

In the matter of an arbitration  
under the Rules of Arbitration of  
the International Centre for  
Settlement of Investment Disputes

Case No. ARB/14/14

ICC Hearing Centre  
112, avenue Kléber  
75016, Paris

Day 2 Tuesday, 13th September 2016  
Hearing on Jurisdiction and Liability

Before:

PROFESSOR PIERRE MAYER  
PROFESSOR BRIGITTE STERN  
PROFESSOR EMMANUEL GAILLARD

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EUROGAS INC and BELMONT RESOURCES INC  
Claimants

-v-

SLOVAK REPUBLIC  
Respondent

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appeared on behalf of EuroGas Inc.

HAMID GHARAVI, EMMANUEL FOY and ELLEN-LOUISE MOENS, of  
Derains & Gharavi International, appeared on behalf of  
Belmont Resources Inc.

STEPHEN ANWAY, DAVID ALEXANDER, ROSTISLAV PEKAR, RAÚL MAÑÓN,  
MARIA POLAKOVA and EVA CIBULKOVÁ, of Squire Patton Boggs,  
appeared on behalf of the Respondent.

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**NOTE:** Since at the Paris hearing a dispute occurred between the Parties regarding translation of certain mining terms (such as: banská činnosť, ťažba, dobývanie), in order to ensure that correct mining term used by a Slovak speaking witness is noted in the transcript, the Parties agreed to add after English version of the mining term used by an interpreter, a Slovak language version that was actually used by a witness in the following form: "In Slovak language version:...".

09:00

Tuesday, 13th September 2016

1

2 (9.07 am)

3

MR VOJTECH AGYAGOS (called)

4

THE PRESIDENT: Good morning, Mr Agyagos. Do you have

5

a witness declaration in front of you?

6

MR AGYAGOS: Yes, I do.

7

THE PRESIDENT: Can you read it, please, aloud. Microphone

8

first.

9

MR AGYAGOS: I solemnly declare upon my honour and

10

conscience that I shall speak the truth, the whole

11

truth, and nothing but the truth.

12

THE PRESIDENT: Thank you.

13

So, direct examination.

14

DR GHARAVI: We do not want to do any direct.

15

THE PRESIDENT: Thank you. Then cross-examination.

16

MR ALEXANDER: Good morning, Mr Chairman, members of the

17

Tribunal, counsel.

18

(9.07 am)

19

Cross-examination by MR ALEXANDER

20

Q. Mr Agyagos, my name is David Alexander, I represent the

21

Slovak Republic, and I'm going to be asking you

22

questions this morning. It's important that you

23

understand my questions before you answer, so if you

24

don't, just let me know and I'll try to make it clearer

25

to you.

09:07

1 A. Yes.

2 Q. You have a long history with Mr Rauball, do you not?

3 A. Yes, I do.

4 Q. How far back does that go?

5 A. To 1980.

6 Q. Have you been involved in a number of business ventures  
7 with him over the years?

8 A. Yes, in quite a few.

9 Q. You have a close relationship with him?

10 A. I would say yes.

11 Q. Any familial connections of any sort?

12 A. What kind of connections?

13 Q. Familial connections: brother-in-law, cousins,  
14 anything --

15 A. No, no. He's the husband -- no, he was the husband of  
16 my ex-wife.

17 Q. I see. That might not be too close anymore! But in any  
18 event, your relationship with him persevered. Okay.

19 How many business activities have you had with him  
20 over the years? Broadly defined, how many deals have  
21 you been in with him?

22 A. Maybe ten.

23 Q. When was the first one?

24 A. The first one was Stanholm Resources. It was in --  
25 I don't know. I had it somewhere here.

09:09

1 Q. Approximately?

2 A. In the '80s, beginning '82, '84, somewhere there.

3 Q. Alright. Now, as I understand it, you were first  
4 introduced to Gemerská Poloma back in 1990 or so. Is  
5 that right?

6 A. 1990?

7 Q. 1990.

8 A. No.

9 Q. No.

10 A. Later.

11 Q. Alright?

12 A. About '98/'99.

13 Q. 1998 or 1999?

14 A. Yes.

15 Q. So when you first learned about the project, that was  
16 the first time?

17 A. Yes.

18 Q. How did you come to learn about it?

19 A. I had some friends working at the Mining Office in  
20 Slovakia, and they advised me that there is a very good,  
21 clean talc deposit in eastern Slovakia, which is close  
22 to my home town. So I decided to go and have a look at  
23 it.

24 Q. You have your witness statement before you. Can I ask  
25 you just to take a look at paragraph 6 there, where you

09:10

1 say:

2 "I heard about the" --

3 A. 1990.

4 Q. 1990. And I wanted to ask: does that help --

5 A. It might be. You know ...

6 Q. It's been a long time.

7 A. Yes. After that I had a mini-stroke, and so I --

8 numbers I don't remember.

9 Q. Alright. Fair enough. Fair enough. But in any event,  
10 in 1997 or so, Gemerská Poloma was on your radar screen  
11 again?

12 A. Yes.

13 Q. Alright. Was Mr Rauball involved with getting it on  
14 your radar screen again?

15 A. Yes, he was.

16 Q. Did you then travel to Slovakia?

17 A. Yes, I did.

18 Q. And you did some diligence concerning the project?

19 A. Sort of, sort of. Just to meet people whom I know, the  
20 miners and people who knew about that project.

21 Q. What did Mr Rauball ask you to do when you travelled to  
22 Slovakia, about the Gemerská Poloma project?

23 A. He didn't ask me to do anything.

24 Q. Did you understand that he was interested in the  
25 project?

09:11

1 A. Yes.

2 Q. So basically you went to check it out?

3 A. Yes.

4 Q. Who did you talk to who was already involved in the  
5 project, if anyone?

6 A. I spoke to Dr Rozloznic, who is here also today. And  
7 there were two Germans from Thyssen and Dorfner, but it  
8 was a very, very short conversation because they were  
9 not very happy with me.

10 Q. So in your first meeting with Dr Rozloznic -- and you  
11 mentioned there were two other Germans from Thyssen and  
12 Dorfner that you spoke to?

13 A. Dorfner, yes.

14 Q. Okay. It's a little tricky here for the court reporter  
15 if we talk over each other, and I might be guilty of it  
16 too at some point. So --

17 A. Sorry, sorry.

18 Q. But let's try to let each other finish, if that's  
19 alright. So let me rephrase it.

20 So two Germans from Thyssen and Dorfner; you don't  
21 remember their names?

22 A. No.

23 Q. Alright. But you understood they were associated with  
24 the project?

25 A. They were.



09:12

1 Q. Did you look at the feasibility study at that point?

2 A. Yes, I did.

3 Q. And did you look at any other documents that you recall?

4 A. I have to remind you: I'm not a mining engineer, nor  
5 a geologist. But they showed me the documents, all that  
6 I can say.

7 Q. Well, we may be able to talk to each other today, since  
8 I'm not either. I think this might work.

9 What other documents do you remember looking at?

10 A. They showed me the drill holes where they drilled, the  
11 plan, where they drilled, and that was about it.

12 Q. Did you later come to review something called the  
13 Hansa Geomin report?

14 A. Not me, because, as I said, I am not a geologist, not  
15 an engineer.

16 Q. Are you more of a finance person?

17 A. Yes. I was trying to raise money.

18 Q. Did you come to understand during that visit to Slovakia  
19 in 1997 that Dorfner and Thyssen were interested in  
20 finding a strong financial partner?

21 A. No, I didn't know that.

22 Q. What was your understanding of the financing at the  
23 time?

24 A. At which time?

25 Q. 1997, the same time.

09:14

1 A. When I met them?

2 Q. Yes.

3 A. I thought that they will be my partners, I mean -- or  
4 our partners. They were partners with Rima Muran till  
5 that time. And then we heard that they want to sell  
6 out, and I thought that it may be a good opportunity for  
7 Belmont to buy their shares. So we purchased their  
8 shares in -- I don't -- the dates, as I said, I don't  
9 really remember dates.

10 Q. Did you meet with Mr Corej at that time?

11 A. Yes, I did.

12 Q. How many times did you meet with him?

13 A. Too many times, to be honest.

14 Q. But in any event, you ultimately decided to become his  
15 partner?

16 A. Yes.

17 Q. Okay. You mentioned that you were thinking about  
18 Dorfner and Thyssen becoming your partner a second ago?

19 A. They would be also there. I didn't know that they  
20 wanted to sell out.

21 Q. Alright. Help us understand, if you would, what your  
22 role is with EuroGas that you are comfortable using the  
23 phrase that they would be your partners. In 1997, what  
24 was your role?

25 A. When I went there, it was -- I went with EuroGas people,

09:15

1 not as Belmont. I went there with EuroGas people. And  
2 I felt pretty comfortable with them.

3 Q. Did you have any particular status with EuroGas at the  
4 time?

5 A. I'm not sure if I was a director. Because at one point  
6 of the time I was a director. But as I said, I don't  
7 know when.

8 Q. Alright. But your discussions with Dorfner, Thyssen,  
9 Corej were all on behalf of Belmont -- I'm sorry, of  
10 EuroGas?

11 A. Of EuroGas, yes.

12 Q. Did you participate in discussions where Mr Corej  
13 identified the need for financing?

14 A. No.

15 Q. You have before you also some other witness statements.  
16 I am going to ask you to look at Mr Rauball's statement  
17 if you would, please. Have you read his witness  
18 statement before?

19 A. No.

20 Q. Take a look if you would, please, at paragraph 20. Do  
21 you see there in the first sentence where it says:

22 "During our first discussions, Mr Corej clearly  
23 stated that Rima Muran was unable to provide the  
24 financing necessary for the project to move forward.  
25 I agreed that EuroGas would supply the financing which

09:17 1 Rima Muran was looking for, provided that a satisfactory  
2 agreement be found regarding the status and involvement  
3 of EuroGas in the project."  
4 Does that refresh your recollection about --  
5 A. No, I'm sure I wasn't at the meeting.  
6 Q. You weren't at the meeting?  
7 A. No.  
8 Q. Alright.  
9 A. It wasn't there when I met Corej, no.  
10 Q. Alright. Now, was Mr Rauball also on this visit with  
11 you?  
12 A. On which visit?  
13 Q. Your first visit to Slovakia.  
14 A. We went there many times with Mr Rauball, yes.  
15 Q. In 1997?  
16 A. Yes.  
17 Q. And Mr Rauball was with you?  
18 A. Yes.  
19 Q. Did you come to have an understanding from further  
20 discussions with Mr Rauball that Rima Muran was unable  
21 to provide the financing necessary?  
22 A. That I did hear from Mr Rauball, yes.  
23 Q. Alright. And how long after your first meeting with  
24 Mr Corej did you learn that he was in need of financing  
25 for the project?

09:18

1 A. Pretty soon afterwards. Pretty soon afterwards.

2 Q. Did you develop the impression that it was a real  
3 priority for him to get financing?

4 A. Yes, I did.

5 Q. Did you get that impression not only from your  
6 discussions with Mr Rauball, but also from your  
7 discussions with Mr Corej?

8 A. That's true.

9 Q. Did you know that in the earliest days of the project,  
10 Dorfner and Thyssen had originally been viewed as  
11 financing partners, that they were --

12 A. Yes, I did know.

13 Q. Alright. They were quite substantial companies, weren't  
14 they?

15 A. Yes.

16 Q. Did their presence in the project give you confidence?

17 A. Yes.

18 Q. And why is that?

19 A. Because they were two big conglomerates in Germany, and  
20 we thought with partners like them, it would be very  
21 nice to start a project like Gemerská Poloma. But then  
22 about a year later, they were out of it; maybe even  
23 sooner.

24 Q. Maybe even sooner than a year, they wanted out?

25 A. Yes.

09:19

1 Q. How long after EuroGas came into the project did you  
2 learn that they wanted out?

3 A. I would say about a year. I would say about a year.

4 Q. Were you aware of Dorfner and Thyssen's reputation in  
5 the mining industry?

6 A. No. No.

7 Q. Had you ever worked with them before?

8 A. No.

9 Q. Did you know if Mr Rauball had ever worked with them  
10 before?

11 A. No, I don't know.

12 Q. So your early diligence is you talked to Dorfner,  
13 Thyssen, Corej --

14 A. To Dorf -- as I said, to Dorfner and Thyssen very, very  
15 little.

16 Q. Very, very little?

17 A. Very, very little I talked to Dorfner and Thyssen. To  
18 Corej, yes, because he spoke Slovak, and Rozloznic, yes.  
19 But not to Dorfner and Thyssen.

20 Q. Okay. Did you also look at the Hansa Geomin report?  
21 I think I asked you that before.

22 A. Yes. No, I didn't.

23 Q. Didn't see that?

24 A. No.

25 Q. Okay.

09:20

1 A. I heard about it, but I didn't look at it, no. If  
2 I would look at it, it wouldn't matter to me because  
3 I wouldn't understand it anyway.

4 Q. I understand. It did have a lot of financial information in it;  
5 did you happen to review that?

6 A. No.

7 Q. Do you know what cost estimates they had made?

8 A. No, for that I had a CFO in our office who was looking  
9 at it, and our lawyers in Vancouver.

10 Q. So you came to your own determinations about what  
11 capital would be required?

12 A. We were talking about it in the office, you know, at the  
13 board meeting, if it would be good to buy when it was  
14 brought to us. It was brought to us by the name of --  
15 I don't know now the person's name; I forgot. But  
16 anyway, a person, a German -- I think, sorry, he was  
17 also a German -- brought it to us.

18 Q. Mr Rauball has testified that he met with Hansa Geomin  
19 and DEG. Do you remember the DEG name?

20 A. No, I don't. Name, yes. But I don't know what kind of  
21 people, who were they.

22 Q. Did you ever meet with DEG?

23 A. No.

24 Q. How about Deutsche Bank?

25 A. No, no.

09:21 1 Q. Maybe that's the same institution; I get a little  
2 confused by the references.  
3 A. It may be. But no.  
4 Q. Did you ever get involved in discussions about the stage  
5 of drilling that had already been undertaken at the  
6 project?  
7 A. Not with them. I -- with some friends who knew that  
8 project inside-out.  
9 Q. Who were the friends that you talked to about it?  
10 A. One was by the name of Corej -- not Corej, sorry,  
11 Toeszer, and the other one was Karol ... I don't know  
12 his last name. But they were friends, two friends.  
13 Q. Do you remember discussing the question of whether  
14 underground drilling after the mine had been opened  
15 would be necessary to assess the deposit?  
16 A. No. No, I -- no, we never came to that point.  
17 Q. Did you ever look at the Kloibhofer report?  
18 A. What report?  
19 Q. Kloibhofer.  
20 A. No.  
21 Q. Now, as you were considering on behalf of EuroGas  
22 potential investment, and as the finance guy, what was  
23 your plan for financing the project, if you were to  
24 invest?  
25 A. For EuroGas now you're talking, or for Belmont?



