

31 July 2008

TAU CAPITAL PLC

TRADING UPDATE

Tau Capital plc ("Tau" or the "Company") is pleased to provide a trading update on its activities for the six month period from 1 January 2008 to 30 June 2008 (the "Period").

The table below outlines the monthly NAV (net of fees and expenses) and performance of the Company:

MONTHLY NET ASSET VALUE (NAV)

	NAV	1 Month perf
31 January 2008	\$0.99	3.12%
29 February 2008	\$1.02	2.37%
31 March 2008	\$0.98	-4.04%
30 April 2008	\$0.94	-4.06%
31 May 2008	\$0.96	2.55%
30 June 2008	\$0.94	-1.93%

PUBLIC EQUITY

The overall NAV of the Company fell by 2.3% during the first half of 2008. The public equity portfolio (the "Portfolio") maintained a net long position during the Period, with which it proved difficult to generate positive returns in falling markets. However, the Portfolio benefited from maintaining a relatively high cash exposure of over 20% as well as a short exposure of over 30%. While all sectors and most stocks within the Portfolio posted negative returns over the Period, a few significant positive contributions were achieved from individual positions. The most noteworthy was our position in ENRC, the Kazakh ferrochrome and iron ore producer that listed on the London Stock Exchange in December 2007, which rose by over 70% over the Period.

Public Equity Portfolio Activity

Over the Period, the Portfolio's exposure to financials was reduced from approximately 17% to around 12% as we believed that the banks would continue to struggle with the worsening credit quality of their loan portfolios and their credit growth would be limited by their liabilities to repay foreign loans in 2008. In contrast, we have maintained a relatively high exposure in the mining and oil sectors.

Within the oil sector, the most significant change was closing our position in KazMunaiGas. The stock had performed strongly following significant declines after fears of additional tax duty being introduced on oil in Kazakhstan. A new Customs Tax duty on oil was subsequently introduced in May 2008 in which for every \$1 increase in the price of oil above \$120/barrell, KazMunaiGas would only gain 20 cents. As a result, we exited the stock in June 2008, having posted a small gain over the period we held the stock, as we felt that there was limited upside given that the new Customs Tax duty was progressive. We have continued to build positions in specific stocks as prices for smaller capitalisation oil and gas exploration companies fell to very attractive levels.

The Portfolio maintained a significant exposure to gold, partly to reflect our overall cautious stance on markets and also as we have found attractively priced gold stocks. However, gold stocks in the region generally have not performed well as a result of stock specific issues. Additionally, uranium stocks continue to languish as the uranium price has fallen to just under \$60/pound, which has been compounded by supply side problems at individual sites affecting the future production profiles of companies. The Portfolio

has maintained its exposure to uranium as we believe that the long-term potential demand for nuclear energy will require increased uranium supplies. Kazakhstan, currently the third largest supplier of uranium for nuclear energy, is aiming to be the world's leading supplier in the next three years.

Markets Background

The markets experienced a rollercoaster ride in the first half of 2008. Higher oil prices fueled inflationary concerns, and slower growth economic prospects in the US, combined with the continuing events in the banking sector, depressing confidence in the markets. For the six months to the end of June 2008, the MSCI World index for developed markets fell by 10.2% and the MSCI Emerging Markets index dropped by 11.6%.

Commodities were strong over the Period, rising by over 26%, as measured by the Reuters/Jefferies CRB index. Increasing soft commodity prices, partly as a result of the high oil price, has caused much concern in the emerging economies, prompting street protests. In Kazakhstan, we have seen the ban on wheat exports for a period to limit the price increases. The rising oil price has been grabbing headlines, having climbed from just under \$100/barrel at the end of 2007 to \$140/barrel at the end of June 2008. Oil stocks however, have not been correlated strongly with this rise in the raw commodity. Larger capitalisation stocks, as measured by the Dow Jones Oil and Gas index, were only up by 2% over the period, while the FT AIM Oil and Gas index, which acts as a good proxy for the smaller oil and gas stocks, rose by 15.4%. The preference though, has been for the smaller producers that benefit today from higher prices rather than exploration stocks. Operating costs continue to rise, causing funding problems for the exploration companies.

