.

## 8. ACTION TO BE TAKEN

As a Qualifying Shareholder, you will find enclosed with this document an Application Form. If you wish to apply for the Offer Shares, you should complete the accompanying Application Form in accordance with the procedures for application set out in Part III of this document and on the Application Form itself.

## 9. IRREVOCABLE UNDERTAKINGS TO SUBSCRIBE FOR THE OFFER SHARES

**The Chief Executive Officer, Mr Javier del Ser Perez, has irrevocably undertaken to subscribe for such number of the Offer Shares for him to maintain his 7.2% shareholding in the Company, which currently comprises of 12,867,660 Ordinary Shares.**

The Underwriters, who collectively hold an aggregate of 77,147,142 Existing Ordinary Shares representing approximately 43.1 per cent of the Company's Existing Issued Ordinary Share Capital, have irrevocably undertaken to subscribe for such number of Offer Shares as would enable them to maintain their respective existing percentage shareholdings in the Company.

Yours sincerely,
For and on behalf of the Board

| | |
|---|---|
| - signed - | - signed - |
| MALCOLM RONALD BROWN<br>NON-EXECUTIVE CHAIRMAN | JAVIER DEL SER PEREZ<br>CHIEF EXECUTIVE OFFICER |

# PART II

# RISK FACTORS

Shareholders should consider carefully all of the information set out in this Circular, together with the risks normally associated with companies of a similar nature to the Group and, in particular, those risks described below. If any of the following risks actually materialise, the Group's business, financial position, performance, prospects and share price could be materially and adversely affected to the detriment of the Group and its Shareholders and Shareholders may lose all or part of their investment. The following risks are those material risks of which the Directors are aware. The Directors consider the following risks to be the most significant for potential investors, but the risks listed do not necessarily comprise all those associated with an investment in the Company which may also have an adverse effect on the Group's performance, prospects, business, financial position, and share price.

## 1. RISKS ASSOCIATED WITH THE GROUP'S OPERATIONS

### 1.1 Foreign Currency Risk

The Group is exposed to foreign currency volatility as certain of its bank borrowings are denominated in USD. In February 2009, the Kazakhstan Government devalued the Kazakh Tenge by approximately 25%. The value of goods and services purchased from overseas suppliers by the Group may therefore require additional outlay. Changes to the foreign exchange rate between USD and KZT may have an adverse impact on the Group's financial performance and position.

There can be no assurance that the KZT will not be devalued further.

### 1.2 Interest Rate Risk

The Group's cement operations in Kazakhstan are financed to a certain extent by bank borrowings. Fluctuations in the interest rates may adversely affect the Group's performance. The interest rates applicable to the Group's long-term loans are dependent on the movement in LIBOR. Any factors which cause a change in LIBOR may result in higher borrowing costs for the Group.

There can be no assurance that the changes in the interest rate environment will not have an adverse impact on the financing costs of the Group.

### 1.3 Indebtedness

The Group's capacity to service its loans and other financing arrangements referred to in paragraph 3.3 of Part I of this document depends on the ability to generate sufficient cash flows from its cement operations in Kazakhstan which are subject to many factors beyond the Group's control. Failure by the Group to meet any of its debt obligations or covenants could lead to cross-default of its loan facilities which will cause some or all of the amounts payable, including interest, being repayable on demand or sooner than would have otherwise been the case.

No assurance can be given that the Group will generate sufficient cashflows to enable it to repay all of its borrowings and interest.

### 1.4 Covenants Restrictions

The bank facilities granted by the banks in Kazakhstan to Karcement JSC include various covenants that may limit the Group's operating and financial flexibility as prior written consent is required from the relevant banks.

There can be no assurance that, in the event any new facilities are procured by the Group, these would not have restrictive covenants that may further limit the Group's operating and financial flexibility or that the existing or new covenants will not be varied or imposed or enforced by the banks.

### 1.5 Line 5 Project Refurbishment

Line 5 project refurbishment is subject to various risks, particularly cost overruns associated with the construction and project management in which actual costs may exceed budgeted costs. The total estimated project cost is USD105 million out of which USD71 million has been spent to-date. The estimated cost to completion for the refurbishment of the Line 5 dry process kiln is USD40 million which mainly consists of fabrication, installation and erection works. As at 30 September 2012, USD6 million costs have been incurred with the remaining USD34 million to be spent through to expected completion in autumn 2013.