09:23

1 Q. For EuroGas. Because at this point in time, in 1997 --

2 A. Okay --

3 Q. Wait a minute.

4 A. I was --

5 Q. Wait a minute. We're talking over each other.

6 A. Sorry. Sorry, yes.

7 Q. At this point you are there only on behalf of EuroGas?

8 A. EuroGas, yes.

9 Q. And you're the finance guy, right?

10 A. No, for EuroGas it was Wolfgang, the finance guy.

11 Q. Mr Rauball?

12 A. Mr Rauball, yes. And I was there with him because

13 I knew also people who would like to invest for Belmont,

14 so I wanted to see what is happening.

15 Q. So you were there thinking both about Belmont and

16 EuroGas?

17 A. Yes.

18 Q. But Belmont didn't invest initially; correct?

19 A. No.

20 Q. Why is that?

21 A. To whom? Nobody was selling yet. EuroGas invested

22 through Rima Muran, it bought 56% of Rima Muran shares

23 from Rima Muran, and Dorfner had 22 or 34, something

24 like that. Together of them, Dorfner and Thyssen had

25 57%.

09:24

1 Q. After that initial investment, did you ever personally  
2 have discussions with any lenders about the possibility  
3 of loaning to the project?

4 A. No.

5 Q. Did you ever have any discussions with other potential  
6 investors about whether they might come in and provide  
7 capital?

8 A. For which company?

9 Q. EuroGas.

10 A. EuroGas? No, no. Never.

11 Q. How about for Belmont, after you came in --

12 A. After when we came in, yes, I had discussions.

13 Q. Alright. Were you ever able to close a deal with  
14 a potential investor and have them actually come in?

15 A. No.

16 Q. Why was that?

17 A. Because they all were only talk. Everybody loved the  
18 project, but then when we bought it, I asked them to  
19 come and contribute some money to that, everybody was  
20 busy, no money. We had monies left, some money in the  
21 treasury still, but we needed it for the corporation,  
22 working capital and so on. So ...

23 Q. Over what period of time did your efforts to bring in  
24 a potential investor occur?

25 A. You have to excuse me: you are talking now again about

09:26

1 EuroGas only or Belmont again?

2 Q. I should have been clearer, I'm sorry. You have already  
3 said you never did it on behalf of EuroGas, so I had  
4 shifted then to Belmont.

5 A. Yes.

6 Q. So wearing your Belmont hat, later in time, over what  
7 period were you having discussions with potential  
8 investors?

9 A. When we purchased the interest from Dorfner and Thyssen.

10 Q. So that would have been in early 2000?

11 A. Yes, 2000-and-something. '01? Maybe 2001.

12 Q. Alright. Then did you ever have further discussions  
13 with investors about the possibility of coming in and  
14 bringing capital to the project?

15 A. Yes, I had it one. He was a Slovak guy, also from  
16 Bratislava, who came to visit me a couple of times, to  
17 Vancouver. But it never came through.

18 Q. Do you know if Mr Rauball also attempted to bring equity  
19 investors into the project who might provide financing?

20 A. Yes.

21 Q. And how --

22 A. He was always looking for investors.

23 Q. He was always looking for ...?

24 A. For investors for the project.

25 Q. Alright. Was he ever successful in bringing an investor

09:27

1 in with cash and closing the deal?

2 A. Yes, many times, many, many times, over, over and over.

3 That's why I went with him: because I knew his

4 reputation, I knew that he can bring people in. So

5 I was quite confident that it will work out.

6 Q. But my question really is: on this project --

7 A. Yes.

8 Q. -- did he ever find an investor who brought cash to the

9 deal?

10 A. I don't know.

11 Q. Alright. I will come back to that.

12 A. Yes, please. Let me think about it.

13 Q. You're familiar with the phrase "de-risk"?

14 A. No.

15 Q. Never heard it?

16 A. No. What was it, "de-risk"?

17 Q. "De-risk".

18 A. No.

19 Q. Let me see if I can define it for you, at least to my

20 understanding, and then maybe we can have a working

21 understanding. My understanding is that it has to do

22 with: when does the project get to a phase where the

23 financial and technical risk has been essentially

24 eliminated? Fair enough?

25 A. Yes, okay.

09:28

1 Q. From your prospective, did the Gemerská Poloma project  
2 ever get to a point where the technical and financial  
3 risk had been eliminated?

4 A. Financial, not really. But technical, yes, because they  
5 had all the documentation about the project: feasibility  
6 study ready, everything.

7 Q. So from your perspective, thinking about risk in a mine,  
8 it has two components: financial and technical?

9 A. Yes.

10 Q. In your dealings with Dorfner and Thyssen in that  
11 limited period where they stayed in after EuroGas came  
12 in -- that was about a year, I guess you said?

13 A. Yes.

14 Q. -- did you work with them pretty closely?

15 A. No. As I told you, I met them only once.

16 Q. Alright, okay.

17 A. I met some director, but I don't know. He was  
18 a director there. Also Rimas(?).

19 Q. You have read Mr Rozloznik's witness statement,  
20 I assume? Haven't read it?

21 A. No.

22 Q. Okay. I'll give you a chance to do that, if you could  
23 take a look. (Pause) I'm going to ask you a question  
24 about paragraphs 11 and 12 in particular, just to tell  
25 you where I'm going, so you can read as much as you

09:30

1 want.

2 Dorfner is described as "a world renowned mining and  
3 processing corporation" and Thyssen is described as  
4 "a world leader in the field of mining technology". Do  
5 you agree with that?

6 A. I would, because I knew nothing about them. Only I knew  
7 they were from Germany and they were good mining people.  
8 But that I cannot prove nor disprove, his statement. He  
9 knew them much better than I did.

10 Q. Based on your working experience with Mr Rozloznic, do  
11 you think he was in a position to know whether they were  
12 world leaders or not?

13 A. Yes, yes.

14 Q. So you would trust him in that?

15 A. Yes, I would trust him.

16 Q. Did there come a point in time when there was discussion  
17 between EuroGas representatives and Dorfner and Thyssen,  
18 who were already shareholders in the company?

19 A. Yes.

20 Q. In Rozmin. Did there come a point in time when it was  
21 made clear that EuroGas would like to become  
22 a shareholder in Rozmin?

23 A. That I don't know. I know that once we met them at the  
24 airport in Vienna, that's -- if before was or not,  
25 I don't know.

09:32

1 Q. Is it your testimony that you weren't talking to  
2 Mr Rauball about how things were going --

3 A. About this, no.

4 Q. Hold on.

5 A. No.

6 Q. I've got to finish the question. Wasn't there a point  
7 in time when you were talking to Mr Rauball about how  
8 things were going with Dorfner and Thyssen?

9 A. No.

10 Q. Never talked to him about it?

11 A. No, no.

12 Q. You learned, though, that not long after Mr Rauball and  
13 EuroGas entered the project, that Dorfner and Thyssen  
14 announced rather abruptly that they were going to leave?

15 A. Yes.

16 Q. What was your understanding as to why they wanted to do  
17 that?

18 A. I have no idea.

19 Q. No idea?

20 A. I know that Mr Rauball was always talking to Rima Muran  
21 to buy their portion of their investment, but not to  
22 Dorfner and Thyssen, no. I don't know about that,  
23 nothing.

24 Q. You mentioned before that it gave you comfort, as you  
25 were assessing the situation, to know that companies

09:33

1           like Dorfner and Thyssen were in the project; correct?

2    A.   Yes, yes.

3    Q.   Did it concern you that they were abruptly leaving the  
4           project?

5    A.   To be honest, yes.

6    Q.   In fact you thought that might be something of a tall  
7           red flag to other potential investors, didn't you? Do  
8           you know what I mean by that?

9    A.   Yes.

10   Q.   Kind of a warning sign?

11   A.   I heard that they don't like to work anymore in Slovakia  
12           and so on. But it doesn't -- you know, everybody is  
13           talking, so I didn't pay any attention.

14   Q.   You didn't have any discussions with --

15   A.   No. With ...?

16   Q.   Hold on a second. Your testimony before this Tribunal  
17           is that you're the finance guy working with Mr Rauball,  
18           and you never talked to him about Thyssen and  
19           Dorfner's --

20   A.   No.

21   Q.   -- abrupt announcement that they were leaving the  
22           project?

23   A.   No.

24   Q.   Never came up?

25   A.   No.



09:34

1 Q. So after they pulled out, new plans had to be made about  
2 how it was going to be structured going forward, right?

3 A. You have to repeat that. I don't hear well.

4 Q. After they announced they were leaving in 1999, new  
5 plans had to be made; correct?

6 A. Yes.

7 Q. Were there attempts to sell their interest?

8 A. This was brought to us, as I said, by a German fellow --  
9 I don't know his name, but I have the name in the  
10 office, and I can email it today and get his name -- who  
11 said that Dorfner and Thyssen want to sell their  
12 interest.

13 Q. Who were the interested buyers?

14 A. Belmont.

15 Q. That's the only one?

16 A. So far, only one. I heard that China Clay was  
17 interested in it, but I heard it from the third party  
18 whom I don't believe.

19 Q. So we probably shouldn't take much account of that  
20 either?

21 A. No.

22 Q. Okay.

23 A. At all.

24 Q. Any other interested buyers in 2000, when they were  
25 selling their controlling interest?

09:35

1 A. No, not as far as I know.

2 Q. Let's take a look at Mr Dorfner's witness statement, if  
3 we could. You've never read this before; is that  
4 correct?

5 A. No.

6 Q. Take a look if you would, please, at 14, where he  
7 testifies:

8 "Mostly due to the fact that the investment into the  
9 deposit was still considered very risky, only two buyers  
10 showed any interest in the project, in particular the  
11 French company Luzenac, a major worldwide producer of  
12 talc, and EuroGas (represented by Mr Rauball)."

13 Does the interest of Luzenac ring any bells with  
14 you?

15 A. Corej was mentioning to me the name of Luzenac, but  
16 I don't know nothing about it.

17 Q. Do you know whether they had been exploring the  
18 possibility of coming into the project for some time?

19 A. No, I don't know.

20 Q. Nobody ever brought that to your attention?

21 A. No.

22 Q. So as far as you knew, Belmont was the only bidder for  
23 a controlling interest in Rozmin?

24 A. That's correct.

25 Q. Did that surprise you?

09:37

1 A. Not really. Not really, because we wanted to buy it,  
2 and I was happy, especially when I heard -- but I don't  
3 believe, as I said -- that China Clay was interested in  
4 it.

5 Q. Now, you bought in early 2000; is that right?

6 A. I don't know the dates. As I said, I don't remember  
7 numbers and dates. But yes.

8 Q. Alright. Now, at that point in time Rozmin had already  
9 done some additional drilling work, hadn't they?

10 A. Yes, they did.

11 Q. Rozmin and Mr Rauball thought that drilling work was  
12 very important, right?

13 A. Yes, they did.

14 Q. In fact he went so far as to say that that additional  
15 drilling work, done between 1997 and 1999, had pretty  
16 much eliminated the risks on a technical side; correct?

17 A. No, I never heard that they were.

18 Q. Never heard that?

19 A. No, no.

20 Q. Alright. You thought there was still risk there?

21 A. No.

22 Q. So you disagree with Mr Dorfner when he said, "Mostly  
23 due to the fact that the investment into the project was  
24 still considered very risky"? You disagree with that?

25 A. Yes, I disagree.

09:38

1 Q. But you're not a technical guy, right?

2 A. I'm not.

3 Q. And Mr Dorfner was very much a technical guy, wasn't he?

4 A. He was.

5 Q. How did you determine the value to offer? How did you  
6 determine the value of a controlling interest in Rozmin?

7 A. By Rima Muran spending there what they spent -- or what  
8 they didn't; they owed money to Dorfner and Thyssen --  
9 and how much was the deposit what was blocked out.  
10 That's how we determined.

11 Q. So you assessed the cost that had been spent on the  
12 project to date?

13 A. Yes.

14 Q. By Dorfner and Thyssen?

15 A. No, because I didn't know how much they spent there.  
16 But they told us they spent there 1.5 million on  
17 drilling and on the work done on the deposit.

18 Q. What other factors did you consider in determining what  
19 you were going to offer, what was blocked out? What do  
20 you mean by that?

21 A. By the tonne, how many tonnes we can mine out and what  
22 would be the value of it.

23 Q. Take a look at -- I'm sorry, were you through?

24 A. What would be the value of that ore.

25 Q. Alright. Did you have any professional advisors helping

09:40

- 1           you determine the --
- 2    A.   Oh yes.   Oh yes.
- 3    Q.   Who did you work with?
- 4    A.   From Vancouver, with mining engineers.
- 5    Q.   So you came up with your own estimate of value?
- 6    A.   Yes.
- 7    Q.   Did you negotiate with them?
- 8    A.   We tried.
- 9    Q.   Did you have any luck?
- 10   A.   No.   We wanted to pay them only half in cash and half in  
11       shares of the company, and they didn't go for it.
- 12   Q.   They insisted on a cash deal?
- 13   A.   Yes, cash only.
- 14   Q.   Take a look at paragraph 15 in that same witness  
15       statement, where Mr Dorfner -- and by the way, he's not  
16       going to be cross-examined, which is why I'm spending  
17       some time with you on his statement.   Do you see there  
18       where they say what the total purchase price was:  
19       €1.457 million?
- 20   A.   That's about right, yes.
- 21   Q.   Well, that's good.   Now, in the next sentence he  
22       explains how the purchase price was calculated.   Do you  
23       see that?   It goes over to the next page.
- 24   A.   By also Dorfner, yes.   That's what I said.
- 25   Q.   Sort of a cost-plus; is that right?

