

Investment proposal

Mining and processed mining products, Rudabánya, Hungary



Company name: GENESIS Energy Investment Plc.

Website: www.genesisenergy.eu

Industry: Mining and processing

Main listing: Budapest Stock Exchange, Hungary (GENESIS)

Parallel Quotation: OTC Market, Germany (NVT1)

Motto

One of the best times to invest in mining stocks is when a qualified management team is preparing to convert/construct a single 'ore body' mining company into a producing mine. A purchase of mining stocks during this development/construction period has produced significant gains with a favorable risk/reward ratio.

Executive summary

The demand for the raw materials sharply increases day by day. Every country, which has explored economically exploitable minerals or other materials, are in a very lucky situation if the financial and technological background of the exploitation is ensured. The area in Rudabánya, which was one of the most important mining centers of the country, was abandoned in 1986 after age-long mining activity. Due to the significant development of the past 25 years in the mining and exploring technology, the hidden geological fortune in the area has become economically worthwhile to exploit. The new mines and the processing plants adjunct to them would be important factors to reduce the long time unemployment in the region.

By this transaction Genesis Energy will possess an exploration license over approx. 30 km² in the Rudabánya area, which area includes presently active and also to be opened mining sites. The attached map shows the boundaries of the exploration license area and the real estate owned by the companies. Different minerals are explored and mined: different type of iron ore, copper ore, lead ore, zinc ore and silver ore. Additionally, the ore bodies contain high percentage of barite (BaSO₄) too. Based on the data of the **Hungarian Mining and Geographical Institute** and the preliminary geological opinion of the **University of Miskolc, Faculty of Earth Science and Engineering, Institute of Mineralogy and Geology**, the existing mineral content that is available to be processed is valued at approximately **USD 1.5-2.0 Billion**. Further financial resources are required to enhance the technology and ramp up the already carried out mining and production.

The transaction brings together a group of qualified engineers, managers and researchers to form a very strong and effective management and advisory team which is the precondition to achieve success.

The Goal

- 1: Revitalize Rudabánya as important mining and production area
- 2: Open and reopen open pit mines, enhance the existing and deploy additional state-of-the-art processing technology

Preamble

Since 2006 Genesis Energy Plc. has established three subsidiaries for deploying thin-film solar panel manufacturing plants in Spain, in Hungary and in Singapore. Due to the changes of the international economy and financial market, the main shareholders decided to transfer their holdings into a US based company. This transaction will be closed in the upcoming weeks and the three subsidiaries will be sold to Genesis Solar Corporation USA in exchange for their shares. The Spanish subsidiary will be recapitalized by an €9 million worth of real estate, a contribution in kind provided by Vital SA through the upcoming capital increase in Genesis Energy. As it has already been reported that Genesis Solar Corporation USA entered into a Private Placement Agreement with Vital Source S.A.

The PPA provides for the subscription and purchase of 3,500,000 shares of Genesis Solar Corporation common stock at \$10.00 per share issue price. According to the PPA Vital Source S.A. is obligated to pay the total purchase price of \$35,000,000 through a single payment by no later than June 30, 2010. This payment obligation is secured by allocated collaterals within the group. Genesis Solar Corporation USA undertook the obligation to use the proceeds of the offering for the capital increase of Genesis Solar España, S.L. for €25,000,000 (approximately \$33,745,000 US). As a result of the transaction, the shareholders Genesis Energy, who registered their holdings on the 7th of April 2010, are granted the right of exchange of their Genesis Energy shares for Genesis Solar Corporation shares, when Genesis Solar Corporation is introduced to one of the Stock Exchanges in the US. The aim is to sell the remaining non exchanged shares of Genesis Solar Corporation in the market, while the treasury shares acquired in the transaction can either be offered to institutional investors or the company can decide to reduce its own registered equity by this stock. Calculating with the nominal value of HUF 500, the sale of treasury stock can give the Company a further liquidity of at least 7.000.000.000 HUF (approximately € 28,000,000).

Moving the solar panel manufacturing projects to the USA opens a very attractive business niche for the shareholders to implement a brand new business for Genesis Energy. The smooth transition from the past business to the new one is ensured by a contract between the present main shareholders and the new investors.