Any delays in completing the Line 5 project will result in additional costs to the Group. This will adversely affect the operations, financial performance and position of the Group.

There is also no guarantee that the Group will be able to secure the necessary loans and/or other funding required to complete the Line 5 refurbishment. Even if the Group is able to secure such necessary loans and/or other funding, there is no guarantee that the terms of such arrangements will be as favourable as similar arrangements secured to date.

There can be no assurance that the project will be completed and all government approvals will be secured in a timely manner.

### 1.6 Loan Financing Support

The loan facilities of Karcement JSC comprise long term loans. The continued ability of Karcement JSC to operate is dependent on these banks' continued support and maintenance of these facilities. Any reduction or withdrawal of facilities would weaken the Group's working capital position. However, the banks have indicated their support of the Offer for Subscription.

### 1.7 Dependence on Key Personnel

The Group's future success is dependent, among other things, on the continued services of its Executive Director, Senior Management and other key personnel who have built long-term and strong relationships with many of the Group's customers and suppliers. The loss of the services of these key personnel may have a material adverse effect on its business.

The Directors cannot give assurances that the Executive Director or Senior Management team will continue to remain with the Group or that it will be able to attract personnel of a sufficiently high calibre to meet the Group's recruitment needs.

### 1.8 Cement Plant Condition and Efficiency

Cement production in Kazakhstan is dependent on the age, condition and efficiency of the wet and dry lines. Due to the ageing condition of the plant, there may be risk and increased costs associated with the maintenance and refurbishment. There is no assurance that the Group will be able to maintain and refurbish the production lines within its cost estimates.

### 1.9 Labour, Raw Materials and Utility Costs

The Group's cement operations are heavily dependent on its labour, raw materials and utilities. Volatility in the energy markets resulting in higher prices for coal, fuel, water and electricity may result in significant increases in the cost of production which could have an adverse impact on the Group's operating margin and cashflows.

### 1.10 Loam and Limestone Deposits

Cement production activities are reliant upon the extraction of the loam and limestone deposits from the quarries. The rights to extract loam and limestone deposits have recently been extended from November 2019 to November 2043, subject to the fulfilment of certain conditions. There can be no assurance that the rights will be extended beyond November 2043.

### 1.11 Insurance

The Group maintains insurance policies to protect its assets from potential losses. Nevertheless, insurance associated with all risks may not be available in Kazakhstan. The insurance costs may be excessive compared with the expected benefits and there is no assurance that the insurance cover is adequate to offset the losses arising from potential risks.

## 2. RISKS ASSOCIATED WITH POLITICS, ECONOMIC CONDITIONS AND INDUSTRY

### 2.1 Political and Economic Conditions

The Group's cement operations in Kazakhstan are affected by political and economic conditions which may impact on the markets in which the Group operates. These include changes in political leadership, economic and monetary policies and risks of war. The Kazakhstan Government continues to play an important role in the transition of the Kazakhstan economy to a market oriented economy. Over the years, political and economic reforms were implemented to attract foreign investments and reduce bureaucracy for businesses. The policies implemented may differ from the policies of the more established and developed economies. Changes in political or economic factors may have an adverse effect on the operations, cash flows, financial performance and position of the Group.

There can be no assurance that any change in the political and economic factors will not materially affect the Group's cement business.

### 2.2 Competition

The Group operates in a competitive market in Kazakhstan and is exposed to significant competition from rival cement companies. Although the Directors believe that the Group presently has considerable cost advantages over its competitors and is the lowest cost producer in the country, there can be no assurance that the Group will be able to maintain or expand its market share in the future in the marketplace in which it operates. The competitors of the Group may gain increased efficiencies of scale, greater market share and stronger financial resources, thereby threatening the Group's competitive position.

### 2.3 Tax

Any adverse change in applicable tax laws and/or practice or adverse interpretations or rulings on the tax effect of specific transactions in jurisdictions where the Group is operating, particularly in Kazakhstan or in Labuan, Malaysia and the Netherlands, or between any relevant jurisdictions could have a negative impact on the Group's financial condition or prospects. Any such change could adversely affect the net amount of dividends or distributions, if any, payable to Shareholders.

### 2.4 Environmental regulations

The Group's cement operations in Kazakhstan are subject to environmental and health and safety laws, including laws relating to the use, disposal, clean-up of, and human exposure to, hazardous substances. Under these laws, the Group could be subject to fines and penalties, liability for cleaning up environmental contamination and damages for replacing natural resources caused by the Group's activities.