09:41

1 A. Yes.

2 Q. Their cost, plus time value of money, plus a profit  
3 margin. And you agreed to pay that?

4 A. Yes.

5 Q. And they held firm at that price?

6 A. And we also know what is there. So it was just bonus,  
7 yes.

8 Q. Do you see the last sentence there, where Dorfner  
9 testifies:

10 "Since the deposit was not de-risked, it was not  
11 marketable, and it was not possible to set the sale  
12 price otherwise."

13 Do you see that?

14 A. Where is that?

15 Q. That's the very last sentence of paragraph 15.

16 A. Oh, yes.

17 Q. Do you see that?

18 A. Yes, I see.

19 Q. At least from the perspective of Dorfner, the technical  
20 guy, who had been there at that point five years -- is  
21 that right?

22 A. Yes, about.

23 Q. From his perspective, the deposit was not de-risked; is  
24 that right? Is that how you understand it?

25 A. That's what he says.

09:42

1 Q. That's what he says. He also thought the property was  
2 not marketable. Would that be consistent with the fact  
3 that, to your knowledge, no other buyer showed up to  
4 express interest?

5 A. No, no. There were -- no.

Q. That wouldn't.

A. No.

6 Q. What's your explanation for why no other buyers would  
7 show up and express interest at the time you were  
8 bidding?

9 A. Because at that time nobody was interested in talc.

10 Q. The market was weak?

11 A. Yes.

12 Q. The market for talc?

13 A. Yes. And now it's much better, a lot better.

14 Q. Right. But at this point in time, in 2000, your view is  
15 the market was so weak that there wasn't another buyer  
16 with any interest?

17 A. As I said, only that one what I don't believe was  
18 a buyer, China Clay.

19 Q. Right. So we ought to quit talking about him, shouldn't  
20 we? Do you agree?

21 A. Yes.

22 Q. Okay.

23 So you came into the project and you had kind of  
24 a rough year at Belmont; you had some heavy losses, as  
25 I understand it. Is that right? In 2000.

09:44

1 A. In 2000?

2 Q. Let's show him his witness statement.

3 Take a look at paragraph 15 if you would, please.

4 This is your witness statement. Very first sentence.

5 A. Yes.

6 Q. "After having purchased its 57% interest in Rozmin,  
7 Belmont further investigated the project and came to the  
8 conclusion that it would need to raise greater sums than  
9 anticipated to prepare the deposit for its commercial  
10 development."

11 Do you see that?

12 A. Yes.

13 Q. What sums were you anticipating before you bought in?

14 A. Before I bought in, we were anticipating that the whole  
15 deposit to develop would cost 75 million.

16 Q. 75 million ...?

17 A. Crowns.

18 Q. Crowns.

19 A. Slovak crowns.

20 Q. Alright.

21 A. That was the -- from Mr Corej, his estimate.

22 Q. And can you help me, so I don't have to --

23 A. It was 1 to 20.

24 Q. 1 to 20. So roughly --

25 A. To deutschmarks. To dollars, 1 to 30.



09:45

1 Q. -- €3.5 million, something like that?

2 A. Yes, that's correct.

3 Q. Okay. So you had been there about a year, and you  
4 said --

5 A. Over a year, and a couple of months.

6 Q. Okay. But how long did it take you to come to the  
7 conclusion that greater sums would be needed to prepare?

8 A. How long? Immediately after we hired Corej to do the  
9 work for us, and each month he wanted an amendment to  
10 the agreement.

11 Q. Now --

12 A. So it was growing and growing, mushrooming.

13 Q. Did you have a new estimate of what the total cost was  
14 going to be?

15 A. No. No, we didn't at that time.

16 Q. You thought it was going to continue to grow?

17 A. Yes.

18 Q. You also say in that paragraph that:

19 "... Belmont had incurred significant losses in  
20 2000..."

21 That was a factor for you?

22 A. Is that 15 you said? Yes, maybe. I don't remember.

23 Q. You don't remember?

24 A. I don't remember how much losses incurred. But we  
25 probably did.

09:46

1 Q. Alright. So you entered into the share purchase  
2 agreement in early --

3 A. 2001.

4 Q. Early 2001, alright.

5 Mr Agyagos, did there come a time when you learnt  
6 that ... Let me withdraw that. I'm going to back up and  
7 go to something else. Excuse me one moment.

8 Haidecker had been the general manager of the  
9 project before you came in, right?

10 A. Yes.

11 Q. Did you come to know him?

12 A. I met him twice.

13 Q. Did he seem like a competent individual?

14 A. Yes.

15 Q. Mr Rauball made the decision to ask him to stay on the  
16 project, right?

17 A. Yes.

18 Q. Did you discuss that decision with him?

19 A. No. When I saw Mr Haidecker's contract expired and he  
20 wanted double his salary, I said no.

21 Q. But you didn't say anything about that in your witness  
22 statement, did you?

23 A. No.

24 Q. And I didn't even ask you a question about that.

25 A. Yes, but that's what was the reason, and I --

09:48

1 Q. Just something kind of important you wanted to get out?

2 A. No, it's not important to me.

3 Q. Alright. Can you point me to any documents which  
4 suggest any basis to say what you just said, that he had  
5 asked for double?

6 A. I can, but I don't have them here. I have them in  
7 Vancouver. I can email you those documents.

8 Q. I see. Okay.

9 A. And maybe Haidecker has it, and I understood that he is  
10 coming here to the witness stand to be a witness. So he  
11 must have it too.

12 Q. Actually that's not going to be possible because the  
13 Claimants have waived the opportunity to cross-examine  
14 him as well, Mr Haidecker.

15 A. Huh.

16 Q. But at least from your perspective, your view was: he's  
17 been there for a while, Mr Rauball has made a decision  
18 to keep him on, that sounded like a good idea to you?

19 A. No, because Mr Rauball had only, together with  
20 Rima Muran, only 43% interest in the company.

21 Q. But he was working for Rozmin; correct? Haidecker was?

22 A. Yes.

23 Q. There wasn't any opposition from Belmont to keeping him  
24 on; correct?

25 A. In the beginning, no.

09:50

1 Q. You did become aware that there was a lot of friction  
2 with Dorfner and Thyssen, and that was the background  
3 to --

4 A. No, I didn't know that at all, that --

5 Q. You didn't know that at all? Okay.

6 Do you remember learning anything about Dorfner and  
7 Thyssen's concern that when EuroGas and Mr Rauball were  
8 entering the project, it might complicate things for  
9 Deutsche Bank?

10 A. No. No.

11 Q. What was your understanding as to why EuroGas bought in  
12 to Rima Muran, rather than buying directly into Rozmin?

13 A. Because they didn't want to sell, and Corej was looking  
14 for investor, for money; he had no money. So he sold  
15 his part of his investment.

16 Q. Do you know if Dorfner and Thyssen were even aware that  
17 EuroGas was going to enter the project through  
18 Rima Muran?

19 A. No.

20 Q. They weren't aware?

21 A. No, I don't know.

22 Q. You don't know?

23 A. No, I don't know that.

24 Q. Did you have any involvement with Deutsche Bank and  
25 their continuing interest in financing?

09:52

1 A. No.

2 Q. So by the time you got to the project, they were gone?

3 A. I think so, because I never heard about them.

4 Q. Let's take a look, if we can, at Mr Dorfner's witness  
5 statement again. Take a look at paragraph 11 if you  
6 would, please:

7 "End of 1997, Mr Corej from Rima Muran approached  
8 Östu ..."

9 That's the Thyssen affiliate, right?

10 A. Yes.

11 Q. "... and Gebrüder Dorfner with an idea to secure  
12 financing for the project by involving EuroGas GmbH,  
13 an Austrian mining company ..."

14 He goes on to say:

15 "... such a cooperation was not acceptable ...  
16 because at this time we had negotiations with  
17 Deutsche Bank ..."

18 And there was concern that the entry of a new  
19 partner might scare off the German bank. I'm  
20 paraphrasing, so you should read to see if you agree  
21 with my paraphrase.

22 A. No, I never knew about it.

23 Q. Didn't know anything?

24 A. Never, never. Never heard. This is the first time  
25 I see it.

09:54 1 Q. But by the time you were there, as you say, they weren't  
2 involved anymore?

3 A. No.

4 Q. I want to go back to Luzenac. Remember we mentioned  
5 that they had a possible interest in purchasing at the  
6 same time you did?

7 A. That's what I heard from Corej. But I'm not sure about  
8 it.

9 Q. Did you know anything about Luzenac?

10 A. I heard the name Luzenac. That's a French company.

11 Q. Did you know anything else about it?

12 A. No.

13 Q. Do you know why Dorfner and Thyssen believed EuroGas and  
14 Mr Rauball to be an inappropriate partner?

15 A. I have no idea what was between them.

16 Q. Never heard a word about it?

17 A. No, never.

18 Q. You became a director of EuroGas?

19 A. Yes.

20 Q. Did Mr Rauball ever disclose to you that there had been  
21 friction --

22 A. No.

23 Q. -- with Dorfner and Thyssen?

24 A. No.

25 Q. Never told you that?

09:55

1 A. Never, never.

2 Q. After you bought the 57% controlling interest in Rozmin,  
3 at the time you bought it, you were a public company;  
4 correct?

5 A. Yes, yes, that's right.

6 Q. And traded on the Canadian stock exchange?

7 A. On the Vancouver Stock Exchange.

8 Q. Any other exchanges?

9 A. And the US over-the-counter.

10 Q. Did you make US SEC filings?

11 A. Yes, we did.

12 Q. And of course Canadian filings?

13 A. Yes.

14 Q. And Canadian law, like US law, requires you to file  
15 annual financial statements?

16 A. Annual reports.

17 Q. Annual financial statements; correct?

18 A. Yes.

19 Q. As an experienced businessman, would you agree that's  
20 a pretty serious thing, to file a financial statement?

21 A. That's right.

22 Q. And as an experienced businessman, you know that the  
23 statements you are making there are representations of  
24 management, not your auditors? You know that, don't  
25 you?

09:56

1 A. Yes.

2 Q. Do you take the filing of financial statements to be  
3 a serious undertaking?

4 A. Yes, yes.

5 Q. In Canada, are there criminal penalties for filing false  
6 financial statements?

7 A. Yes.

8 Q. And those penalties can be serious, can't they?

9 A. I don't know; we never were fined.

10 Q. Before you purchased the shares from Dorfner and Thyssen  
11 in 2000 ... Well, let's go to the time you purchased it.  
12 Do you remember how you booked the transaction?

13 A. No, only the CFO can answer this question. It was  
14 approved by the Vancouver Stock Exchange.

15 Q. Let's take a look, if we can, at R-41, at tab 3 of your  
16 witness binder.

17 A. In mine?

18 Q. Yes. Maria is going to help you there. So these would  
19 be the financial statements for the period after you had  
20 bought the interest from Dorfner and Thyssen; correct?

21 A. Yes.

22 Q. Is that right?

23 A. I don't know.

24 Q. Let's take a look.

25 A. It says here ...



09:58

1 Q. Look at note 2 if you would, please.

2 A. Note 2?

3 Q. Note 2. It's "Significant Accounting Policies". Can  
4 you help him find that, Maria? Unfortunately they are  
5 not page-numbered. It's back --

6 A. Yes, it's here.

7 Q. Do you see it?

8 A. Yes.

9 Q. Let me first ask you: you're familiar with the concept  
10 of consolidation of the operations of a subsidiary  
11 company?

12 A. Sort of, but that's not my business. That's the CFO who  
13 is doing it, and the auditors.

14 Q. What was your role in Belmont at the time these  
15 financial statements were filed?

16 A. In 2000 I was the president.

17 Q. Given your own characterisation of yourself as the  
18 finance guy, you obviously reviewed these before they  
19 were filed?

20 A. Yes, I do.

21 Q. And you wanted to ensure that they were accurate?

22 A. Correct.

23 Q. Because, as we said, it's a serious undertaking; yes?

24 A. Yes.

25 Q. Look under the section called "Consolidation". Do you

09:59

1 see that? And then scan down to "Rozmin". Do you see  
2 that, at the bottom of the page?

3 A. Yes, go ahead.

4 Q. So you report there, management reports there that:

5 "The Company owns 57% interest pursuant to a share  
6 purchase agreement ... The acquisition has been  
7 accounted for using the purchase method."

8 And you go on to report that by reason of the  
9 acquisition -- and this is of course the acquisition  
10 from Dorfner and Thyssen -- you consolidate the  
11 financial affairs of the subsidiary company Rozmin into  
12 these financial statements; correct?

13 A. I'm not sure about it, as I am not an accountant. But  
14 whatever the auditors said that is right is right.

15 Q. Well, just so we're clear on it, I'm reading really  
16 under "Consolidation":

17 "The accounts of these companies have been  
18 consolidated on the following bases: ..."

19 And then of course Rozmin is listed. Are you  
20 following so far?

21 A. Yes, I ...

22 Q. Alright.

23 Then in 2001 you signed the share purchase  
24 agreement. Let's take a look now at tab 8, the share  
25 purchase agreement with EuroGas for the sale of the

10:01

- 1 57% --
- 2 A. 2001?
- 3 Q. Let me slow down and make sure everybody is -- we're at  
4 tab 8, and now we're looking at the audited consolidated  
5 financial statement for the years ended January 31st  
6 2002/2001.
- 7 A. Yes.
- 8 Q. This would have been for the year which included the  
9 execution of the share purchase agreement --
- 10 A. After the purchase, yes.
- 11 Q. -- with EuroGas. You understand?
- 12 A. EuroGas?
- 13 Q. Yes. In March 2001 --
- 14 A. When we sold it, you mean the EuroGas  
15 shares?
- 16 Q. Yes.
- 17 A. Yes.
- 18 Q. Yes. When you sold it to EuroGas, March 2001, under the  
19 share purchase agreement.
- 20 A. Yes.
- 21 Q. Are you with me?
- 22 A. Yes, I am.
- 23 Q. Alright. So these are the consolidated financial  
24 statements for that period. Do you understand that?
- 25 A. Yes.

10:02

1 Q. Alright. Now, in R-114, under the same section of the  
2 financial statement on "Significant Accounting  
3 Policies", do you see the section entitled  
4 "Consolidation"? Let me pause here for a second. Is  
5 there some confusion?