The present main shareholders of Genesis Energy and four South-African companies, **Logical Mining CC, Pinning Properties CC, Calypso Mining CC, Mohikan Development CC**, as well as a Swiss Company **Vital Source S.A.** entered into a structured private-investment-in-public-equity (PIPE) type agreement. The contributions in kind of the South African group of investors provided to Genesis Energy Investment Plc. will primarily consist of the assets of various prime Hungarian companies, including shares and stakes of **RK Bányatársaság Kft** with exploration rights in Rudabánya, **Rudaferroxx Kft.**, **Pólus Ferroclean Kft.**, **CEMCC Zrt.**, **Ferroflock & Ferroblock Kft.**, **Rudagipsz-Mix Zrt**, **Pólus Szikla Kft.**, **Atombeton Kft.** and **Pólus Kincs Zrt**, real estates, machines, equipment and other assets like barite lens, refuse piles, exploration licenses and mining rights owned by these various companies. The total value of the planned capital increase is minimum **HUF 21,580,140,000 (about € 81 million)** and maximum **HUF 24,080,140,000 (about € 90 million)**. The solar panel manufacturing related subsidiaries will be sold to Genesis Solar Corporation (USA) in exchange for shares of the American company, and Genesis Energy will continue its activity under the name of Genesis Energy and Mining Plc.

The location



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Rudabánya is one of the oldest mining towns in the North-East Hungary, close to Miskolc, the third largest Hungarian city directly connected to a highway. The mines can be reached by a public road and also by railways built by the company. The mines in Rudabánya worked as copper and silver mines in the 14th to 16th century, but from 1880 to 1986 it was in operation as the largest iron ore mine of Hungary. In 1986 the mining activity was ended and the area waited for new explorers and miners to reopen and restart the production with the new, high-tech mining and processing technology. All the geology, the previous and latest explorations and the mine works are thoroughly documented.

The geological fortune

According to the latest available data the main extractable geological fortunes are as follows:

<i>Iron ores with different Fe content</i>	<i>37.8 Million tons</i>
<i>Copper ore</i>	<i>1.6 Million tons</i>
<i>Polymetallic lead ore</i>	<i>0.56 Million tons</i>
<i>Barite high BaSO₄ content, reach in Fe</i>	<i>9 Million tons</i>
<i>Refuse piles with high barite and Fe content</i>	<i>4.3 Million tons</i>
<i>Dolomite</i>	<i>5.8 Million tons</i>
<i>Limestone</i>	<i>1.7 Million tons</i>
<i>Gypsum</i>	<i>27.3 Million tons</i>
<i>Zeolite</i>	<i>0.05 Million tons</i>

The main minerals representing the above listed geological fortune:

<i>Magnetit</i>	<i>Fe₃O₄</i>
<i>Siderite</i>	<i>FeCO₃</i>
<i>Barite</i>	<i>BaSO₄</i>
<i>Dolomite</i>	<i>Ca/Mg/CO₃</i>
<i>Calcite</i>	<i>CaCO₃</i>
<i>Quartz</i>	<i>SiO₂</i>
<i>Goethit</i>	<i>FeO/OH/</i>
<i>Gypsum</i>	<i>CaSO₄</i>
<i>Wüstit</i>	<i>FeO</i>
<i>Hematite</i>	<i>Fe₂O₃</i>
<i>Zeolit</i>	

The short profile of the contributed companies

1. Rudagipsz – Mix Zrt.

The plant is situated in Rudabánya and equipped with machinery and other assets for mining, sorting and processing. The company is launched to produce the followings:

- mining products
- zeolite
- dolomite
- calk
- gypsum
- anhydrite stone
- processed products
- quality gypsums,
- dry plasters
- building glues

- tile glues
- radiation protecting cements
- radiation protecting
 - plasters
 - mortars
 - heavy concrete



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2. Pólus Kincs Zrt.

This company owns refuse piles, stake in **Ferroflock & Ferroblock Zrt.**, know-how and plans to deploy open pit mines of barite and copper.



3. Pólus Ferroclean Kft.

The company is going to produce the following products:

- ferrous(III)chloride for the wastewater treatment units as flocculent agent, the planned yearly production capacity of ferrous (III) chloride is 50,000 metric tons and it can be doubled by small investments.
- calcium- and magnesium-chloride as a deicer, saleable, environmental friendly material which can substitute the dangerous materials used to salting roads
- barite (BaSO_4) flour to produce die pigment

4. Pólus Szikla Kft.

The company possesses several plots for mining and refuses piles for further processing.

