

RNS Number:  
ShalkiyaZinc N.V.

## **PRESS ANNOUNCEMENT FOR IMMEDIATE RELEASE**

20 August 2010

### **SHALKIYAZINC N.V. AND SAT & COMPANY JSC ANNOUNCE SATISFACTION OF THE FIRST CONDITION RELATING TO SAT & COMPANY'S US \$50 MILLION INVESTMENT IN SHALKIYAZINC N.V.**

ShalkiyaZinc N.V. (**LSE: SKZ**) (“**ShalkiyaZinc**”), a Kazakhstan mining group engaged in the lead-zinc mining sector, and SAT & Company JSC (**KASE: SATC**) (“**SAT**”), a Kazakhstan industrial holding group engaged in the metallurgy and petrochemical industries, are pleased to announce that SAT has now completed confirmatory technical due diligence of ShalkiyaZinc to its satisfaction.

The satisfactory completion of SAT's technical due diligence of ShalkiyaZinc is one of the pre-conditions relating to a capital investment by SAT of US \$50 million in ShalkiyaZinc in return for an equity interest equal to 81.39% of the enlarged issued share capital of ShalkiyaZinc, announced publicly on 4 August 2010 (the “**Proposed Transaction**”).

As set out in a circular made available to ShalkiyaZinc's shareholders on 5 August 2010, completion of the Proposed Transaction is also dependent on (among other things):

- ShalkiyaZinc obtaining a waiver from the Government of Kazakhstan in respect of its pre-emption rights to the shares to be issued in connection with the Proposed Transaction under Article 71 of Kazakhstan's Subsoil Use Law; and
- Approval of the Proposed Transaction by the shareholders' meeting of ShalkiyaZinc to be held on 17 September 2010 at 13:30 (central European time).

#### **For Further Information:**

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### **About ShalkiyaZinc:**

Founded in 2001, ShalkiyaZinc and its operating subsidiary, LLP ShalkiyaZinc Limited, constitute a Kazakhstan mining group engaged in the extraction and processing of complex lead-zinc ore in the Shalkiya field, located in the Kyzylorda region of Kazakhstan (the “**Group**”). The Shalkiya mine to which the Group holds mining rights, is considered to be the largest known zinc deposit in Kazakhstan representing approximately 30% of Kazakhstan’s total zinc reserves and is the fifth largest zinc deposit in the world.

During the period from February 2004 to November 2008, the Group mined 2.235 million tonnes of lead and zinc ore containing 3.76% zinc and 1.48% lead and produced 97,000 tonnes of zinc concentrate and 27,000 tonnes of lead concentrate. Since November 2008, both extraction and processing activities of the Group have been suspended because depreciation of the world zinc prices made production of zinc concentrate at the Group’s current facilities loss-making. Since November 2008, ShalkiyaZinc has concentrated its efforts on the preservation of its main assets, the Shalkiya mine and its processing plant at Kentau, with a view to securing the possibility of a prompt resumption of operations as and when market conditions improve, and progressing the construction of a new processing plant located on the Shalkiya mine site with the projected capacity of 4.0 million tonnes per annum.

### **About SAT:**

SAT is a joint stock company that is publicly listed on the Kazakhstan Stock Exchange (“KASE”) ([www.kase.kz](http://www.kase.kz)). SAT was established in 2001 to invest in industrial assets in all sectors. Since incorporation, SAT has grown into an industrial holding company investing in the metallurgy and petrochemical industries. Since 2008, SAT has focused on its development as an international vertically integrated metallurgical conglomerate with assets in Kazakhstan, Turkey and China. SAT's consolidated audited financial statements are published on KASE’s website (<http://www.kase.kz/en/emitters/show/satc>).

### **About the Proposed Transaction**

If the Proposed Transaction completes, the interest of the certain principal shareholders who hold ordinary shares in the capital of the ShalkiyaZinc representing 74.45% of the issued share capital of ShalkiyaZinc will be diluted to 13.85% and the interests of the holders of ShalkiyaZinc's global depositary receipts which are listed on the London Stock Exchange, each representing one-tenth of an ordinary share, currently equal to 25.55% of the issued share capital in ShalkiyaZinc, will be diluted to 4.75%.