6 THE PRESIDENT: I have found it. But if you told us each  
7 time how many pages we have to turn ...

8 MR ALEXANDER: Yes, alright. Thank you. I apologise. Let  
9 me see if I can do better. Are you with us, Maria?

10 MS POLAKOVA: Yes. "Significant Accounting Policies", you  
11 mean?

12 MR ALEXANDER: Yes, "Significant Accounting Policies".  
13 We're in the same section of the financial statement we  
14 looked at in the prior exhibit, under "Consolidation",  
15 and this time I want you to read down to what the  
16 discussion is about Rozmin at this point. Do you see  
17 that?

18 THE PRESIDENT: We don't if you don't tell us more  
19 precisely.

20 MR ALEXANDER: Alright. So I'm in R-114, so I'm over on the  
21 page that is labelled at the top "Operations", and then  
22 underneath it's "Significant Accounting Policies".

23 THE PRESIDENT: Okay, yes.

24 MR ALEXANDER: Do you have that, Maria? I'm not sure why  
25 these aren't numbered.

10:04

1 MS POLAKOVA: "Operations". Yes, we are there.

2 MR ALEXANDER: Okay. Alright.

3 Now, down in the section of "Significant Accounting  
4 Policies", under "Consolidation" -- which, as you'll  
5 recall, is the same section we looked at in the prior  
6 exhibit.

7 A. Yes.

8 Q. This time, under "Rozmin", management represents:

9 "The Company sold its 57% interest in Rozmin s.r.o.  
10 effective March 27, 2001. The accounts and operations  
11 of Rozmin have been consolidated in the accounts up to  
12 the date of [the] disposition."

13 Do you see that?

14 A. Yes, I do.

15 Q. What do you think "the date of [the] disposition" is  
16 referring to there? Is that the date the share purchase  
17 agreement was executed? Is that your understanding?

18 A. I don't remember that.

19 Q. Alright. Let's look at the next page, where that  
20 discussion continues, under "Proceeds of disposition",  
21 and then the paragraph that begins:

22 "The Company holds the Rozmin s.r.o. shares pending  
23 settlement of the amount of guarantee shares to be  
24 issued by EuroGas and completion of the US registration  
25 statement which requires the inclusion of certain

10:05

1 information from EuroGas."

2 Then it goes on, and this is the part I want to  
3 focus on:

4 "The Company has recorded the EuroGas transaction as  
5 a sale and disposition of a subsidiary and holds the  
6 shares as a collateral measure only."

7 Do you see that?

8 A. I see that. But that's not the way it was, because the  
9 purchase never went through. They never paid the full  
10 amount that they were supposed to pay.

11 Q. But, Mr Agyagos, if the sale didn't go through, your  
12 financial statements contain misrepresentations, don't  
13 they, sir?

14 A. No. That's how much we would get.

15 Q. So you're saying --

16 A. I'm not an accountant, Mr ...

17 Q. Alexander.

18 A. ... Alexander. I'm not an accountant, so don't try to  
19 hold me by my words. But honestly, that's -- if the  
20 accountant told us that we have to do it, we did it this  
21 way. And those are chartered accountants, so we cannot  
22 argue with them.

23 Q. You're familiar with the concept of generally accepted  
24 accounting procedures?

25 A. Yes.

10:06

1 Q. And you don't have any reason to believe they would be  
2 asking you to do something that wasn't accurate or  
3 consistent with their responsibilities as auditors, do  
4 you?

5 A. No, I don't think so.

6 Q. Alright. So they reviewed the transaction; correct?

7 A. Yes, they did.

8 Q. And you explained to them what had happened in the  
9 transaction?

10 A. Yes, I did.

11 Q. And the decision by management was to book it as a sale  
12 and disposition as of the effective date of the APA;  
13 correct?

14 A. No, because we were still waiting a year from then for  
15 the registration for the shares. But at that time the  
16 share price, I don't know what -- the day when we  
17 acquired it, what was the share price. It might have  
18 been 15/20 cents.

19 Q. Are you telling the Tribunal that your financial  
20 statements are inaccurate?

21 A. No, I'm not.

22 Q. I didn't think so.

23 A. No, I'm not, I'm not.

24 Q. Are you telling the Tribunal that the statement in this  
25 audited financial statement, filed with both Canadian

10:07

1 authorities and SEC authorities, that, "The Company has  
2 recorded the EuroGas transaction as a sale and  
3 disposition ... and holds the shares as a collateral  
4 measure only", are you telling the Tribunal that that  
5 was not accurate?

6 A. That was not accurate.

7 Q. Right.

8 A. It is -- we held the shares until we get paid, fully  
9 paid. Maybe I don't understand it because I'm not  
10 an accountant, you know, or a lawyer. But that was the  
11 truth, and the reason is -- that's why we held it.

12 Q. Do you see the statement, "EuroGas acquired effective  
13 control of Rozmin on March 27, 2001"? Is that true?

14 A. Through debt, yes. But they never paid for it.

15 Q. Well, it doesn't say anything here about payment. I'm  
16 just saying: is it true that on that date they acquired  
17 effective control?

18 A. That I don't know. That I cannot tell you, if they  
19 acquired or not, because we were still controlling the  
20 shares.

21 Q. Alright.

22 A. The shares were ours.

23 Q. Have you ever taken any steps to file a restatement of  
24 your financial statements?

25 A. No.



10:09

1 Q. Has anyone ever suggested to you that you should?

2 A. No, never.

3 Q. So after the date of the transaction, isn't it true that  
4 for every year going forward, you continued the same  
5 accounting treatment in your financial statements?

6 A. That's true.

7 Q. Let's turn to tab 9 (R-115). This is the record of your  
8 examination as a witness before Slovak criminal  
9 authorities. Do you recall this? Have you seen this  
10 document before?

11 A. I did.

12 Q. Do you recall speaking to criminal authorities?

13 A. Yes.

14 Q. Can you tell the Tribunal the background of how it is  
15 you came to speak to the criminal authorities?

16 A. We made an appointment with them because of Mr Corej.  
17 Mr Corej in his declaration -- I read his witness  
18 statement; even here it is -- he declared that he sold  
19 his interest in the company of Rima Muran to EuroGas for  
20 1,000 euros -- or dollars. In fact, he sold it for  
21 1,550,000 deutschmarks. And we were called there  
22 because of that, so I told them about it. What can  
23 I do?

24 Q. Who initiated the criminal proceedings involving  
25 Mr Corej?

10:11 1 A. I have absolutely no idea.

2 Q. No idea?

3 A. I didn't, for sure.

4 Q. You don't recall ever talking to Mr Rauball about

5 initiating criminal proceedings against Mr Corej?

6 A. I did, I do remember that, that he wanted to initiate.

7 Q. Mr Rauball did?

8 A. Yes.

9 Q. And that was because of a witness statement he had filed

10 in some proceeding, or was it in this proceeding?

11 A. I have no idea about why.

12 Q. But Mr Rauball asked you to be helpful and give

13 a statement?

14 A. And join him, yes. And I gave that statement.

15 Q. Right. Did you have an opportunity to tell the

16 authorities everything you wanted to tell them about it?

17 A. Yes.

18 Q. They listened carefully?

19 A. Not necessarily. They just listened what they wanted to

20 hear. They were his friends, that was my feeling.

21 Q. I know that was your feeling. But let's come at it this

22 way. This statement you've had an opportunity to

23 review?

24 A. Yes, I did.

25 Q. And you gave a statement under oath; correct?

10:12

1 A. Yes.

2 Q. You were cautioned that giving a false statement was  
3 itself a crime, were you not?

4 A. Yes.

5 Q. You said on page 3 that you have voluntarily come to be  
6 examined by the investigator. Do you recall that?

7 A. Yes, I do.

8 Q. And Mr Rauball had told you that he was going to be  
9 a witness in the investigation of Mr Corej, and so you  
10 were going to go --

11 A. Yes, he was there too. He was there too.

12 Q. With you?

13 A. We were three of there, three of us there.

14 Q. Sorry?

15 A. We were three of us there.

16 Q. Uh-huh. Who was the third person?

17 A. The third person was Dani -- his name was Danicek. He  
18 was a EuroGas director, or something like that.

19 Q. So all three of you went in?

20 A. Yes, all three of us.

21 Q. In the paragraph under "Page 3 of the record of  
22 examination", I want you to go down three paragraphs,  
23 where it begins:

24 "Rozmin had a license to carry out mining activities  
25 since 1997 but due to a complicated situation on the

10:14 1 talc market, Rozmin was carrying out mainly the deposit  
2 survey ..."

3 Do you see that?

4 A. Yes.

5 Q. What was the situation on the talc market?

6 A. That's what I told you: prices were very soft.

7 Q. How long did that softness continue?

8 A. I don't know. I am not following.

9 Q. Several years?

10 A. I am not following it. I know that now they are up, but  
11 I don't follow it.

12 Q. So when you said you were carrying out mainly the  
13 deposit survey, what are you referring to there?

14 A. This question you have to ask Mr Rozloznic, because he  
15 was the one who was carrying out this survey, not me.

16 Q. So you don't know anything about it?

17 A. No, I never went to the mining area, so I couldn't be --

18 Q. But you did make this statement to the police?

19 A. No, I didn't make the statement. That's what Rozmin was  
20 carrying out, not me.

21 Q. But my point is you made this statement to the police  
22 that --

23 A. Maybe I made. But I wasn't carrying it out; Rozmin was  
24 carrying it out.

25 Q. Look down to the next paragraph, the sentence that

10:15

1 begins:

2 "He told me, Mr Rozloznic and Mr Bottay ... already  
3 in September 2004 in the office of the District Mining  
4 Office, during our visit, that if we did not start  
5 carrying out works on midnight of the last November day  
6 2004, the mining rights would be revoked from us and  
7 a new selection procedure would be announced in order to  
8 assign the mining rights to a new holder."

9 Did you make that statement to the police?

10 A. About Baffi? Because that's what Baffi said, not me.

11 Q. Let's back up. I am asking you if you made this  
12 statement to the police.

13 A. I made a statement to the police that what Mr Baffi  
14 said. I don't know how he put it, but that's what  
15 Mr Baffi said.

16 Q. And you understood when you made this statement that you  
17 were under oath?

18 A. Yes. It is everything true there. As a matter of fact,  
19 I have here a letter from Mr Rozloznic, what he sent us,  
20 and he advised that he started work in the mine, just  
21 like Mr Baffi suggested.

22 MR ALEXANDER: Mr Chairman, I can't recall precisely if your  
23 programme had identified timing a break this morning.

24 I am wondering if this might be a convenient spot.

25 THE PRESIDENT: I don't know if it is programmed or not, but

10:17

1 I think what is important is for you to tell us what is  
2 the right time.

3 MR ALEXANDER: It would be helpful for me. Thank you very  
4 much.

5 THE PRESIDENT: 15 minutes, or let's say until 10.30.

6 MR ALEXANDER: Thank you.

7 THE PRESIDENT: Mr Agyagos, during this break you must not  
8 talk with anyone about this case.

9 MR AGYAGOS: Yes, I was told about that, and you can be  
10 assured that I will not.

11 THE PRESIDENT: Thank you.

12 MR AGYAGOS: Thank you.

13 (10.18 am)

14 (A short break)

15 (10.33 am)

16 MR ALEXANDER: Mr Agyagos, are you ready to proceed?

17 MR AGYAGOS: Yes, I am.

18 MR ALEXANDER: Alright. I'd like to take ...

19 MR AGYAGOS: Excuse me, I have to look at Mr ...

20 MR ALEXANDER: Alexander.

21 MR AGYAGOS: ... Alexander because I don't hear well.

22 I have to look at him when he's talking, otherwise

23 I don't know what he's talking about. I have to look at

24 him. I would like to look at you --

25 THE PRESIDENT: No, no, no, no. You --

10:33

1 MR AGYAGOS: It is difficult for me to hear what he is  
2 saying.

3 MR ALEXANDER: Sir, do you have before you again tab  
4 number 9, which is Exhibit R-0115?

5 A. Tab number 9. Yes, Exhibit R-...

6 Q. And I'd like you to turn to page 5 if you could, please.

7 A. Yes.

8 Q. This is the same statement you gave to criminal  
9 authorities, as I understand you --

10 A. There is something I just read now where it --

11 Q. Excuse me, sir. Let me finish, please. This is the  
12 same statement we were looking at few minutes ago, which  
13 you gave under oath to the criminal authorities.

14 I wanted you to understand it's the same document. Are  
15 you with me?

16 A. Can I now go?

17 Q. Yes?

18 A. I was looking at it, and it is not exactly the same.

19 I don't know who translated it, but it is not exactly  
20 the same.

21 Q. Alright.

22 A. I saw only a few things, but --

23 Q. Is there any --

24 A. -- I cannot find that page where I saw that it is not  
25 the same.

10:35

1 Q. Are you referring to the translation?

2 A. Yes, it is -- yes. Yes, it is missing something. Oh,  
3 yes, it is here, part 4. That's where I don't see it in  
4 Slovak, because there is a part 4 ... (Pause) Okay.  
5 I've found it. It's okay.

6 Q. Alright?

7 A. Yes.

8 Q. So I just wanted you to understand what document we were  
9 looking at. It was the document in which you were under  
10 oath --

11 A. Yes.

12 Q. -- giving a statement to criminal authorities, having  
13 been invited by Mr Rauball. Do you recall that?

14 A. By Mr Rauball there?

15 Q. Yes.

16 A. No, we went there with Mr Rauball.

17 Q. Right?

18 A. Yes.

19 Q. And he asked you to go?

20 A. Yes.

21 Q. That's all I meant.

22 A. Yes.

23 Q. Okay. So now that we're on the same page, let's get to  
24 the same page. Let's look at page 5.

25 THE PRESIDENT: Sorry, just if there is any doubt as to the



10:37

1 correctness of this translation, you have the Slovak.

2 MR AGYAGOS: I have that, but I cannot read the Slovak.

3 THE PRESIDENT: So you can check.

4 MR ALEXANDER: Alright. Do you see on page 5 --

5 A. Yes.

6 Q. -- the paragraph that begins, "With regard to the fact",  
7 down towards the bottom of the page?

8 "With regard to the fact that Belmont Vancouver sold  
9 its business share around 2002 to company EuroGas, we  
10 did not incur direct damage, EuroGas incurred direct  
11 damage which is very significant."