5. CEMCC Zrt.

The company has the following assets:

- a) Owner of exploration license in Csabrendek dolomite and stone mine

b) Rudabánya 051/1, 051/2, 051/3 mining estate research and open pit mining license of barite body jointly with Pólus Szikla Kft. and Pólus Kincs Zrt.

6. Atombeton Kft.

This newly established company is for the production, marketing and sales of the radiation protective heavy concrete and plaster products.

7. Ferroflock & Ferroblock Kft.

This company has two valuable patents and know-how of steel and iron production and made preliminary exploration of deposited steel slug in Hungary, Slovakia and Ukraine which shows a promising market and profitability in the recultivation of deposited steel slugs benefitting to the environment.

8. Rudaferrox Kft.

This company has a special know-how for production of special ion-exchange filling material for extraction of arsenic content of the drinking water. The basic material of the filling is the Goethite, a special mineral which can be mined in Rudabánya. The company is in negotiation with technological companies in order to offer a complete deployable ion-exchange and filtering systems for the drinking water processing plants throughout the country.

9. RK Bányatársaság Kft.

This company has the exploration license of all mineral ores for the indicated 120 km² area in Rudabánya except for the barite exploration license indicated on map no. 2 owned by Pólus Kincs Zrt. Exploration license of the area belong to RK Kft. and Pólus Kincs Zrt. It is a challenge to the experienced researchers to find further ore minerals which can play a significant role in the future of the company.

Production and investment plan

1. Rudagipsz – Mix Zrt.

The company has a contract to run the facilities of Hasit Hungária Kft. and it is already in production. It entered into a loan contract with Hungarian Development Bank in a value of HUF 1 Billion to buy-out the assets of Hasit Hungaria Kft. and the required own part was generated from the resources of the company. The acquired facility will produce a new product mix and will ramp up production in the wholly owned facilities. Although the company works with state of the art production machinery, further enhancement of new mining, grading and processing equipment is needed in order to increase the production capacity and develop the on-site laboratory facility. The company is committed to invest apprx. HUF 818 Million of which a non refundable, matching grant of HUF 327 Million has already been awarded for this investment under Hungary's Economic Development Operation Program. The own investment part of the project is HUF 491 Million. In 2010 the company projects HUF 858 Million in sales which are fully covered with contracts. As a result of the planned investment in the new production line, further contracts can be signed to increase the sales up to HUF 3 Billion by 2014. The expected profit before tax of such facility is expected to be 25% of the total sales.

This investment further includes the establishment of a novel R&D facility, which serves not only the development of already existing products, but opens new prospects in the market of construction industry, with the application of nano-technological additives. The company was granted with non-refundable EU funds of HUF 327 Million for the investment of HUF 837 Million in total and started to realize the project.

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2. Pólus Kincs Zrt.

The company won two non-refundable, matching grants through Hungary's Economic Development Operation Program: to establish an open pit facility to exploit of the mining grade barite body and to open a reprocessing facility of the refuse piles having very high barite content. These projects intended to start before the end of 2010. The first project has an investment value of HUF 672 Million including HUF 215 Million non-refundable part, and the second has HUF 858 Million investment value including HUF 312 Million non-refundable part grant. The two projects have a capital requirement of HUF 1 Billion to finance the obligatory own investment portion. Through these investments in place the exploited minerals can be transformed into very valuable radiation protective building materials, such as self compacting heavy concrete and plaster products. The company already received the building permit to construct the required industrial halls. These materials can be produced tailor made, based on individual demands of the end user which can vary application by application. The main markets of these products are the nuclear industry, the nuclear waste industry and the hospitals where X-ray, CT, linear accelerators, or any similar equipment are installed. This very heavy concrete also can be used to stabilize the structure of sky scrapers or underground constructions, such as metro etc. The market of these products are huge, their application is more and more important in the expanding world market of investments in nuclear industry, transportation and infrastructure. Due to the planned investments, cost effective and competitive production can be launched in industrial size. The cooperation with Atombeton Kft. ensures the sales and marketing support of the products.

The company has a further plan to reopen the iron ore open pit and to deploy additional machinery to produce enriched iron ore. According to the plans the production can start in 2012 backed by bank credits and further grants. The required investment is estimated at HUF 1 Billion.

Barites contain economically extractable level of copper in big quantity, the production of which is cost effective and competitive, therefore by installing floating machines this copper content can be extracted, enriched and sold. The company intends to buy floating machines for this purpose with an additional investment of HUF 1 Billion.

