

Current Report No 21 – Non-fulfillment of the condition governing the conditional agreement concluded by the Issuer's subsidiary company (30.12.2014)

The Management Board of Stalprodukt Spółka Akcyjna („Issuer”) based in Bochnia, herewith, informs that as of today, i.e. 30 December 2014, the Issuer was notified about the non-fulfillment of the condition governing the Conditional Agreement for the Sale of Shares as of 20 February 2014, concluded by the Issuer's subsidiary company, referred to in the current reports No 5, No 6, No 8, No 9, No 16 and No 19 („Agreement”).

1. Parties

The Conditional Agreement for the Sale of Share was concluded as of 20 February 2014 between Zakłady Górniczo-Hutnicze "Bolesław" S.A., based in Bukowno, as the Seller and the Balkan Mining Group PLC, a company formed and registered in Malta as C61059, based at: ul. Melita 60/2, Valletta, VLT 1122, Malta, as the Buyer.

2. Object of Agreement

The object of the Conditional Agreement for the Sale of Shares was the sale of shares in the company: Drustvo za proizvodnju, trgovinu i usluge “Gradir Montenegro” d.o.o. Niksic („Company”), based in Montenegro at: ul. Novaka Ramova 17, Niksic, Montenegro, registered as 5-0313402 in the Central Register of the Podgorica Economic Court. As of the conclusion day the Seller's share in the Company was equal to 99.3473% of the Company's total registered capital.

3. Condition Content and Deadline

The Agreement had a conditional character, i.e. the sale of the shares being sold was governed, among others, by the following suspensive condition:

- 1) Buyer's transfer of the entire Selling Price due in respect of the share being sold, to the Escrow Account, in accordance with the clause contained in the Agreement („Transfer of the Selling Price to the Escrow Account”).

Pursuant to the Annex Agreement [*Amendment*], referred to in the Current Report No 19, the Parties agreed upon a contractual deadline for the fulfillment of the above-described suspensive condition as fixed on 29 December 2014. Thereby, the Conditional Agreement for the Sale of Shares ceases to be effective in the event the above mentioned suspensive is not fulfilled within the deadline defined in the above mentioned Annex Agreement, referred to in the Current Report No 19, i.e.

- 1) if the transfer of the Selling Price to the Escrow Account is not made within 29 December 2014.

4. Information on the Non-Fulfillment of the Indicated Condition and Naming the Underlying Reasons.

The Buyer did not transfer the Selling Price to the Escrow Account within 29 December 2014. Thereby, the Conditional Agreement for the Sale of Shares ceased to be binding, and the Seller remains to be the sole owner of the respective shares in the Company.

The underlying reason is the change of the transaction terms and conditions, proposed by the Buyer, which was finally unaccepted by the Seller. As a result, the Seller withdrew from the signing of another Annex Agreement, aimed at setting specific rules supposed to govern the Buyer's investments of up to USD 10 million, in the area belonging to the Company, in the transition period within 25 October 2015, which was referred to in the Annex Agreement, described in the Current Report No 19.

At the same time, the ZGH „Bolesław” S.A. Management Board informed the Issuer that in the near future they are not planning to seek another buyer for the shares held in the company - Gradir „Montenegro” d.o.o. Moreover, the ZGH „Bolesław” S.A. Management Board will develop a restructuring plan for Gradir Montenegro d.o.o, so that the company can achieve sustainable profitability and enjoy positive synergy effects within the framework of the ZGH group activities.

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).