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MANAGING COMPANY

горно-металлургическая компания
mining and processing company



RNS Number:
ShalkiyaZinc N.V.

PRESS ANNOUNCEMENT FOR IMMEDIATE RELEASE

4 August 2010

ShalkiyaZinc N.V.

ANNOUNCEMENT OF A POSSIBLE OFFER UNDER RULE 2.4 OF THE UK CITY CODE ON TAKEOVERS AND MERGERS

This press release constitutes an announcement falling under Rule 2.4 of the UK City Code on Takeovers and Mergers (the "Code"). It does not constitute an offer or invitation to purchase any securities nor an announcement of a firm intention to make an offer or to pursue any other transaction under Rule 2.5 of the Code. Accordingly, there can be no certainty that a formal offer will be made even if the conditions set out below are satisfied.

ShalkiyaZinc N.V. and SAT & Company JSC announce a conditional US \$50 million capital investment into ShalkiyaZinc N.V.

ShalkiyaZinc N.V. (LSE: SKZ) ("ShalkiyaZinc" or the "Company"), 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 the parties have concluded negotiations in relation to a conditional 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 (the "Proposed Transaction").

ShalkiyaZinc and SAT have entered into a conditional investment agreement (the "Investment Agreement"), pursuant to which SAT has agreed, subject to the satisfaction of certain conditions, to subscribe in cash for up to 24,715,769 new ordinary shares in the Company (the "New Shares") at a subscription price of US \$2.023 per New Share (the "Subscription Price"). The Subscription Price represents a price equivalent to the volume weighted average price per GDR during the six months period prior to 27 July 2010.

Subject to completion of the Proposed Transaction:

- The interest of the certain principal shareholders who hold ordinary shares in the capital of the ShalkiyaZinc ("Ordinary Shares") representing 74.45% of the issued share capital of ShalkiyaZinc (the "Principal Shareholders") will be diluted to 13.85%.
- In addition, the interests of the holders of ShalkiyaZinc's global depository receipts ("GDRs") 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 the Investment Agreement was executed 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 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 a general meeting of

ShalkiyaZinc's shareholders (the "**Shareholders' Meeting**") recommending that the shareholders approve the Proposed Transaction.

Completion of the Proposed Transaction is subject to no adverse changes in market conditions or material adverse changes to the financial condition of the Group and is conditional upon the satisfaction of a number of matters including, among other things: (i) SAT completing confirmatory due diligence of ShalkiyaZinc group (the "Operating Subsidiary") to SAT's satisfaction by 23 August 2010; (ii) ShalkiyaZinc obtaining a waiver from the Government of Kazakhstan in respect of its pre-emption rights on the New Shares in ShalkiyaZinc to be issued to SAT; and (iii) approval by ShalkiyaZinc's shareholders' of the Proposed Transaction at a shareholders' meeting to take place on 17 September 2010 at 13:30 (central European time).

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 the Company with working capital to address immediate needs.

SAT has expressed confidence in the ShalkiyaZinc Groups' current management and expects that the Operating Subsidiary will retain the current management board following completion of the Proposed Transaction, including Mr. Sarkytbayev in his capacity as the General Director of the Operating Subsidiary, for optimal continuity. It is proposed that, at the ShalkiyaZinc level, a new management board will be appointed, comprising Mr. Sarkytbayev and five new non-executive directors.

Commenting on the Proposed Transaction, Marat Sarkytbayev, Chief Executive Officer, ShalkiyaZinc, said:

"Today's agreement will allow us to reconcile outstanding liabilities and begin to build towards the future with greater confidence, stability and the ongoing support of a committed majority investor. The board of directors believes that this transaction is in the best interests of the ShalkiyaZinc and its shareholders taken as a whole."

Olzhas Tokhtarov, Chief Executive Officer of SAT, added:

"Today's announcement underscores our long-term commitment to Kazakhstan and is an excellent fit with SAT's strategic objectives. The capital injection offers the opportunity for ShalkiyaZinc and its shareholders to progress from a position of stagnation and to move toward ensuring the productive and commercial viability of ShalkiyaZinc's assets, securing long term employment for its staff and allowing the company to fulfil its potential at the heart of the region's zinc industry."

Renaissance Capital Limited is acting as financial adviser to SAT. Houlihan Lokey (Europe) Limited is acting as financial adviser to ShalkiyaZinc.

Further details concerning the Proposed Transaction, including a more detailed description of the rationale for, and risks associated with, the Proposed Transaction and the consequences thereof, as well as more detailed information concerning SAT and ShalkiyaZinc will be contained in a circular to ShalkiyaZinc's shareholders which will be published, together with a notice convening the Shareholders' Meeting, on or about 5 August 2010 on the RNS and on ShalkiyaZinc's website <http://www.zinc.kz>.

For Further Information:

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About ShalkiyaZinc:

Founded in 2001, ShalkiyaZinc is a Kazakhstan mining group engaged in the extraction and processing of complex lead-zinc ore in the Shalkiya field, located in the Kyzyl-Orda region of Kazakhstan. 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, extraction and processing activities of the Group have been suspended because depreciation of the world zinc prices has 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 the Shalkiya Mine and the Kentau processing plant with a view to securing the possibility of a prompt resumption of operations as and when the market conditions improve, and progressing the construction of a new processing plant 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). 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>).

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any paper offeror is first identified.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

For the meaning of the terms “interested” in securities, “relevant securities”, “deals”, “dealings and “acting in concert with”, please refer to the Code.

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.

While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, in each case at the date stated in this announcement, neither SAT nor ShalkiyaZinc has verified the contents hereof and, accordingly, neither ShalkiyaZinc nor SAT nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof, and no reliance should be placed on the accuracy, fairness or completeness of the information contained in this announcement. No person (including ShalkiyaZinc and SAT and its respective directors, employees, shareholders, officers, agents or professional advisers) accepts any liability whatsoever for any loss howsoever arising from any use of this announcement or its contents or otherwise arising in connection therewith.

The information contained in this announcement has been prepared by ShalkiyaZinc and SAT in connection with the proposed capital investment by SAT. This announcement is not a prospectus or any other kind of financial promotion. This announcement is a summary only and should be used solely for information purposes. This announcement does not constitute or form part of, and should not be construed as, an offer, invitation or inducement to purchase or subscribe for any securities in ShalkiyaZinc or SAT nor shall it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. This announcement does not take into account any recipient’s individual objectives, financial situation or needs.

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