12 Do you see that?

13 A. Yes.

14 Q. Did you make that statement under oath to --

15 A. Yes, I made that statement --

16 Q. Excuse me, let me finish. Did you make that statement  
17 under oath to Slovak police; yes or no?

18 A. Yes.

19 Q. Alright.

20 A. Can I now say what it is not added there to this  
21 statement? This was: we sold our 55% interest to  
22 EuroGas. That's what I said after -- under the "all".  
23 But it was due to certain conditions. This is not  
24 there. And I looked already --

25 THE PRESIDENT: Sorry. Is it in the Slovak original, or is

10:38

1 it something which is also missing in the Slovak?

2 A. No, no, it is not in the Slovak original. I overlooked  
3 it and it's not there. But it was due to the certain  
4 condition that we sold. That's why we didn't incur  
5 any damages, because by that time still EuroGas had the  
6 chance to buy those shares from us, but then it never  
7 went through.

8 What year was this?

9 MR ALEXANDER: But there's no doubt in your mind you made  
10 this statement under oath to the police?

11 A. Yes, yes, that is no doubt.

12 Q. Let's talk a little bit about those conditions you just  
13 mentioned. After you received the shares from  
14 EuroGas --

15 A. Yes.

16 Q. 12,000 shares; is that correct?

17 A. That's correct.

18 Q. -- you sold some of those shares?

19 A. We sold them at the open market about a year and a half  
20 later, because they never registered those shares as we  
21 were promised, with registration S or K or whatever it  
22 was, you know, what it is in the United States.  
23 Registration S, yes.

24 Q. Once you received those shares and they were duly  
25 registered with a registration statement, you had the

10:39

1 right to sell them or retain them?

2 A. Yes. Yes.

3 Q. And if you were satisfied with the market price in the  
4 open market, you had the right to sell them?

5 A. That's correct.

6 Q. Or you had the right to hold on to them as long as you  
7 wanted to?

8 A. No, that we -- that wasn't clear. That wasn't clear,  
9 how long we can hold to it. We want to receive back our  
10 money, our investment, in the amount of 125% from the  
11 sale of the shares.

12 Q. I understand what you're now saying your goal was. My  
13 point is: under the agreement, you had the right to hold  
14 the shares as long as you wanted to?

15 A. Definitely. But that wasn't the idea. We didn't want  
16 to hold the shares.

17 Q. Your desire was to liquidate them. And after the --

18 A. Holding them --

19 Q. Excuse me. And after the registration statement was  
20 filed, you made the decision when you wanted to sell and  
21 if you were satisfied with the market price; correct?

22 A. Yes. And if I was not satisfied, I had to sell, because  
23 if we were in need of cash, we had to sell.

24 Q. Now, at the time you agreed in the share purchase  
25 agreement --

10:41

1 A. Yes.

2 Q. -- to sell 57% to EuroGas, did you make any efforts to  
3 see if you could develop interest from another buyer?

4 A. To what?

5 Q. To develop interest in the control position in Rozmin by  
6 selling them to another buyer. Did you consider that?

7 A. No, no.

8 Q. Is there any reason why not?

9 A. No.

10 Q. Did you know what the shares were going to be worth?

11 A. No, we didn't.

12 Q. Did you get any professional advice on whether you were  
13 paying fair value for the shares?

14 A. We spoke to our auditors and we were told not to hold  
15 those shares, not to hold to those share.

16 Q. But you made absolutely no efforts to explore whether  
17 there might be another buyer?

18 A. Another what?

19 Q. Buyer.

20 A. Buyer? No, no. I mean, nobody would buy 12 million  
21 shares.

22 Q. Nobody would buy a controlling interest in Rozmin at  
23 that point in time?

24 A. No, not 12 million shares. Not controlling interest,  
25 because it was sold already. You are talking now about

10:42

1 the 55% or 57% of interest in Rozmin?

2 Q. Let's be clear on this, because I think this is  
3 important.

4 You owned the 57% interest in Rozmin?

5 A. Yes, in Rozmin.

6 Q. You had bought it from Dorfner and Thyssen?

7 A. Yes.

8 Q. Together it was clearly a controlling position in  
9 Rozmin?

10 A. Yes.

11 Q. And your case here is that at the time you were selling  
12 those shares, you were getting ready to sell them,  
13 additional drilling had been done; correct?

14 A. Yes.

15 Q. Lots of studies had been done; correct?

16 A. Yes.

17 Q. Your memorial says that the project had been de-risked;  
18 correct?

19 A. I think so.

20 Q. My question is: did you consider the possibility that if  
21 the project was as you described, fully de-risked, there  
22 might be another buyer who would want to --

23 A. For the 55%?

24 Q. Excuse me -- who might want to buy the shares of  
25 a controlling interest in Rozmin? Did you consider

10:43

1 that?

2 A. Yes.

3 Q. And did you take any steps --

4 A. Yes, we did. As I told you previously, we were talking  
5 to one Slovak guy, also Slovak, from Slovakia, from  
6 Bratislava. His name was Horváth. He was interested in  
7 it, to buy the shares.

8 Q. Did he ever make an offer?

9 A. He made a very low offer, yes, very, very low, because  
10 he said, "We have to develop the mine", and so and so.  
11 So it was very low.

12 Q. Because he said, "We have to develop the mine". What  
13 did he mean by that?

14 A. There was nothing. We just started the mine, the  
15 tunnelling. So he said, "We have to develop it".

16 Q. It wasn't far enough along?

17 A. No.

18 Q. And no other buyer appeared?

19 A. No.

20 Q. -- for a controlling interest in Rozmin?

21 A. No.

22 Q. Did you take any steps to try to market it?

23 A. No. No, we didn't.

24 Q. You had a very close relationship with EuroGas, didn't  
25 you?

10:44

1 A. Yes, I did.

2 Q. At the time you were a director?

3 A. I don't know if I was director at this time, because  
4 I don't remember, because it was after my heart surgery,  
5 open-heart surgery. But I was a director of EuroGas for  
6 a while, for about two or three years.

7 Q. Your relationship was so close with EuroGas that  
8 sometimes in SEC filings it was described as "other than  
9 an arm's length relationship". Do you remember that?

10 A. No, no. What was described?

11 Q. Do you remember it was described as a related-party  
12 transaction sometimes, when you did deals with EuroGas?

13 A. That doesn't mean anything, because if he -- no, that  
14 wasn't outsider who was buying the deal or something.

15 Q. Do you remember the Maseva deal?

16 A. Yes, I do.

17 Q. Tell the Tribunal what Maseva was.

18 A. Maseva was a concession back east, around Trebišov, what  
19 we bought -- I think so -- from EuroGas. We paid  
20 €50,000 for it, but there was absolutely nothing. We  
21 did some preliminary drilling, and the drilling -- and  
22 so -- and we didn't find anything.

23 Q. Do you remember that the Maseva interest was sold to  
24 EuroGas and then bought back by Belmont within a very  
25 short period of time?

10:46

1 A. No.

2 Q. You don't even remember?

3 A. No, no. I don't think so. It never happened.

4 Q. Excuse me one minute. (Pause) Do you recall, sir,  
5 Belmont booking a net gain on the disposal of its 90%  
6 interest in Maseva Gas in the amount of €3 million?

7 A. No, we never had interest gain there. Where do you read  
8 that?

9 Q. In your financial statements for the year ending  
10 31st January 1999. Do you remember disclosing in those  
11 same financial statements that Belmont also disclosed  
12 a significant decline in the quoted market value of  
13 EuroGas shares?

14 A. No, I don't remember.

15 Q. Do you remember Belmont reacquiring the shares in Maseva  
16 in the same year?

17 A. No, absolutely not. This is something new to me.

18 Q. EuroGas reported in its 10-K for 2002 (R-235), I will  
19 represent to you, that the transaction appears not to  
20 have been -- let me read you the actual language:

21 "Although the transfer of Maseva back to Belmont was  
22 not an arms-length transaction, it resulted in the  
23 recognition of a loss on the disposition of  
24 \$6,528, [000]."

25 Does that ring any bells with you?



10:49

1 A. No.

2 Q. Not at all?

3 A. No, no, absolutely nothing.

4 Q. How did you arrive at the purchase price that you were  
5 going to ask EuroGas to pay for the Belmont 57%  
6 interest?

7 A. How it arrived? The value of the deposit.

8 Q. Did you have any assessment done of the value of the  
9 deposit?

10 A. Yes.

11 Q. Who did that?

12 A. The Slovaks.

13 Q. Who would that be?

14 A. The Slovak Government. It was blocked out, and they  
15 said: that's how many tonnes we have here. And then our  
16 accountants, they worked out -- and engineers -- how  
17 much it is worth.

18 Q. Have you seen any documents in preparation for your  
19 testimony here today that have anything to do with that  
20 valuation process?

21 A. No, no.

22 Q. This is just something you remember happening?

23 A. Just vaguely.

24 Q. Vaguely?

25 A. Yes.

10:50

1 Q. Were you aware that EuroGas Inc sold the 57% interest in  
2 Rozmin, after you executed the share purchase agreement,  
3 to EuroGas GmbH? Were you aware of that?

4 A. No, no. They couldn't have sold it because it wasn't  
5 theirs.

6 Q. The fact that they did sell it would suggest that they  
7 certainly believed it was theirs, wouldn't it?

8 A. That I don't know. You have to ask them.

9 Q. We do plan to do that.

10 Were you aware of the fact that EuroGas AG announced  
11 the fact that those shares, as I have just described,  
12 that that was announced to the German stock exchange?

13 A. No.

14 Q. News to you?

15 A. No. News.

16 Q. Did you give any consideration, after the Slovak  
17 Republic filed its Counter-Memorial to what Belmont had  
18 filed in this proceeding, responding at all to any of  
19 the factual allegations, factual statements that have  
20 been made by any witness?

21 A. No.

22 Q. Didn't even consider it?

23 A. No.

24 Q. After you sold the 57% interest in Rozmin, according to  
25 your audited financial statements, booked it as a sale

10:52

1 and disposition, and held the shares as an asset, there  
2 came a point in time when Belmont management made the  
3 conclusion to impair that holding, didn't there?

4 A. What is "impair"?

5 Q. Write down because the value has declined.

6 A. Yes. That's not the management; that's the auditors.

7 Q. Well, if the auditors were here, I'm sure they would  
8 tell that you the financial statements are the  
9 representations of management, because it always says  
10 that on the front of the audit, doesn't it?

11 A. I agree with you.

12 Q. Okay. You issued an impairment after you had held those  
13 shares for a period of time; correct?

14 A. Yes.

15 Q. And part of the reason you issued the impairment was  
16 because you were concerned about whether you would ever  
17 be able to collect on the value contemplated by the  
18 asset purchase agreement?

19 A. That's correct.

20 Q. The value of the interest in EuroGas, as time went on,  
21 continued to decline; correct? Let the record reflect  
22 that you took your hand and pushed down: I read that as  
23 you were gesticulating stock market decline. Did I read  
24 that correctly?

25 A. I was pushing it down.

10:53

1 Q. Yes. And you were pushing it down because the market  
2 value of EuroGas on the exchanges plummeted, didn't it?

3 A. It did.

4 Q. In fact it went below a dollar a share, did it not?

5 A. It went below 5 cents a share.

6 Q. I was going to get there eventually. Thank you. And  
7 once it got below 5 cents a share, it pretty much stayed  
8 there for years, didn't it?

9 A. We were selling around there. There was -- we didn't  
10 have any other choice. We wanted to liquidate.

11 Q. Did there come a point in time that there was full  
12 provision; in other words, a total write-down of the  
13 value of those shares?

14 A. That I don't know.

15 Q. But it wouldn't surprise you that there had been a very  
16 substantial write-down of the value of the EuroGas  
17 shares?

18 A. It wouldn't.

19 Q. And it wouldn't surprise you that that had taken place  
20 well before the Slovak Republic reassigned the  
21 excavation area, would it?

22 A. No, it was really well before.

23 Q. Do you agree that the impairment charges you were  
24 booking in your financial statements occurred well  
25 before reassignment of the excavation area?

10:55

1 A. Yes, I agree.

2 Q. Is that right?

3 A. Yes.

4 Q. And the reason you were taking those impairments was  
5 because Belmont management's assessment, confirmed by  
6 its auditors, was that the EuroGas shares had really no  
7 more significant value?

8 A. You are absolutely correct.

9 Q. The reason you concluded that the EuroGas shares had no  
10 more significant value, well before the reassignment of  
11 the excavation area, was because work had ceased on the  
12 project; correct?

13 A. Yes.

14 Q. There was a major shortfall in needed capital to move  
15 forward with the project?

16 A. Correct.

17 Q. Mr Rauball had been trying for some time to find  
18 an investor, without success; correct?

19 A. I don't know for how -- what is "some time". But he was  
20 looking for investors.

21 Q. And he had no success?

22 A. No.

23 Q. No bank was willing to lend on the project; correct?

24 A. That I don't know. If they were willing to lend for the  
25 project to Corej, then probably they would lend him too.

10:56

1 I don't know if he approached the banks or not.

2 Q. But to your knowledge, neither you nor Mr Rauball had  
3 any successful discussions with any lenders?

4 A. No, I don't know. That I don't know.

5 Q. Let's look again at your witness statement, if we can.

6 I'd like to call your attention to paragraph 16. This  
7 is Mr Agyagos's witness statement. In paragraph 16, I'd  
8 like to go down about eight lines, to the sentence that  
9 begins, "With respect to the third obligation". Do you  
10 see where I am?

11 A. Yes.

12 Q. "... '[EuroGas] agree[d] to arrange the necessary  
13 financing to place the Gemerská Poloma talc deposit into  
14 Commercial Production within one year from the date of  
15 execution of this Agreement ..."

16 Which would have been 27th March 2002; do you agree?

17 A. Yes, I do.

18 Q. Did you ask for that commitment from EuroGas?

19 A. Yes, I asked what's happening.

20 Q. Why did you ask for that?

21 A. Because the shares were coming down, the value of the  
22 shares was coming down, I said "What is happening here?  
23 Why are we not progressing?" Couldn't find anybody to  
24 finance the Gemerská Poloma.

25 Q. When you say, "Couldn't find anybody to finance the

10:58

1 Gemerská Poloma", who are you referring to? Who  
2 couldn't find?

3 A. Rauball.

4 Q. Do you know if he tried to do that?

5 A. I am positive, because he always tries.

6 Q. And despite those efforts, you ultimately came to the  
7 conclusion that he was unable to find anyone, did you  
8 not?

