

## **Current Report (CR) No 5 – Conclusion of a Conditional Material Agreement by the Issuer's Subsidiary (21.02.2014)**

The Management Board of Stalprodukt Spółka Akcyjna („Issuer” - joint stock company) based in Bochnia, herewith, discloses that as of this day 21 February 2014, the Company received a notification on the conclusion of a conditional material agreement („Agreement”) by the Issuer's subsidiary company.

### **1. Date of Conclusion and Parties to the Agreement**

The above mentioned Agreement was concluded on 20 February 2014 between Zakłady Górniczo-Hutnicze „Bolesław” S.A. [*the "Bolesław" Mining and Metallurgy Plant – joint stock company*] based in Bukowno – as the Seller and the Balkan Mining Group Ltd, company formed and registered in Malta as 61059, based at 60/2 Melita Street, Valletta, VLT 1122, Malta – as the Buyer.

### **2. Object of the Agreement**

The object of the Agreement is the sale of shares in Drustvo za proizvodnju, trgovinu i usluge “Gradir Montenegro” d.o.o. Niksic ("Company"), based in Montenegro, 17 Novaka Ramova Street, Niksic, Montenegro, registered as 5-0313402 in the Central Register of the Economic Court of Podgorica. As of the date of the above mentioned conclusion, the Seller's share in the Company totals 99.3473% of the Company's total registered capital.

### **3. Essential Terms of the Agreement**

#### **3.1. Selling Price**

The price payable to the Seller by the Buyer for the shares being sold amounts to PLN 152,968,330 (amount calculated on the basis of the exchange rate applicable as of the Agreement's conclusion day).

#### **3.2. Condition Precedent Clause**

The Agreement is of a conditional character, i.e. the sale of the shares being sold is restricted under the following condition precedents [*cf. suspensive conditions*]:

1) conclusion by the Buyer of appropriate mandate contracts with financial institutions/ first class banks, providing for the acquisition of external capital funding appropriated for the subscription of the shares issued by the Buyer, or for the acquisition of credits covering, at least, the entire selling price amount for the shares being sold – with the assistance of the above mentioned financial institutions/ first class banks.

2) approval for the sale of the shares being sold, under the terms specified in the Agreement, by the Seller's General Meeting of Shareholders – in compliance with the applicable Polish law provisions and the Seller's Articles of Association,

3) transfer by the Buyer of the entire selling price, for the shares being sold, to the escrow account, in compliance with the clause contained in the Agreement.

4) expressing a written consent by Hipotekarna Banka AD Podgorica to the transfer of the ownership rights, pertaining to the shares being sold, from the Seller to the Buyer, in compliance with the provisions of the Agreement,

5) conversion of all the Seller's receivables due from the Company, to the Company's supplement/reserve capital, which shall only be made if the condition precedents [*suspensive conditions*], mentioned in the above paragraphs 3) and 4) are duly fulfilled, except for the Seller's receivables due from the Company and accrued after 28 November 2013 until the transfer date specified in the Agreement and arising from the ongoing deliveries of production materials provided by the Seller to the Company or from the services rendered by the Seller in favour of the Company in connection with the production support - within the Company's normal operations.

6) non-execution by the minority shareholder of the pre-emption right, that he is entitled to, provided for in the Company's Articles of Association, within 30 days from his being duly notified by the Seller on the intention to sell the Shares Being Sold, in compliance with the Company's Articles of Association

This Agreement ceases to be effective in the case of the following events:

- if within 35 days from the Buyer's submission to the Seller of the documents confirming the acquisition of funds, a consent is not granted by the Seller's General Meeting of Shareholders ;
- if the transfer of the selling price to the escrow account is not made within 7 April 2014;
- if the consent of Hipotekarna Banka is not granted within 15 April 2014;
- if the conversion is not registered within 60 days from the transfer of the selling price to the escrow account;
- if the minority shareholder executes his right of pre-emption, in compliance with the Company's Articles of Association within 30 days from the day of being duly informed by the Seller of his intention to sell the shares being sold.

### 3.3. Contractual Penalties

The Agreement does not provide for any contractual penalties.

### 4. Agreement for Concentrate Deliveries

Moreover, the Parties agreed that within 7 days from the date of the final transfer, from the Seller to the Buyer, of the ownership rights to the shares being sold, the Parties shall conclude an agreement for a Buyer/Company-to-Seller delivery of 15,000 tons of zinc concentrates per year within the period of 5 consecutive years.

The specimen agreement, which constitutes an attachment to the Agreement, is a standard agreement for concentrate deliveries and the same does not provide for any contractual penalties.

The estimated value of the agreement for the delivery of 15,000 tons of zinc concentrates in the period of 5 consecutive years, according to the price formulas contained in the specimen agreement, shall amount to PLN 160,072,500 (estimated value, based on the exchange rate applicable on the date of conclusion of the conditional Agreement).

#### 5. Criterion Classifying the Agreement as a Material Agreement.

The criterion classifying this agreement as a material agreement is the value in excess of the 10% threshold of the Issuer's equity.

#### 6. Other information

Moreover, the Stalprodukt S.A. Management Board informs that the decision on the sale of the Gradir Montenegro d.o.o. shares was taken in connection with the formation of a large zinc-lead mining entity in the territory of the Balkans, combined with a simultaneous assurance granted thereby for deliveries of zinc concentrates to ZGH „Bolesław” S.A.

The funds obtained from the transaction concerned are, in particular, supposed to be appropriated by ZGH „Bolesław S.A.”, for the implementation of new investment projects.

The legal basis for the preparation of the report: par.5, subpar. 1, item 3 of the Regulation of the Minister of Finance as of 19 February 2009 on current and periodic information disclosed by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state. (Journal of Laws as of 2009, No 33, item 259, as amended)