Of the hard commodities, copper, which was trading below \$7,000/tonne on the London Metals Exchange earlier this year, ended the Period at over \$8,500/tonne. Aluminum was also up strongly from \$2,400/tonne to over \$3,100/tonne, while the same story applied to most other industrial metals, with the exception of zinc and nickel. Large capitalisation mining companies have experienced a turbulent six months, but ended the period rising by over 15%. Demand in China for steel and copper remains robust and supply side concerns have ensured tight markets for most metals. Ferrochrome supply has been affected by power shortages in South Africa. As the making of ferrochrome is very energy intensive, power supply problems have limited the amount of ferrochrome production. Therefore, dramatically increased prices for ferrochrome have benefitted ENRC, one of the world's leading producers of ferrochrome.

The smaller capitalisation mining stocks have largely struggled as the focus has been on producers benefiting from the current high commodity prices. Higher costs are also impacting the smaller capitalisation mining stocks. Over the period, these companies rose by just over 3%, as measured by the FT AIM Basic Resources index. Similarly, large capitalisation gold stocks have been favoured over the smaller explorers and producers.

The Kazakhstan Stock Exchange ("KASE") index posted a return of -0.9% (in US dollar terms) over the Period. Volume on the KASE was very light over the Period, with the total volume traded of \$1.8bn not being representative of the actual traded volume as it includes large cross trades. Daily volume excluding these large cross trades has on average been no more than \$5m a day. Also, the number of stocks where we have seen the most activity has been limited to a handful of large banks, Kazakhtelecom, and KazMunaiGas, and more recently, ENRC and Kazakhmys, which were added to the KASE index in April and May respectively. This lack of liquidity is a prime reason why the KASE has performed better than most world markets. However, we believe most investors still prefer to trade Kazakh names on the UK exchanges; hence, the KASE index is not representative of the market in general.

Outlook

Given the turbulence in world markets we remain cautious. We do not see the events in the developed markets' banking sector resolving themselves quickly and believe that rising credit costs will hamper future economic growth in the US and Europe. The flood of liquidity that has been a major driving force in these

markets has subsided and therefore we see funding problems going forward for companies. Inflation remains a growing concern, especially in emerging economies.

Against this backdrop, ironically, we see increasingly attractive investment opportunities in Central Asia, particularly Kazakhstan. The banking crisis in Kazakhstan has been avoided but significant risks still remain. The banks are reluctant to write off bad loans and have been extending loan periods to customers having difficulty paying in order to avoid doing so. As a result, credit quality is deteriorating and credit growth has all but stalled. The Kazakhstan Government has enough reserves to financially support all of the banks; at the end of June 2008 it had \$45bn in reserves, which includes the National Oil Fund. Kazakh public finances are healthy due to oil revenues but we believe private enterprises will struggle. Many companies are debt financed and are now finding it extremely difficult to run their businesses as funding has dried up. Additionally, banks are raising loan rates, and small and medium enterprises will require capital to remain in business and expand. This will also provide our private equity team with an excellent opportunity in the coming months to select attractive investment targets.

In the resources sector, we expect to see increased M&A activity in Central Asia as funding dries up for the smaller resource companies. Rising operating costs adds to the difficulty for all companies in the mining and oil sectors; however, the fundamentals remain strong for mining, and oil and gas companies in the region. We believe that Kazakhstan remains one of the most attractive locations for foreign companies to invest.