9 A. Yes.

10 Q. That there was no financing and no investor?

11 A. Yes, correct.

12 Q. This of course continued for several years after the  
13 year 2000, when, according to your case before this  
14 Tribunal, the project had been fully de-risked; is that  
15 right?

16 A. I don't know how to answer this one.

17 Q. Alright. But in any event, it continued for many years  
18 after 2003 that no financing could be found?

19 A. No financing. But we had money, we could have given  
20 money to Belmont -- or not to Belmont, to Rozmin. But  
21 we didn't want to give money to Rozmin.

22 Q. When did you come to the conclusion that you did not  
23 want to give money to Rozmin?

24 A. I was waiting always for EuroGas to come up with their  
25 money.

11:00

1 Q. So at that point in time your view was that you had  
2 a contract that said EuroGas promised --

3 A. Had to, yes.

4 Q. Excuse me -- promised Belmont that it was going to  
5 provide the financing necessary to bring it to  
6 production in one year?

7 A. One year, yes.

8 Q. Right. Did you believe that to be a reasonable period  
9 of time to do that?

10 A. No. Not to the production, commercial production, no,  
11 because nobody can go down 1,300 metres in a year.

12 Q. Well, why would you put a term in the contract if you  
13 didn't think it was possible?

14 A. If he put it there, that's what he wanted there.  
15 I don't care. So it would go there.

16 Q. So EuroGas insisted that the deadline be one year?

17 A. One year, yes.

18 Q. Did he believe it was possible?

19 A. I guess so.

20 Q. Now, after this commitment by EuroGas to provide the  
21 necessary financing to get to production within one year  
22 was made, after that was made, is it true that  
23 Rima Muran began to experience significant shortfalls in  
24 funding?

25 A. No, it's not. We always paid our bills.



11:02

1 Q. Did you pay them late?

2 A. Sometimes not right on the time, but they were always  
3 paid.

4 Q. You eventually came to an agreement with Rima Muran to  
5 suspend the contract; correct?

6 A. Yes.

7 Q. At that time all further activities on the mine came to  
8 a halt?

9 A. Yes, that's correct.

10 Q. And the mine was flooded?

11 A. It is still flooded.

12 Q. And the mine was vandalised?

13 A. Yes. I would say yes.

14 Q. And the power supply to the mine became deteriorated?

15 A. It didn't become. The trees fell on it and we paid  
16 Corej to fix it. We gave him 1 million crowns  
17 downpayment; never did anything.

18 Q. Now, EuroGas was the majority shareholder in Rima Muran;  
19 correct?

20 A. Yes. By that time -- I think so -- only EuroGas was  
21 there; they bought Rima Muran's interest too.

22 Q. Right.

23 A. But I don't know the date there.

24 Q. But during the period of time when you were having such  
25 significant difficulties with Corej, and what you have

11:03

1 described as his request for --

2 A. More money, more money.

3 Q. -- additions to the contract, during that period of time  
4 the majority shareholder of Rima Muran, the contractor  
5 with whom Corej was associated, the majority shareholder  
6 of Rima Muran was EuroGas; correct?

7 A. Yes, that's correct.

8 Q. Right. And you were then a director of EuroGas?

9 A. Was I that year? I'm not sure. You know, I'm not sure  
10 when I resigned.

11 Q. Well, you still continued to be involved with EuroGas;  
12 is that --

13 A. I was involved, but I don't know if I was a director.

14 Q. Alright. In fact you put in some modest amounts of  
15 working capital from time to time?

16 A. Yes.

17 Q. Even after you had sold the shares to EuroGas?

18 A. Yes, we were -- we still keep supporting it to pay their  
19 small bills.

20 Q. Right. And notwithstanding the payment of those small  
21 bills, from your perspective, Corej had become pretty  
22 much of a disaster; correct?

23 A. Disaster completely, pretty much. He's a completely  
24 disaster, he became.

25 Q. Alright. What steps, if any, did EuroGas use by virtue

11:05

1 of its control over Rima Muran, as the majority  
2 shareholder, to find a contractor in the 2001 time  
3 period to get the project going again?

4 A. We were looking for contractors, and by the year 2004 we  
5 found the best contractor we ever could have, Siderit.

6 Q. Alright.

7 A. It was a mine next to Gemerská Poloma.

8 Q. And that was three years after --

9 A. Three years after, yes.

10 Q. -- three years after work had been suspended?

11 A. Yes, that's correct.

12 Q. So in that three-year period, Siderit was doing business  
13 in the Slovak Republic, wasn't it?

14 A. Yes, they were, operating mines.

15 Q. They are a prominent company in this field, are they  
16 not?

17 A. Yes.

18 Q. Alright. Do you know any reason why Rima Muran couldn't  
19 have contracted with Siderit at the time the work was  
20 suspended?

21 A. I have no idea. I don't -- my opinion, but that's only  
22 personal: he couldn't work with those people.

23 Q. Did you consider employing --

24 DR GHARAVI: I'm going to have to object to these questions,  
25 for the witness to read the mind of your witness.

11:06

1 That's not cross-examination.

2 MR ALEXANDER: Thank you for the clarification. Let's be  
3 clear.

4 My question to you was: is there any reason EuroGas  
5 couldn't have taken steps -- because it was the majority  
6 owner of Rima Muran -- to hire Siderit at an earlier  
7 point in time?

8 A. That I don't know.

9 Q. There were other contractors potentially available,  
10 weren't there?

11 A. Not that I know of.

12 Q. Did you ever investigate?

13 A. Yes.

14 Q. Okay. And --

15 A. And they were very expensive.

16 Q. Very expensive?

17 A. Yes.

18 Q. At the time you finally put the reopening works out for  
19 bid, three years after the work had been suspended,  
20 there were a number of bidders weren't there?

21 A. I think so. There were three or four, yes.

22 Q. Let's go back to your witness statement for a second,  
23 and let's look at tab 6, if we can, from your witness  
24 bundle. It's tab 6, Exhibit R-233. I want to finish  
25 a point we had touched on briefly before.

11:08

1 A. Okay. Yes, tab 6.

2 Q. Mr Agyagos, a few minutes ago you testified that the  
3 stock value of EuroGas had plummeted. Do you remember  
4 that?

5 A. Yes, I do.

6 Q. This is a Bloomberg report of the stock value of EuroGas  
7 from the period 1995 through 2011. Do you see the scale  
8 down there at the bottom?

9 A. With great difficulties. I don't have my glasses.  
10 I forgot my glasses. 1995, yes, okay. Okay, I see it.

11 Q. Alright. Do you remember, Mr Agyagos, that we had  
12 talked about the statement in your Memorial to the  
13 effect that in 2000 the project had been totally  
14 de-risked of any technical and financial issues? Do you  
15 remember that?

16 A. I think so, they were.

17 Q. Would you agree with me, Mr Agyagos, that looking at  
18 this stock value of the period from 2000 and 2011,  
19 there's no indication in the trading value of the stock  
20 that the market as a whole thought there was no risk in  
21 EuroGas?

22 A. The market is the same for a couple of years.

23 Q. Below a buck?

24 A. Well below: 90 cents -- 9 cents, sorry. 9 cents, 9.5.

25 Q. Now, there came a point in time, if you look at

11:10

1 paragraph 28 --

2 A. Where?

3 Q. This is in your witness statement.

4 A. I do have it.

5 Q. You are describing there, of course, your theory that  
6 Belmont still owned the shares.

7 A. Yes.

8 Q. Do you see that?

9 A. That's correct.

10 Q. And in order to ensure the progress of the project, you  
11 continued to inject some working capital. Do you see  
12 that?

13 A. Yes.

14 Q. Then you describe that:

15 "... Belmont and EuroGas agreed that Belmont would  
16 continue providing financing in working capital, and  
17 that for each USD 10,000 ..."

18 I assume that's \$10,000?

19 A. Yes.

20 Q. "... that Belmont would invest in Rozmin [in the form of  
21 working capital], Belmont would reduce by 1% the 57%  
22 interest" --

23 A. It is not put right. Belmont -- it was EuroGas's  
24 shares. EuroGas had then 43%, and for each \$10,000,  
25 they would reduce their holding 1%. That's how it was

11:11 1 supposed to be. I don't know how it is like that,  
2 but --  
3 Q. So at that point in time, as between the parties, 1% was  
4 worth \$10,000?  
5 A. Yes.  
6 Q. So whether it's --  
7 A. Oh no, it was worth a lot more, but that's what kind of  
8 deal we made.  
9 Q. Right, I understand.  
10 A. Because it was worth a lot more.  
11 Q. Between the parties --  
12 A. Yes.  
13 Q. That's the way I put my question.  
14 A. Okay.  
15 Q. Between the parties, the parties valued 1% of the  
16 company as US\$10,000; correct? In this deal.  
17 A. In this deal.  
18 Q. So 57% between the parties would be worth \$570,000?  
19 Between the parties.  
20 A. Mr Alexander, you're mixing it up again with Belmont.  
21 It is EuroGas. This is no good. This is not correct.  
22 Belmont would put up the money, and EuroGas had 43%.  
23 They would reduce their holding by 10% -- or by 1%.  
24 Q. By 1%?  
25 A. Yes.

11:13

1 Q. Well, respectfully, Mr Agyagos, I don't agree that  
2 that's what it says --

3 A. I know, I read it the same. But that's how it was  
4 supposed to mean. I can bring you the letter from the  
5 director who wrote it. I don't know why it says here  
6 like that.

7 Q. I don't think it matters for purposes of my question.  
8 So let's take your example. What it should have said  
9 was: for every \$10,000 injected by Belmont, you are  
10 saying that this should have said that EuroGas would  
11 reduce its holdings in --

12 A. By 1%.

13 Q. 1%?

14 A. That's right. Why would Belmont's holding decrease?

15 Q. So my question still is: as between the parties, every  
16 1% was worth \$10,000?

17 A. Yes, it was.

18 Q. So for 43% it was worth \$430,000, as between the  
19 parties?

20 A. Yes, maybe. If you put this way, yes.

21 Q. And on that theory, the total capital between the  
22 parties was worth \$1 million?

23 A. A lot more than \$1 million, because the investment was  
24 much, much higher than that.

25 Q. Now if we go back to Exhibit R-233, tab 6, bearing in



11:14 1 mind that this agreement between EuroGas and Belmont was  
2 November 8th 2003, if we look at what the stock is  
3 trading for at that point, \$1 million in company  
4 capitalisation would have been generous, wouldn't it,  
5 Mr Agyagos?

6 A. Yes, it would.

7 Q. Because the market valued that it was worth a lot less  
8 than that, didn't it?

9 A. You're right. 2003.

10 Q. At the top of paragraph 29 of your witness statement --  
11 the background to this, of course, is the promise to  
12 provide financing. Despite that, and the agreement you  
13 had with them, you say:

14 "EuroGas was, however, unable to sell its  
15 interest..."

16 What do you know about its efforts to sell its  
17 interest?

18 A. Absolutely zero. I don't even know what they are  
19 talking about, who they wanted to sell.

20 Q. But you do know a lot about the fact that EuroGas did  
21 not provide any financing? You do --

22 A. Yes, that I know.

23 Q. That's absolutely certain?

24 A. That I know.

25 Q. Alright. You mentioned that you had continued to inject

11:16

1 some working capital --

2 A. Yes, some cash.

3 Q. -- to pay the small bills. Do you remember that?

4 A. Yes, that's correct.

5 Q. Alright. Now, I want to make sure we have appropriately  
6 understood what that -- I'll call it "small bills  
7 capital" -- was. So let's look at paragraph 14 of the  
8 witness statement.

9 A. Okay, thank you.

10 Q. Maybe because I'm a little more comfortable with  
11 US dollars, I took that option when you were describing  
12 all these injections. And I will confess I rounded, so  
13 if you don't want to round, we can, I suppose, get out  
14 a calculator. But it looked to me like you were  
15 describing about \$124,000 of capital injection here.

16 A. Yes.

17 Q. Alright. And that was in the late fall of 2000; do you  
18 see that?

19 A. Yes, I see.

20 Q. Alright. Then over on paragraph 33, you are describing  
21 events in the spring of 2001, the next year. Do you see  
22 that?

23 A. Yes, I see.

24 Q. I may not have my math here handy, but maybe we can get  
25 it done. Paragraph 33. Belmont injected -- let's make

11:18 1 it easy -- roughly 100,000, rounding 97 up to 100; then  
2 13,000 twice, so that would be 126,000; and then another  
3 roughly 20,000, so that would be 146,000; and then  
4 finally 24,000?

5 A. 1 million Slovak crowns. Almost.

6 Q. So 146, that would be 170,000 total there. Does that  
7 sound about right?

8 A. Yes, that's about right.

9 Q. Alright. So 170,000 there, plus the 124 we had before.  
10 I'm going to round that up again, so a total of 300,000.

11 Then there was one other occasion I believe I recall  
12 seeing where there was another small amount. It's not  
13 jumping off the page at me right now, but ... Now,  
14 I wanted to, bearing that number, 300,000 -- and I might  
15 ask [my colleague] if she could look for that final  
16 paragraph where there's another injection. Do you see  
17 it? The final injection of working capital, if you  
18 could just look for that. So we're going to hold that  
19 rounded-up number, 300, while we look for that final  
20 injection.

21 So now I want to go to your expert's report. I'm  
22 sorry, I want to go to -- well, maybe we can simplify  
23 this.

24 Do you have a ballpark of how much working capital  
25 you invested over the years?

11:20

1 A. No, I don't know. No idea.

2 Q. But when you were recording this witness statement, your  
3 effort was -- your goal was to be complete in describing  
4 it fully?

5 A. Yes.

6 Q. Alright. So whatever your witness statement says, you  
7 believe that's a fair statement?

8 A. Taken with a -- yes, in the ballpark.

9 Q. In the ballpark, fair enough.

10 Now, what is your understanding, as you sit here  
11 today, as to how much capital would have been required  
12 to bring the mine to production, to build the processing  
13 plant and to go to market?

14 A. I tell you: to bring the mine to production, according  
15 to our estimate what we received from Mr Corej, was  
16 74,000. We know that it was very low, 100,000 at that  
17 time. It was long time ago. That's Slovak crowns. And  
18 the processing plant, that's much more expensive;  
19 I cannot even give you the slightest idea how much it  
20 cost.