Any changes in environmental regulations could cause additional liabilities relating to remediation and compliance expenses, and the imposition of additional obligations on the Group's cement operations to comply with the regulations.

## 3. RISKS ASSOCIATED WITH THE ORDINARY SHARES

### 3.1 Investment Risk

An investment in the Ordinary Shares which are traded on AIM is perceived to involve a higher risk than an investment in shares listed on the Official List of the UK Listing Authority. Prospective investors should be aware that the value of the Ordinary Shares could go down as well as up, and investors may therefore not recover their original investment as the market in Ordinary Shares may have limited liquidity.

### 3.2 Volatility of Share Price

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the equity market regarding the Ordinary Shares. Past performance is not an indicator of the future performance of the share price. Significant fluctuations could also be in response to various facts and events including regulatory changes affecting the Group's operations, liquidity or absence of liquidity in the Ordinary Shares, variations in the Group's operating results, divergence of financial results from analysts' expectations, changes in earnings estimates by stock market analysts, stock market speculations and fluctuations and business developments of the Group or its competitors as well as the matters referred to in this Circular.

Recent stock market volatility has increased due to economic and market uncertainty in the short to medium-term. The market price of the Ordinary Shares is likely to be sensitive to market movements and may well be affected by the uncertain underlying economic and market conditions. In addition, global stock markets and sentiment have been affected more generally by the global economic recession. Adverse conditions in these markets alone could have a material adverse effect on the market price of the Ordinary Shares.

### 3.3 Liquidity of Shares

The trading volumes in the Company's Ordinary Shares may be low and the market in the Ordinary Shares may have limited liquidity. Trading in a small number of Ordinary Shares may, therefore, have a significant impact, up or down, on the market price of an Ordinary Share. Consequently, the market price of an Ordinary Share may not accurately reflect the price at which a substantial number of shares could be acquired in the market. There can be no guarantee that there is sufficient liquidity for the Ordinary Shares to be transacted at an acceptable price.

### 3.4 Dilution of Existing Ownership of Ordinary Shares

Qualifying Shareholders who do not subscribe for Offer Shares will experience dilution in their ownership of Ordinary Shares in Steppe Cement and their proportionate ownership and voting interests in the Ordinary Shares in Steppe Cement will be reduced.

Qualifying Shareholders who subscribe to the Offer Shares may also experience dilution in respect of their proportionate ownership and voting interest in the Ordinary Shares as the 40,000,000 Offer Shares to be issued pursuant to the Offer for Subscription represent 22.3% and 18.3% of the Existing Issued Ordinary Share Capital and Enlarged Issued Ordinary Share Capital of the Company respectively.

# PART III

# TERMS AND CONDITIONS OF THE OFFER FOR SUBSCRIPTION

## 1. INTRODUCTION

As explained in Part I (Letter to Shareholders), the Company is proposing to raise approximately £10 million (approximately £9.67 million net of expenses) via an Offer for Subscription to Qualifying Shareholders of 40,000,000 Ordinary Shares of no par value each at the Offer Price of 25 pence per Offer Share, subject to a minimum subscription of £85,000 and the terms and conditions set out in this Part III. The Offer Shares represent 22.3% of the Existing Issued Ordinary Share Capital and 18.3% of the Enlarged Issued Ordinary Share Capital.

## 2. OFFER FOR SUBSCRIPTION

The Offer for Subscription is only available to Qualifying Shareholders on the Record Date. The Company invites Qualifying Shareholders to apply, subject to a minimum subscription of £85,000 (i.e. 340,000 Offer Shares) and the other terms and conditions set out herein and in the Application Form, for Offer Shares at a price of 25 pence per Offer Share payable in cash in full on application.

All applications received are irrevocable. Applications for Offer Shares may only be made on the Application Form. Applications must be for a minimum subscription of £85,000 (i.e. 340,000 Offer Shares). Any Qualifying Shareholder who does not wish to apply for Subscription Shares should not complete or return the Application Form.