The management boards of ShalkiyaZinc and SAT approved the Proposed Transaction on 3 August 2010 and executed an investment agreement on the same day. ShalkiyaZinc’s management board, which has been so advised by its financial adviser, Houlihan Lokey (Europe) Limited, is of the opinion that the Proposed Transaction is in the best interests of ShalkiyaZinc and its shareholders taken as a whole. In providing its advice to the management board, Houlihan Lokey relied upon the management board's commercial assessment of the Proposed Transaction. ShalkiyaZinc’s management board has resolved to convene the Shareholders’ Meeting recommending that ShalkiyaZinc’s shareholders approve the Proposed Transaction.

Following completion of the Proposed Transaction, pursuant to Dutch law, SAT will be required to make a mandatory offer for the entire issued share capital of ShalkiyaZinc (the “**Mandatory Offer**”). The Investor has indicated that it will make the Mandatory Offer at the subscription price, i.e. US \$2.023 per ordinary share (or US \$0.2023 per GDR).

ShalkiyaZinc intends to use the net proceeds of the Proposed Transaction to fund the repayment of a significant part of its indebtedness (in particular the loans from JSC BTA

Bank) and to provide ShalkiyaZinc with working capital to address immediate needs.

Further details concerning the Proposed Transaction, including a more detailed description of the rationale for, the risks associated with, and the consequences of, the Proposed Transaction, as well as more detailed information concerning SAT and ShalkiyaZinc can be obtained from the Shareholders' circular issued on 5 August 2010 for the purposes of the Shareholders' Meeting, which is available on ShalkiyaZinc's website at <http://www.zinc.kz/eng/40.htm>

### **Forward looking statements**

*Any statements in this announcement which are not historical facts are forward-looking statements which express the beliefs, opinions and expectations of ShalkiyaZinc or SAT or, as appropriate, of its management, at the time of this announcement and are subject to various risks and uncertainties that could cause actual results to differ materially from such expectations. Factors that are likely to influence such results include, but are not limited to: factors identified as risk factors in the Prospectus of ShalkiyaZinc dated 8 December 2007, changes in the prices of zinc and lead metal quoted on the London Metals Exchange and changes in the prices ShalkiyaZinc realises for its products, increases or decreases in demand for ShalkiyaZinc's products, changes in ShalkiyaZinc's rates of extraction of zinc-lead ore, the effects of competition, changes in the costs of energy, transportation, labour and other cost items, ShalkiyaZinc's ability to comply with the conditions imposed by lenders under its financing arrangements, availability of funds, through borrowings or otherwise, for ShalkiyaZinc's future operations and planned capital expenditures, ShalkiyaZinc's ability to successfully implement any of its business or financing strategies, developments in, or changes to, the laws, regulations and governmental policies applicable to ShalkiyaZinc's business, including changes affecting environmental liabilities, substantial inflation, interest rate and exchange rate fluctuations, changes in ShalkiyaZinc's ability to obtain, maintain or renew the licences necessary to conduct its businesses, changes in political, social, legal or economic conditions in Kazakhstan or the neighbouring countries, the effects of international political events and ShalkiyaZinc's and SAT's success in identifying additional risks to its businesses and managing risks associated with the aforementioned factors. Past performance information contained in this announcement is not an indication of future performance. Any projections, opinions, forecasts, estimates or projected returns herein constitute a judgement as at the date of this announcement and there can be no assurance that future results or events will be consistent with any such projections, opinions, forecasts, estimates or projected returns. Receipt of this announcement does not imply or create any duty or other obligation on either SAT or ShalkiyaZinc to inform recipients as to any amendments, changes or other modifications relating to matters contained in the announcement or to review any forward-looking statement, whether as a result of new information, future developments or otherwise.*

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