21 Q. I think my colleague here has been helpful. If we can  
22 back up to where we were before, holding that 300,000 in  
23 our head --

24 A. Mm-hm.

25 Q. -- I want to add to it what you describe in paragraph 32

11:22

1 of your witness statement. This time it's in Canadian  
2 dollars. Actually, here you're describing what you  
3 raised. I was actually trying to total what you  
4 injected, which is a different question. So [my  
5 colleague] is going to find that for us in a second.

6 How did you raise these funds that you described in  
7 paragraph 32?

8 A. How? By financing, public financing.

9 Q. Could you describe that more fully for us?

10 A. Public financing. We said that we have to raise some  
11 money for this project, and people give money to the  
12 company.

13 Q. You sold stock?

14 A. Stocks, yes. That's the only way for public company.  
15 I bought also myself a lot, like everybody else.

16 Q. Okay. But you're satisfied that the working capital you  
17 injected is properly described in your witness  
18 statement?

19 A. Yes. Yes, I am.

20 Q. Okay. Do you know how those amounts of working capital  
21 injected compare to what your own expert has estimated  
22 that the total cost would be to develop the mine --

23 A. We never estimated.

24 Q. Excuse me. Your expert is what I'm describing, your  
25 expert in this proceeding, for these hearings. Have you

11:23 1 ever looked at his expert report?

2 A. Our expert?

3 Q. Yes, your expert.

4 A. Who was that?

5 Q. WAI.

6 A. WAI?

7 Q. Excuse me?

8 A. WAI?

9 Q. Yes.

10 A. I don't even know such an expert.

11 Q. Well, let's take a look at --

12 A. Oh, Wardell? No, he is here. He was just now hired, so

13 I don't know what his estimate is. I have never read

14 it.

15 Q. Never read it, okay.

16 A. No.

17 Q. Alright. Well, rather than belabour that with you, we

18 will talk to him about that. Alright.

19 A. Yes. He is here around somewhere.

20 MR ALEXANDER: Right, I'm sure. Okay. Alright.

21 Mr Chairman, could I have a very short break?

22 I think I'm very close to done, and I just want to check

23 with my colleagues.

24 THE PRESIDENT: How long do you need?

25 MR ALEXANDER: Five minutes.

11:24

1 THE PRESIDENT: Five minutes? Okay, five minutes' break.

2 MR ALEXANDER: Thank you very much.

3 (11.25 am)

4 (A short break)

5 (11.34 am)

6 THE PRESIDENT: Yes, Mr Alexander.

7 MR ALEXANDER: Mr Chairman, if I may proceed, I found my  
8 missing last working capital piece that I was looking  
9 for, and I just wanted to ask Mr Agyagos about that.

10 If you could turn to paragraph 34 of your witness  
11 statement. Do you remember I mentioned I was still  
12 looking, I thought there was one more? Towards the  
13 bottom of that paragraph:

14 "... in fact, by the time Belmont injected  
15 USD 24,368 ..."

16 So that's the one I was looking for. So bearing  
17 that find in mind, with the rounded-up \$300,000 we had  
18 before, do you believe that describes the working  
19 capital injections you had made to Rozmin on behalf of  
20 Belmont?

21 A. Yes.

22 MR ALEXANDER: Thank you. That concludes my examination.

23 THE PRESIDENT: Thank you. Re-direct?

24 DR GHARAVI: Yes, we do have re-direct questions,

25 Mr President. For that we would ask you, Mr Agyagos, to

11:35 1 use the bundle that was handed to you by counsel for  
2 Respondent, and the Tribunal and you to have the opening  
3 bundles that we distributed yesterday. (Pause)

4 (11.37 am)

5 Re-direct examination by DR GHARAVI

6 Q. Sir, you were questioned extensively on Rima Muran,  
7 Mr Corej and the works, and in your response you raised  
8 budgeting issues and the amendments requested by  
9 Rima Muran.

10 A. Yes, sure.

11 Q. What about quality? Was Rozmin satisfied with the  
12 quality of the work?

13 A. It was the worst quality you have ever seen in your  
14 life. All the mining experts and the inspectors who  
15 came to visit the mine, that is even the, you know --  
16 how you call it? -- report of that, what Mr Rozloznik  
17 has, what will show the quality of the work.

18 Q. The suggestion has been made to you by counsel for  
19 Respondent that once the works of Rima Muran were  
20 suspended on the ground in 2001, there was basically  
21 nothing going on until 2004. The question I have to you  
22 is: do you recall the events on the ground -- by "on the  
23 ground", I mean in relation to this project -- during  
24 the years 2001 to 2004? Do you know what happened?

25 A. I know what happened. But as I said to Mr Alexander,



11:38

1 Rozlozник was always there. He was doing it. He was  
2 checking the water and everything. So I cannot tell you  
3 too much about it.

4 Q. What was Rozlozник doing?

5 A. He was checking the mine, the water, what kind of water  
6 is coming out, and he was building the stuff there.  
7 It's hard for me to answer for him.

8 Q. Let me start this way. Did Rima Muran withdraw  
9 voluntarily from the project?

10 A. Yes.

11 Q. Did it require negotiations?

12 A. No, no.

13 Q. Were you involved yourself at that time?

14 A. No, I wasn't.

15 Q. Could you look at tab 20 of ... (C-221) It's  
16 Mr Rozlozник, on October 15th, notifying the District  
17 Mining Office, and it says:

18 "... as RimaMuran has not withdrawn from the  
19 contract ..."

20 A. What page is it?

21 Q. The first page, it should be.

22 A. Mm-hm. "Notification"?

23 Q. Yes. Do you have the document? What date is the  
24 document in front of you?

25 A. Yes.

11:40

1 Q. What is the date of the ...?

2 A. Oh, October 16th 2001.

3 Q. It should be the 15th. It says at the end of the second  
4 paragraph:

5 "... RimaMuran has not withdrawn from the  
6 contract..."

7 Have you seen this letter before?

8 A. No.

9 Q. Okay. Then were you involved in what you find at  
10 tab 22? So that letter I just quoted to you is  
11 October 15th 2001; it was Exhibit C-221. Then if you go  
12 to tab 22, you have a settlement agreement, March 26th  
13 2002. Did you negotiate that settlement agreement with  
14 Rima Muran?

15 A. Are you talking to me?

16 Q. Yes, I'm asking you; there is nobody else.

17 A. I don't hear you.

18 Q. I'm sorry. Did you negotiate that settlement agreement?  
19 Was it you that was negotiating this settlement  
20 agreement on behalf of Rozmin with Rima Muran?

21 A. No. Rima -- no.

22 Q. Okay. Then if you move to the tab 19.

23 A. "Handover Protocol"?

24 Q. Yes. Were you involved in the negotiations or --

25 A. No.

11:42

1 Q. -- the content of this?

2 A. No, no.

3 Q. It is R-0131, October 24th 2002.

4 Apart from the October 15th 2001 letter sent by  
5 Rozmin to the Mining District, are you aware of any  
6 other letters informing the Mining District of the  
7 suspension of the work?

8 A. No.

9 Q. Could you look at tab 21. Have you seen this letter at  
10 the time? November 30th 2001. Were you involved in  
11 that?

12 A. November 30th?

13 PROFESSOR STERN: What is number is it in the file?

14 DR GHARAVI: Thank you, Professor. It is in tab 21 and it  
15 is at exhibit number which we will give you shortly.  
16 C-26.

17 Sir --

18 A. Yes.

19 Q. -- were you aware of that letter?

20 A. Yes, yes, I was.

21 Q. Okay.

22 Could you turn to tab 23, which is R-0251. What  
23 about this letter: were you involved in that letter,  
24 were you informed of that letter? (Pause) Basically  
25 Rozmin is requesting an extension.

11:44

1 A. Yes. Yes.

2 Q. Were you involved in the drafting of that letter?

3 A. No, I wasn't.

4 Q. Okay. If you turn to now tab 24, which is C-223, and  
5 the following tab, which is C-226, are you aware that  
6 Rozmin -- were you involved, that's the question, with  
7 the litigation that evolved around that? Namely that  
8 authorisation that we just mentioned, the request for  
9 authorisation and the extension being denied --

10 A. No, I wasn't.

11 Q. -- and then appealed with success. Were you involved in  
12 that?

13 A. No.

14 Q. Okay. Now, do you recall Belmont putting money during  
15 2001 to 2004 into Rozmin?

16 A. Yes, I do.

17 Q. Okay. Do you recall whether you tendered for a new  
18 contractor once you obtained the authorisation to extend  
19 your mining activity?

20 A. Yes, I do.

21 Q. Okay. Do you recall whether there were instructions to  
22 proceed with works pending finalisation of the contract  
23 with the winning contractor, Siderit?

24 A. Yes, I do recall it.

25 Q. If you turn to tab 28, C-25[4]. C-254 is at tab 28.

11:46 1 Exhibits C-254, C-255, C-256, C-257. These I understand  
2 to be, Mr Agyagos, specific work orders to Siderit  
3 before the contract was finalised. Were you involved in  
4 that?

5 A. Yes, one day I was there, that's all. So that's the  
6 scope of it. Maybe two. But I think so it was only one  
7 day.

8 Q. What about the contract? Did you negotiate the  
9 contract? C-259, the previous tab, 27.

10 A. C-259. Let me read it.

11 Q. The contract with Siderit.

12 A. Yes.

13 Q. You negotiated that? Okay. Was a downpayment paid to  
14 Siderit?

15 A. Yes, it was.

16 Q. Did Siderit, apart from the pre-contract orders, start  
17 work under the contract?

18 A. Yes, they did.

19 Q. Did it have any --

20 A. They were repairing the bridges.

21 Q. Did Siderit have any invoice outstanding?

22 A. No.

23 Q. Did the government, anybody, any agency of the  
24 government, formally or informally, raise any concerns  
25 they had about the capacity of Rozmin to finance the

11:47

1 project?

2 A. No, not as far as I know.

3 Q. Okay.

4 Now, if you go to tab 9 of the bundle distributed to  
5 you by Respondent's counsel, your discussions with the  
6 prosecutor, your testimony.

7 A. Okay.

8 Q. It should be R-0115. I would like you to turn to the  
9 third page, the paragraph before the last, on which you  
10 were questioned, and you said that Mr Baffi told you  
11 that, "on midnight of the last November day 2004, the  
12 mining rights would be revoked", if Rozmin had not  
13 started carrying out works.

14 A. That's correct. And we told him, "We are working there,  
15 we hired Siderit", and his answer was, "I'm very happy".

16 Q. Then if we go now to the opening bundle, this time the  
17 second opening bundle, at tab 58. You were questioned  
18 on this -- it's R-0114 -- on the audited consolidated  
19 financial statements that it was issued on  
20 June 7th 2002. On the second --

21 A. June 7th?

22 Q. June 7th 2002.

23 A. I have here January.

24 Q. It's in tab 58.

25 A. 58?

11:50

1 Q. It's for the years ended January 31st 2002 and 2001,  
2 issued on June 7th 2002.

3 Anyway, if you could turn the page on to  
4 "Significant Accounting Policies". I know your  
5 testimony is that you're not an accountant, you're not  
6 a lawyer, but I would like you to nevertheless make  
7 an effort. Are you on the right page? (Pause)

8 You were questioned on these paragraphs. If you  
9 look at the right column, under Canadian dollars:  
10 3,044,000 Canadian dollars. According to your  
11 understanding, was that an amount that was actually  
12 realised, or was it projected, was it expected? How  
13 would you describe that \$3,044,000 amount?

14 A. I don't know.

15 Q. Okay.

16 A. I don't know.

17 Q. Then how do you --

18 A. I am the wrong person to ask this.

19 Q. I appreciate that. If you then go down to the first  
20 sentence, it says:

21 "The Company holds the Rozmin ... shares pending  
22 settlement of the amount of guarantee shares to be  
23 issued by EuroGas and completion of the U.S.  
24 registration statement ..."

25 Can you offer us any explanation as to what that

11:52

1 meant, "The company holds the Rozmin ... shares pending  
2 settlement of the amount of guarantee shares"?

3 A. Rozmin was supposed to pay in full -- not Rozmin.  
4 EuroGas was supposed to pay in full, what was 125% of  
5 initial investment, and plus outstanding royalties.  
6 Never, ever happened. Nothing ever happened.

7 Q. Okay. Could you turn to the next tab, tab 29, R-116.  
8 This is subsequent in time. It's "Annual Information  
9 Form". Then if you look at page 3, at 2.2 it says:

10 "The Issuer still holds the Rozmin shares pending  
11 realization of an agreed \$ amount upon sale of  
12 restricted common shares issued by EuroGas ..."

13 What is your understanding of that sentence,  
14 "pending realization of an agreed \$ amount"?

15 A. If EuroGas would have filed registration S, what is  
16 required, probably we would have realised it.

17 Q. What is your understanding of "pending realization of  
18 an agreed \$ amount"? If you look at that document:

19 "The Issuer still holds the Rozmin shares ..."

20 Don't look at me, Mr Agyagos.

21 A. I don't hear you if I don't look.

22 Q. "The Issuer still holds the Rozmin shares pending  
23 realization of an agreed \$ amount ..."

24 A. Yes.

25 Q. What is your understanding?



11:54

1 A. We were holding some, not all.

2 Q. What's the "pending realization of an agreed \$ amount"?

3 A. Whenever we sell the shares, the whole amount of shares,  
4 the 12 million, it depends how much we would get for it.

5 Q. Okay. For the sake of time, I will go to R-117 at

6 tab 64. It's a letter from a lawyer. Who is Fang and  
7 Associates? Are they your lawyers?

8 A. Yes.

9 Q. Okay.

10 A. Corporate.

11 Q. Okay. It is a letter to EuroGas. It says:

12 "The Company hereby demands that EuroGas surrender  
13 any claims it may have to any ... Interest ..."

14 And it goes on to say there is a shortfall.

15 A. He is right.

16 Q. Is there any relationship between the documents that  
17 I read to you, the amounts for realisation, and this  
18 document?

19 A. This document was dated ...

20 Q. It's later in 2004.

21 A. September 16th.

22 Q. Yes.

23 A. A year later, you say?

24 Q. I'm asking you whether this talks about the same thing  
25 that we have been talking about in the financial

11:56

1 statements.