Qualifying Shareholders should complete and sign the Application Form in accordance with the instructions printed on it and set out in this document and return it, either by post or by hand (during normal business hours only), together with payment via cheque or banker's draft made payable to “Computershare Re: Steppe Cement Ltd”, to the Company's Receiving Agents, Computershare Investor Services PLC at the address shown on the Application Form, so as to be received by not later than 3.00 p.m. on 30 November 2012, at which time the Offer for Subscription will close. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker’s drafts will be presented for payment on receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker’s drafts to allow the Company to obtain full value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest on such payments will accrue to the benefit of the Company. It is a term of the Offer for Subscription that cheques and banker’s drafts will be honoured on first presentation and the Company may elect to treat as valid or invalid any applications made by Qualifying Shareholders in respect of which cheques are dishonoured. If any cheque or banker’s draft is presented for payment before the conditions of the Offer for Subscription are fulfilled, the application monies will be kept in a separate interest bearing bank account, with any interest being retained for the benefit of the Company until all conditions of the Offer for Subscription are satisfied or waived.

Third party cheques will not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to confirm that the relevant Qualifying Shareholder has title to the underlying funds. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

In the event that the conditions are not fulfilled on or before 8.00 a.m. on 10 December 2012 (or such later time and date as the Company may determine) application monies are expected to be returned without interest by crossed cheque in favour of the applicant(s) (at the applicant’s risk) by post as soon as practicable. Any interest earned on the application monies will be retained for the benefit of the Company.

The basis of allocation and the allotment of the Offer Shares will be at the absolute discretion of the Directors, who reserve the right to meet the applications, in whole or in part. In the event applications are received in excess of £10 million, all applications will be dealt with in the following manner:

1) all applicants will receive the minimum 340,000 Offer Shares (i.e. £85,000);

2) in respect of applications received in excess of 340,000 Offer Shares, unallocated Offer Shares will be allotted to Qualifying Shareholders in direct proportion to such Qualifying Shareholders' existing shareholdings as of the Record Date; and

3) any remaining unallocated shares will be allocated at the discretion of the Board.

The Directors of the Company reserve the right to extend the period during which the Offer for Subscription remains open. The Company reserves the right (but shall not be obliged) to treat as valid any application not strictly complying with these Terms and Conditions. If any Application is not accepted, or if any contract created by acceptance does not become unconditional, or if any Application is accepted but for a lesser amount than was originally applied for, the Application monies or the balance of the amount paid on Application will be returned (without interest) by post to the Shareholder at the risk of the Shareholders.

The Offer Shares issued pursuant to the Offer for Subscription will, when issued and fully paid, rank *pari passu* in all respects with, and will carry the same voting and dividend rights as, the Existing Ordinary Shares. The Offer for Subscription is conditional, *inter alia*, upon:

(i) Admission of the Offer Shares becoming effective by 8.00 a.m. on 10 December 2012 (or such later time or date as the Company may determine); and

(ii) the Underwriting Agreement being unconditional in all respects and not having been terminated in accordance with its terms.

It is expected that Admission will occur and dealings in the Offer Shares will commence on 10 December 2012. It is expected that the Offer Shares validly applied for by Qualifying CREST Holders will be credited to the CREST accounts of such Qualifying CREST Holders on 10 December 2012. It is expected that share certificates (in respect of shares to be held in certificated form) in respect of Offer Shares validly applied for by Qualifying non-CREST Shareholders will be despatched on 13 December 2012.

The Offer for Subscription is not a rights issue or open offer. Qualifying Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that in the Offer for Subscription, unlike in a rights issue, any Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Offer for Subscription. The results of the Offer for Subscription are expected to be announced by the Company on or around 3 December 2012. Issue and allotment of the Offer Shares is expected to take place on 10 December 2012.

The Offer for Subscription is not conditional on any minimum percentage level of subscription for the Offer Shares. Accordingly, even if the maximum number of Offer Shares is not subscribed for under the Offer for Subscription, the Company may, subject to the Offer for Subscription becoming unconditional, allot any number of Offer Shares for which valid applications have been received. If, for whatever reason, completion of the Offer for Subscription does not occur, application monies which have been received will be returned (without interest) by crossed cheque (or banker's draft) by post to the Shareholder (or in the case of joint holders, the first named holder in the Company's register of members) at the risk of the Shareholder(s).