The projected net sales are HUF 440 Million with 35% profit ratio in 2011, HUF 880 Million with 40% profit ratio in 2012 and HUF 1.7 Billion with 45% profit ratio in 2013.

3. Pólus Ferroclean Kft.

The new industrial halls will include a chemical processing plant for the production of ferrous(III)chloride. The planned capacity is 50,000 metric tons per year. This material is widely used as flocculent agent in the waste water treatment industry and it is purchased abroad Having huge quantities from this raw material Rudabánya, the present market price is very attractive for the company, it provides a significant margin level even if it is sold at lower than the present market price. The required investment is approx. HUF 1.1 Billion which is planned to be financed through bank credits and further local and EU grants. A significant amount of deicing material (Envirosol) can be produced as a side product which provides further cash-flow to the company.

The projected net sales are HUF 2.5 Billion with 40% profit ratio in the first year after the investment is realized in 2012.

4. Rudafferrox Kft.

The Rudabánya area is rich in Goethite, a very special mineral. After special treatment and processing, this mineral can be transformed into an ion-exchange tower filling material used as adsorbent of the highly toxic arsenic in the drinking-water treatment technology. The company possesses the know-how to produce the special ion-exchange filling material and the required regeneration technology.

Among other environmental protection standards during the EU accession negotiations, Hungary accepted the adoption of a limit value of 0.010 mg/l for arsenic in the drinking water. The Hungarian Government adopted this Directive so that the relevant EU standards should be reached gradually between 2006 and 2009, depending on the severity of the situation in the affected sites. Due to lack of sufficient financial resources from the EU, the final deadline passed without achieving significant success. It was revealed over twenty years ago that spring waters neared or even exceeded 0.05 mg/l at numerous settlements of the Alföld (Great Hungarian Plain). These wells were primarily established on layer waters of 100-500 m depth. The impact assessments indicate that the reduction of arsenic content to 0.050 mg/l was relatively simpler and less expensive from a technological point of view than the reduction from 0.050 mg/l to 0.010 mg/l. The traditional technologies cannot be applied effectively everywhere, as it depends upon the actual quality characteristics of the water source, the water discharge, and the size of the water supply system. Therefore the local production of this arsenic adsorbent material opens a wide market niche for the company in Hungary and also in export markets.

5. Ferroflock & Ferroblokk Kft.

As a result of the research and development activity of the past years, the company will be able to implement special reprocessing technology nearby to the deposited steel slug and convert the slug into a compact in the furnace utilizable special brick formula. Additionally, the company has the special technology to produce ferrous(III)chloride which is one of the basic compound used in the waste water cleaning process. These technologies require close cooperation with the steel manufacturing plants and the most cost effective solution will be if the reprocessing factory will be placed nearby the deposited steel slug. The company entered into negotiations with potential clients about the size and capacity of the planned factories in order to prepare accurate business plans and estimate the required financial requirements.

6. RK Bányatársaság Kft./ CEMCC Zrt.

This company has the exploration license for the area of 120km² in the Rudabánya area. The exploration license of the area signed by a red polygon on map no. 2 belongs to Pólus Kincs Zrt. In order to continue to deploy the explored open pits, the company has to spend HUF 125

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Million per year in the next three years for further research of the place. Production can gradually increase by 5, 10, 20 and 30 thousand metric tons of material explored after building the processing plants.

Tables

Name of the company	Total project value	State grant (non refundable)	Own funds
Rudagipsz – Mix Zrt.	HUF 818 Million	HUF 327 Million	HUF 491 Million
Pólus Kincs Zrt.	HUF 672 Million	HUF 215 Million	HUF 457 Million
	HUF 858 Million	HUF 312 Million	HUF 546 Million

Name of the company	Sales	Year	Profit before tax/sales
Rudagipsz – Mix Zrt.	HUF 858 Million	2010	15%
	HUF 3.000 Million	2014	25%
Pólus Ferroclean Kft.	HUF 2.500 Million	2012	40%
Pólus Kincs Zrt.	HUF 440 Million	2011	35%
	HUF 880 Million	2012	40%
	HUF 1.7 Billion	2013	45%

instead of the present Category “B” on the Budapest Stock Exchange after the capital increase. It opens the opportunity for the institutional investors to include Genesis Energy shares in their portfolio. This provides an increased liquidity, transparency and higher shareholders’ value.