PRIVATE EQUITY

Private Equity Portfolio Activity

Tau acquired a substantial minority stake in DTV, an Almaty-based cable TV operator, in October 2007 and funded the investment in two tranches, structured as a shareholder loan. Since the acquisition of an equity stake in DTV, we have funded a total amount of \$7.7 million to DTV to date in the form of shareholder loans (this particular structure was used due to certain legal requirements according to mass media law in Kazakhstan). We continue to believe that the cable TV and internet markets in Kazakhstan are poised for strong growth and consolidation as consumers migrate from analogue to digital service offerings and take up of broadband internet accelerates. The proceeds from our investments in DTV were used to pay down the company's existing debt, undertake an acquisition of an incumbent telecom operator in Western Kazakhstan, and to fund capital expenditures and operating expenses. Additionally, the Company, along with DTV's original founder and other current co-investors, are currently in the last stage of discussions to acquire an additional stake in DTV held by one of its minority shareholders. We are planning to make a c.\$5 million investment, which will provide us with a significant beneficial economic interest in DTV upon completion of the transaction. Simultaneously, we are engaged in negotiations to have DTV join a new joint venture entity to be formed with an investor with significant expertise in the telecommunications business. A newly capitalised entity (with DTV as a core asset) will be well positioned to pursue potential growth and consolidation opportunities in the cable and internet markets in Kazakhstan.

Tau is also in the advanced stage of the due diligence process for a potential investment in a pre-IPO private placement transaction in the building materials sector. The target company is a well diversified and leading regional player, with operations across four countries in the region and a very strong financial profile. A potential investment in this transaction will be for a minority stake alongside several other investors.

The Company is also actively reviewing a number of private equity investment opportunities in the beverage, oil and gas infrastructure, agriculture, and real estate sectors.

Markets Background and Outlook

Due to the lack of liquidity in the Kazakh banking sector and a decline of real estate asset prices in Kazakhstan, one of the key themes that has emerged over the Period is that a large number of small and

medium size enterprises ("SMEs") in Kazakhstan currently have very limited (or no) access to credit financing in order to support expansion and growth of these businesses. While the country's general macroeconomic growth is still intact (GDP is estimated to grow at 6-7% in 2008 and 2009 according to a number of brokers), SMEs continue to look for ways to finance business growth and repay debt obligations in order to cut financing costs in the short-term. As a result, a large number of companies and their shareholders are willing to discuss investment/financing opportunities with, and accept potential equity investors.

We believe that the market environment for private equity and special situations has become more attractive, particularly in Kazakhstan, and the Company will be actively monitoring, identifying and pursuing a number of investment opportunities in the next 12 months.

Private Equity Team Update

On 15 July 2008, the Company announced the appointment of Darius Daubaras as a Fund Manager responsible for identifying and executing private equity opportunities for the Company. Darius joined Spencer House Capital Management LLP ("SHCM"), investment adviser to the Company in June 2008. He began his investment banking career at Citigroup (previously Salomon Brothers) in 1997 where he focused on telecommunications, media and technology sectors and worked in New York, Hong Kong and London, advising clients on a variety of M&A and other corporate finance transactions. Following his MBA studies in 2003, Darius joined Merrill Lynch in London and in 2004 he moved to Credit Suisse's media and telecom investment banking team, where he advised clients on a number of M&A, private equity, debt and equity financing transactions across Europe and Emerging Markets. Immediately prior to joining SHCM, Darius was a Vice President in the Equity Capital Markets group, where he advised Russian, CIS (including Kazakhstan) and other Emerging Markets clients on IPOs and private placement transactions. Darius holds a BSBA with Summa Cum Laude Honours from the University of Denver and an MBA degree (major in Finance) from The Wharton School at the University of Pennsylvania in 2003. Darius is fluent in English, Russian and Lithuanian.

Commenting on the Company's performance over the Period and its outlook, Philip Lambert, the Company's Chairman, said:

"The Company has performed satisfactorily over the Period in spite of the continued turbulence in global markets. While the overall NAV of the Company fell by 2.3% during the first half of 2008, the public equity portfolio has benefited from maintaining a relatively high cash exposure as well as a short exposure of over 30%. On the private equity side, with access to credit financing for small and medium size enterprises in Kazakhstan continuing to remain limited, this provides us with a number of investment opportunities in the next 12 months."

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