Any person applying for Offer Shares on an Application Form will be agreeing with the Company and Computershare Investor Services PLC in the terms set out in this Circular. By completing and delivering an Application Form, each Qualifying Shareholder:

(a) irrevocably offers to apply for the number of Offer Shares entered in the Application Form (or such lesser number of Offer Shares for which such Qualifying Shareholder's Application is accepted) subject to the provisions of this document, the Application Form and the memorandum and articles of association of the Company. If the number of Offer Shares applied for in the Application Form is inconsistent with the amount of remittance which is accompanying the Application Form, the Qualifying Shareholder shall be deemed to have applied for the lesser of (i) the number of Offer Shares applied for in the Application Form and (ii) the number of Offer Shares which could be subscribed for by the Shareholder at the Offer Price with the remittance which accompanies the Application Form, subject always to the minimum subscription of £85,000;

(b) authorises Computershare Investor Services PLC, on behalf of the Company, to send a document of title for the number of Offer Shares for which a Qualifying Shareholder's Application is accepted (or, in the case of holders of Depository Interests, to credit their CREST account by means of a Registrars' adjustment), and/or a crossed cheque (or banker's draft) for any monies returnable, by post at the Qualifying Shareholder's risk to the address as set out in the Application Form;

(c) agrees that, in consideration of the Company agreeing that it will consider and process Applications in accordance with the procedures set out herein, Applications cannot be revoked and that this paragraph constitutes a collateral contract which will become binding upon despatch by post or by hand of the Application Form duly completed to Computershare Investor Services PLC;

(d) represents and warrants that the Shareholder's remittance will be honoured on first presentation and agrees that, if such remittance is dishonoured, the Shareholder will not be entitled to receive the Offer Shares applied for or to enjoy or receive any rights or distributions in respect of such Offer Shares unless and until such Qualifying Shareholder makes a payment in cleared funds for such Offer Shares and such payment is accepted by the Company (which acceptance shall be in its absolute discretion and which may be on the basis that such Shareholder indemnifies it against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of such Qualifying Shareholder's remittance to be honoured on first presentation) and that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) treat any agreement to allot and issue Offer Shares as void and may allot and issue such Offer Shares to some other person, in which case such Qualifying Shareholder will not be entitled to any refund or payment in respect of such Offer Shares (other than return of late payment);

(e) agrees that all cheques and banker's drafts may be presented for payment on receipt and any definitive document of title and any monies returnable to the Qualifying Shareholder may be retained pending clearance of its remittance and the completion of any verification of identity required by the Money Laundering Regulations 2007 (as amended) and any investigations of any breach or suspected breach of the agreements, undertakings, representations and warranties set out in these Terms and Conditions and that such monies will not bear interest;

(f) undertakes to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company) in order to ensure compliance with the Money Laundering Regulations 2007 (as amended);

(g) agrees that, in respect of those Offer Shares for which the Qualifying Shareholder's Application has been received and processed and not rejected, acceptance of the Qualifying Shareholder's Application shall be constituted by the Company instructing Computershare

Investor Services PLC to enter the Qualifying Shareholder's name(s) on the share register (or register of holders of Depository Interests, as applicable);

(h) agrees that all documents in connection with the Offer for Subscription and any returned monies will be sent at such Qualifying Shareholder's risk (without interest) and may be sent to the Qualifying Shareholder at its address as set out in the Application Form. All documents sent to, from, by or on behalf of a Qualifying Shareholder will be sent entirely at the risk of the Qualifying Shareholder;

(i) agrees that, the Qualifying Shareholder shall be deemed to have read the notice on pages 1 and 2 of the Circular and fully understood all information (including the risk factors) contained within the Circular and these Terms and Conditions;

(j) confirms that, in making an Application, no reliance is being placed on any information or representation in relation to the Group other than such as may be contained in the Circular and agrees that none of the Company or Computershare Investor Services PLC or any of their respective officers, agents or employees or any person acting on behalf of them or any person responsible solely or jointly for the Circular, or any part of it, shall have any liability for any such information or representation (excluding any fraudulent representation);

(k) agrees that all Applications, acceptances of Applications and contracts resulting therefrom under, or connected with, the Offer for Subscription shall be governed by, and construed in accordance with, English law and that Shareholders submit to the exclusive jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of, or in connection with, any such Application, acceptances of Applications or contracts in any other manner permitted by law or in any court of competent jurisdiction;

(l) irrevocably authorises the Company and/or Computershare Investor Services PLC (or any person authorised by one of them), as its agent, jointly and severally, to do all acts and things deemed necessary and/or desirable in the agent's absolute and unfettered discretion in order to effect the registration of any Offer Shares subscribed for by the Qualifying Shareholder and irrevocably authorises such agent to execute any document required in order to give full effect to the above and, without limitation, to enter such Qualifying Shareholder's name(s) if applicable on the register of members of the Company;