The offer for the present shareholders of Genesis Energy

The original shareholders and the new investors jointly decided to increase the capital. Subsequent to the capital increase by contribution in kind, the shareholders of the Company are offered the opportunity to participate in the capital increase as well. Conditions will be agreed upon on the upcoming shareholders meeting on 19th of April 2010.

The private placement and offering of new shares are based on Section 14 (1) c) of Act CXX of 2001 on the Capital Market. According to this regulation only those shareholders of Genesis Energy are entitled to participate in the capital increase who subscribe to the new shares in a value of not less than € 50,000. The total offering for cash subscription cannot exceed 5 Million shares with a face value of HUF 500 each, representing a total value of HUF 2.5 Billion.

The Board of directors of Genesis Energy Investment Plc. and the new Investors jointly offer shareholders the opportunity to participate in this unique chance and subscribe to new shares.

This can provide the own equity portion required to the planned investments in 2010 and 2011 at a favorable share price for the present shareholders. The company intends to list the shares in Category “A”

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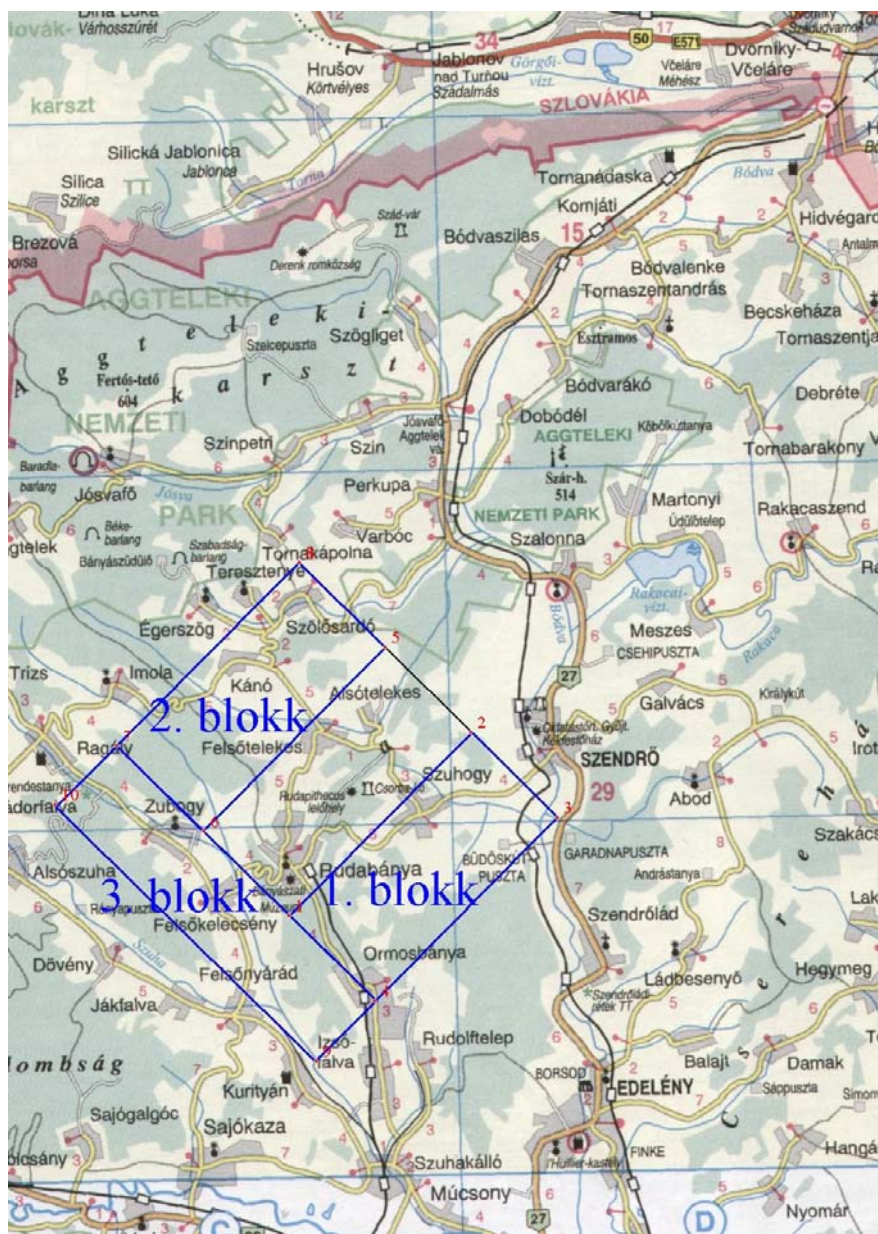
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Overview maps of Rudabánya