(m) agrees to provide the Company with any information which it may request in connection with its Application or to comply with any relevant legislation;

(n) represents and warrants that, in connection with its Application, the Qualifying Shareholder has observed and complied with the laws and regulations of all requisite territories (including that in which the Qualifying Shareholder is based), obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with their Application in any territory and that the Qualifying Shareholder has not taken any action, including the making of its Application, which will or may result in the Company or Computershare Investor Services PLC (or any of their respective directors, officers, employees or agents) acting in breach of the regulatory or legal requirements of any territory in connection with the Offer for Subscription or the Qualifying Shareholder's Application;

(o) represents and warrants that the Qualifying Shareholder (where an individual) is over 18 years of age;

(p) represents and warrants that, if the Qualifying Shareholder signs the Application Form on behalf of somebody else or a corporation, the Qualifying Shareholder has the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, representations, warranties and undertakings contained in these Terms and

Conditions and undertakes to enclose a valid, legal and binding power of attorney (or a copy thereof duly certified by a solicitor) with the Application Form;

(q) confirms that the Qualifying Shareholder has reviewed the restrictions in the section entitled "Overseas shareholders" below and represents and warrants that the Qualifying Shareholder complies or has complied with the provisions of such section;

(r) represents and warrants that the Qualifying Shareholder is not a US Person (as defined in Regulation S of the Securities Act of 1933 of the United States of America) or resident of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan and that the Qualifying Shareholder is not applying on behalf of, or with a view to, the offer, sale or delivery of Offer Shares, directly or indirectly, to, or for the benefit of, any US Person or resident of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan;

(s) represents and warrants that the information contained in the Application Form is true, accurate and not misleading in any respect; and

(t) undertakes that the Qualifying Shareholder will not reproduce or distribute this Circular and/or the Application Form, in whole or in part, and that the Qualifying Shareholder will not disclose any of their content or any information therein for any purpose other than for the purposes of considering an investment in the Offer Shares.

Each Qualifying Shareholder's Application is addressed to the Company. The rights and remedies of the Company under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to the Company and the exercise or partial exercise of any such right in remedy will not prevent the exercise of others. The dates and times referred to in the Circular, Terms and Conditions and/or the Application Form (which are references to dates and times in London unless specified otherwise) may be revised by the Company without prior notice.

**MONEY LAUNDERING**

It is a condition of the Offer for Subscription that, in order to ensure compliance with the Money Laundering Regulations 2007 (as amended), the Company is entitled to require, at its absolute discretion, verification of identity from any Qualifying Shareholder lodging an Application Form including, without limitation, any person who either: (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Qualifying Shareholder; or (ii) otherwise appears to the Company to be acting on behalf of some other person. Pending the provision of evidence satisfactory to the Company as to the identity of the Qualifying Shareholder or any person on whose behalf the Qualifying Shareholder appears to be acting, the Company may, in its absolute discretion, retain an Application Form lodged by a Qualifying Shareholder and the cheque or other remittance relating thereto and Computershare Investor Services PLC may not enter the Qualifying Shareholder on the Company's register of members (or register of Depository Interests, as applicable) or allot any shares in respect of such Application. The Company reserves the right, in its absolute discretion, to reject any Application in respect of which the Company considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. The Company will not be liable to any person for any loss whatsoever and howsoever incurred as a result of the exercise of its discretion to determine whether the verification of identity is required and, if so, whether such verification has been appropriately evidenced by the Qualifying Shareholder. In the event of an Application being rejected in any such circumstances, the Company reserves the right in its absolute discretion to terminate any contract of allotment and issue relating to, or constituted by, such Application Form (in which event the money paid in respect of the Application will be returned (without interest) to the Qualifying Shareholder (at the sole risk of the Shareholder(s)). The notes contained within the Application Form form part of these Terms and Conditions.

## OVERSEAS SHAREHOLDERS

The making of an offer in relation to Ordinary Shares to persons who are resident in, or citizens of, countries other than the UK may be affected by the law or regulatory requirements of the relevant jurisdictions. Any person outside the UK wishing to subscribe for Offer Shares must satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining and observing any requisite formalities and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him unless, in the relevant territory, such an invitation or offer can lawfully be made to him without the contravention of any registration or other legal requirements.