*The contours of the full exploration license area (120 km²)
The details of the middle block "1-2-5-6" is shown on the next map*

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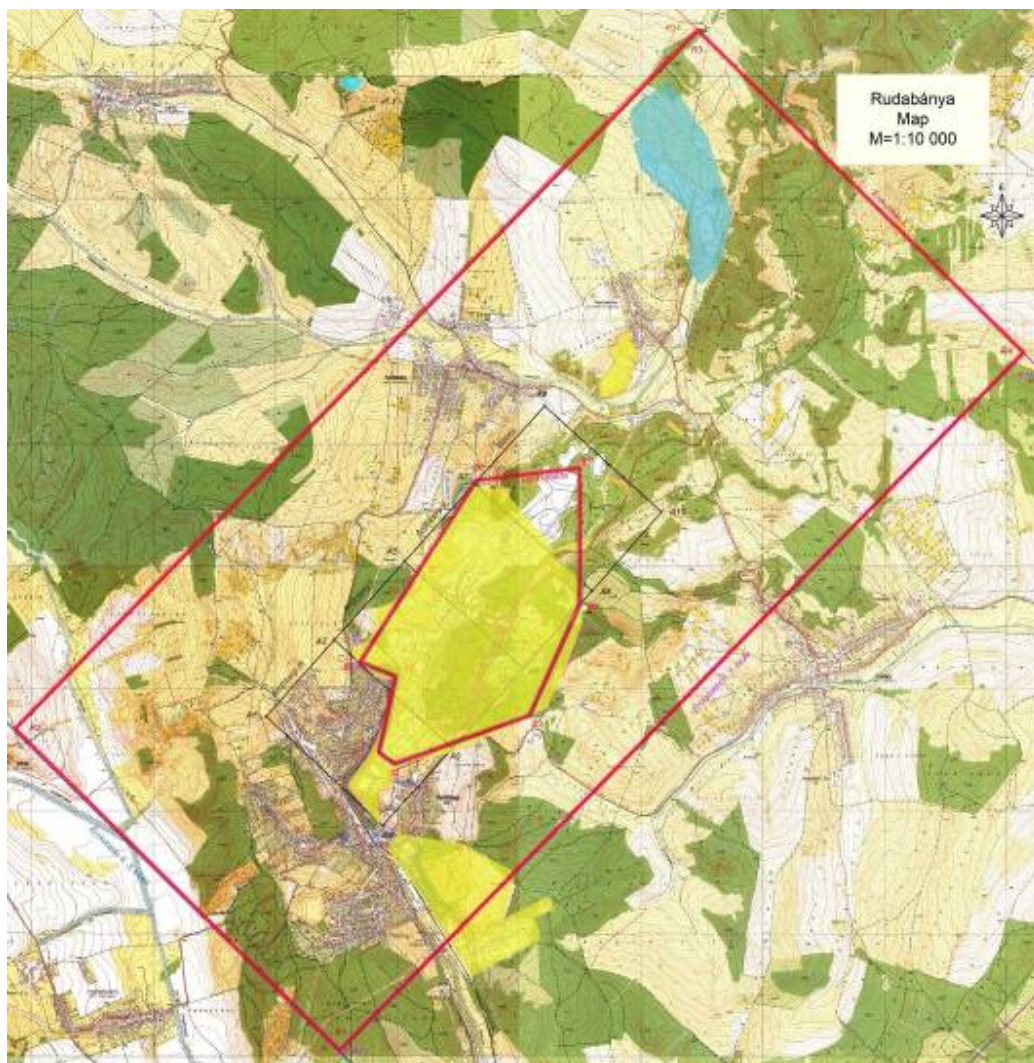
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Legends:

- *Red square: the boundaries of the “1-2-5-6” core mineral ore exploration area (30 km²)*
- *Red polygon: barite exploration and mining area*
- *Yellow area: real estates directly owned by the companies*
- *Light blue area: working limestone and dolomite mines controlled and run by the companies*
- *Blue square: the already explored area ready to deploy open pit mines*

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