2 A. Yes, it is the same.

3 Q. Okay.

4 Then just one question. If you move to tab 66,  
5 C-343, and the following one, C-344. It is a press  
6 release and it says:

7 "Belmont owns 57% [share] of Rozmin ..."

8 And the following one talks about an action based on  
9 5[7]% interest of Belmont Resources.

10 When you issued those, did anyone at the stock  
11 venture exchange -- EuroGas I, EuroGas II, Mr Rauball,  
12 anyone in the world -- challenge the fact that this was  
13 inconsistent with your financial statements?

14 A. No.

15 Q. Today, is anyone apart from the Slovak Republic alleging  
16 that you do not own full ownership of the 5[7]% shares?

17 A. Slovak Republic is --

18 Q. Except the Slovak Republic. I'm asking you: does anyone  
19 in the world --

20 A. No, no.

21 Q. Thank you.

22 A. I don't know any such a person.

23 Q. Thank you.

24 A. We never received full consideration. I'm sorry,  
25 I cannot ...

11:57

1 DR GHARAVI: That ends my ...

2 (11.57 am)

3 Questions from THE TRIBUNAL

4 THE PRESIDENT: I just have a question. Your position is

5 that Belmont still owns the 57% --

6 A. Yes.

7 THE PRESIDENT: -- because the sale was not completed --

8 A. Yes.

9 THE PRESIDENT: -- to EuroGas?

10 A. Yes.

11 THE PRESIDENT: As a price for this sale, you received

12 a certain number of shares of EuroGas --

13 A. Yes.

14 THE PRESIDENT: -- which you sold, and I understand that the

15 amount which you got from that sale was not enough,

16 considering what the contract has provided.

17 But can you explain how it is possible that you keep

18 the shares and also keep the price, or at least the

19 price you could realise?

20 A. That's for damages. We incurred lots of damages because

21 of that, because of late filing and many other things.

22 THE PRESIDENT: Can you expand a little more?

23 A. We couldn't sell those shares when we received. They

24 were supposed to be qualified for sale with

25 registration S, but they were not. If that would have

11:59

1 happened, we probably would have realised the full  
2 amount. And now we are incurring here damages because  
3 we had many businesses where we couldn't pay or  
4 whatever. Even drilling we had to stop. We had  
5 programmes we had to stop. We couldn't do anything.

6 THE PRESIDENT: Thank you. Any follow-up question on this?

7 DR GHARAVI: Yes.

8 (12.00 noon)

9 Further re-direct examination by DR GHARAVI

10 Q. Mr Agyagos, there are a number of amendments and  
11 correspondences, including press releases, letters from  
12 your lawyers. Who paid for your lawyers?

13 A. We paid.

14 Q. Is anyone in the world asking you to reconstitute the  
15 amount that you received in partial payment for the  
16 shares when it was --

17 A. No. The answer is no.

18 THE PRESIDENT: Well, that triggers another question.

19 (12.00 noon)

20 Questions from THE TRIBUNAL

21 THE PRESIDENT: Did you discuss with Mr Rauball -- because  
22 it's \$1.5 million, if I am correct -- the explanation  
23 that you gave me? Did that give rise to discussions  
24 with Mr Rauball, or ...

25 A. I can discuss it. I didn't discuss this with him yet,

12:01

1 but I'm sure we will be talking about it.

2 THE PRESIDENT: At the time of these discussions, the result  
3 of which was the shares are not transferred but you keep  
4 the \$1.5 million, was that easily accepted by  
5 Mr Rauball?

6 A. Quite easily, because he knew that he cannot do more.  
7 He cannot complete the deal, the SPA, cannot complete;  
8 didn't have the means.

9 THE PRESIDENT: Okay, thank you.

10 (12.01 pm)

11 Further re-direct examination by DR GHARAVI

12 Q. Mr Agyagos, the President of the Tribunal represented  
13 that you received \$1.5 million from Mr Rauball or  
14 a EuroGas entity. Was it \$1.5 million in cash, or just  
15 shares issued by the gentleman or EuroGas that you sold  
16 thereafter?

17 A. Those were sold shares, proceeds --

18 Q. By whom?

19 A. By the company.

20 Q. Which company?

21 A. By Belmont.

22 Q. Thank you.

23 A. Through the open market.

24 THE PRESIDENT: Thank you. Thank you very much, Mr Agyagos.

25 MR AGYAGOS: Thank you very much.

12:02

1 THE PRESIDENT: This completes your examination.

2 I think it's a proper time for an early lunch. So  
3 we will break for one hour, and then we will hear  
4 Mr Rauball.

5 Mr Agyagos, of course you are not allowed to talk  
6 with --

7 MR AGYAGOS: We don't talk. We are like enemies here.

8 DR GHARAVI: If you want to put Mr Rauball -- subject to  
9 Ms Burton -- under oath and give him instructions, given  
10 the allegations of impropriety, especially when we are  
11 breaking, we leave it up to you.

12 THE PRESIDENT: No, no, unless it is requested, in which  
13 case we would decide. But we don't take that  
14 initiative.

15 Okay, so let's say 1.05 with Mr Rauball.

16 Thank you, Mr Agyagos.

17 MR AGYAGOS: Thank you.

18 (12.03 pm)

19 (Adjourned until 1.05 pm)

20 (1.10 pm)

21 MR WOLFGANG RAUBALL (called)

22 THE PRESIDENT: Good afternoon, Mr Rauball. You are going  
23 to be asked questions maybe first on Claimants' side?

24 MS BURTON: EuroGas does not plan on asking Mr Rauball any  
25 direct questions. I do not know about Belmont.

13:10

1 DR GHARAVI: Nor does Belmont.

2 THE PRESIDENT: Then cross-examination.

3 Sorry, you have a declaration in front of you; can  
4 you read it aloud, please.

5 MR RAUBALL: I solemnly declare upon my honour and  
6 conscience that I shall speak the truth, the whole  
7 truth, and nothing but the truth.

8 THE PRESIDENT: Thank you.

9 MR ALEXANDER: Thank you, Mr Chairman.

10 (1.11 pm)

11 Cross-examination by MR ALEXANDER

12 Q. Mr Rauball, my name is David Alexander, I represent the  
13 Slovak Republic, and I'm going to have the privilege of  
14 asking you some questions on cross-examination. It's  
15 important that you understand my questions; if you  
16 don't, please let me know that. Fair enough?

17 A. Correct.

18 Q. Mr Rauball, you have before you your witness statement.  
19 Do you affirm the truthfulness of that statement?

20 A. That's correct.

21 Q. You filed only a single witness statement in this  
22 proceeding; is that right?

23 A. That's correct.

24 Q. Have you been following these proceedings closely?

25 A. I did.

13:11

1 Q. You read the documents before they're filed and comment  
2 on them, I assume?

3 A. That's correct.

4 Q. You of course presumably had an opportunity to read the  
5 various witness statements filed by witnesses submitted  
6 by the Slovak Republic, have you not?

7 A. That's correct.

8 Q. So you have read Mr Haidecker's witness statement?

9 A. Yes.

10 Q. And Mr Dorfner's witness statement?

11 A. Yes.

12 Q. And Mr -- let's see, one more -- Corej? Is that  
13 correct?

14 A. Correct.

15 Q. Right. Did you consider submitting a further witness  
16 statement after reading those documents?

17 A. I would have to discuss this with my lawyers.

18 Q. Well, I'm not interested in the content of any  
19 particular conversation you had with your lawyers. But  
20 did it occur to you, as the representative of one of the  
21 Claimants in this proceeding, that there might be  
22 information in those statements that you'd like to  
23 respond to?

24 A. Yes, for sure.

25 Q. But you elected not to do that?



13:12

1 A. Not yet.

2 Q. And by that, am I to infer that you are going to share  
3 with us now for the first time what your responses are  
4 to those witness statements? Is that right?

5 A. That's right.

6 MR ALEXANDER: Mr Chairman, we will note our objection  
7 without argument.

8 DR GHARAVI: May we respond? First a question: you're not  
9 interested in the content, it's a question of strategy?  
10 [Witness]: I want to discuss that with my lawyers. So  
11 it's privileged information. And we didn't ask  
12 Mr Rauball any questions on direct. So he's happy to  
13 respond to your cross-examination.

14 MR ALEXANDER: I don't think it is appropriate to argue it  
15 in front of the witness, but I just want to note for the  
16 record our concern about this approach. Thank you.

17 I'm going to be working through your witness  
18 statement for a fair portion here of the proceedings,  
19 and you of course have that before you. I'm also going  
20 to bring to your attention some testimony from other  
21 witnesses that we just identified, and perhaps others.  
22 So our colleague is seated to your left and will have  
23 those documents, and may also help you find your way  
24 through some exhibits as they become available.

25 Now, in the opening pages of your witness statement

13:14

1           you describe your history in the mining industry with  
2           a variety of companies and in a variety of  
3           jurisdictions; correct?

4   A.   That's correct.

5   Q.   Have you had any experience to Dorfner before?

6   A.   No.

7   Q.   Gebrüder Dorfner?

8   A.   I met them during the acquisition period of the Rozmin  
9           project.

10  Q.   That was the first time you'd had any dealings with  
11           them?

12  A.   Correct.

13  Q.   What about Thyssen and any of its affiliates: have you  
14           ever met them before?

15  A.   Yes.

16  Q.   And in what context?

17  A.   We had a joint venture in Brazil together with  
18           Anglo American, South African gold producer.

19  Q.   When was that project?

20  A.   In the '80s, early '80s.

21  Q.   Did that project result in any disputes between Thyssen  
22           and you or any company you were involved with?

23  A.   No.

24  Q.   So you had an ordinary business relationship with them?

25  A.   Correct.

13:15

1 Q. Did you have occasion to review your Memorial before it  
2 was filed in this proceeding?

3 A. I did.

4 Q. Alright. And you of course also reviewed Mr Rozloznik's  
5 witness statement, which you had earlier indicated,  
6 I believe?

7 A. That's correct.

8 Q. Both his witness statement -- and if you want me to call  
9 this up for you, I can do it, I can get it before you  
10 but I don't think it's really going to be very  
11 controversial. He had described them as "world  
12 renowned" or "world leaders" in the mining industry. Do  
13 you share that view?

14 A. I do.

15 Q. What was the basis for your view that both of these  
16 companies had world stature?

17 A. Well, Thyssen is known as a world giant in steel  
18 manufacturing. Dorfner is a small company, a small  
19 German refining company.

20 Q. What was your understanding of Thyssen's work in the  
21 mining industry?

22 A. There are two Thyssens: Thyssen Schachtbau, the one we  
23 are dealing here with, and Thyssen Steel Company. The  
24 steel company is indirectly related to Schachtbau.  
25 Schachtbau belongs to the Thyssen family. Both have

13:17

1 good reputation, very good reputation.

2 Q. What in particular is Thyssen Schachtbau -- is that it?  
3 -- their specialty as it relates to mining?

4 A. Building shafts and preparing a mine for production.

5 Q. Now, both of these companies were already involved in  
6 the Gemerská Poloma project when you came to that  
7 project in 1997, were they not?

8 A. Correct.

9 Q. How did you happen to come to the project in 1997?

10 A. Mr Corej had asked me, because he didn't have the  
11 necessary funding to maintain his share position in  
12 Rozmin, or in the joint venture, and he was afraid that  
13 they might simply dilute him out of the project.

14 Q. So did Mr Corej contact you initially?

15 A. Initially I was contacted by Dr Toeszer, a minister or  
16 state secretary of the Ministry of Environment of the  
17 Slovak Republic, and he arranged a meeting between  
18 myself, Mr Agyagos and Mr Corej in Europe. But I had  
19 met Mr Toeszer in Canada while he was there on holiday.  
20 I had met him before, in the early '90s, because  
21 Bill Agyagos and myself, we were looking for mining  
22 properties in the Slovak Republic which we could get  
23 involved with.

24 Q. Did Dr Toeszer advise you as well that Mr Corej's  
25 company with which he was involved, Rima Muran, was

13:19

1 looking for a strong financial partner?

2 A. Of course, because Mr Corej was just about to be dropped  
3 out as a shareholder of the joint venture with the  
4 German companies.

5 Q. How did you acquire that information that he was about  
6 to be dropped out?

7 A. Mr Corej told me himself, and also Mr Toeszer told me.

8 Q. Did you verify that with Dorfner or Thyssen at any time?

9 A. Of course. We had meetings with Thyssen at that time,  
10 not with Dorfner -- I met Dorfner later on -- and they  
11 confirmed that unless Rima Muran would pay up, they  
12 would be dropped out as shareholder.

13 Q. And were these meetings in approximately 1997?

14 A. Yes, I think it was 1997.

15 Q. You also met with others in connection with the project,  
16 didn't you?

17 A. If you help me, I would appreciate it.

18 Q. I will. That's fair. I've had the benefit of looking  
19 at your witness statement a lot lately. So I will try  
20 to do that.

21 For example, you met with Hansa Geomin?

22 A. Yes.

23 Q. Who were they in the project?

24 A. Well, they were not a participant in the project. They  
25 were a mining consulting company, or rather a -- yes,

13:21

1 a mining consulting company I think is the right word,  
2 and they were asked by a German subsidiary of the  
3 German Republic's bank, main bank, to confirm certain  
4 data which Dorfner and which Thyssen had prepared in  
5 a pre-feasibility study, and they confirmed this.

6 Q. Was the name of that institution for short "DEG"?

7 A. Correct.

8 Q. Do they have any relationship to Deutsche Bank?

9 A. No. They are the branch of the German Republic. They  
10 control all the investments for the German Republic.

11 Q. You were aware, of course, that a feasibility study had  
12 been done?

13 A. I was aware at that time a pre-feasibility study was  
14 done.

15 Q. Who prepared that?

16 A. I believe it was prepared by Dorfner and Thyssen.

17 Q. What was your understanding of why DEG was involving  
18 Hansa Geomin? What was DEG's role at the time?

19 A. Dorfner and Thyssen had asked DEG to fund this project.

20 Q. What was the status of that request?

21 A. They were requesting 60 million deutschmarks at that  
22 time, which is, at today's conversion rate, roughly  
23 €30 million, and DEG had asked Hansa Geomin to confirm  
24 the pre-feasibility study.

25 Q. So was it your understanding that the €30 million

13:23

1 request was based upon a budget for what it would  
2 require to bring the mine to production? Is that your  
3 understanding?

4 A. My understanding was that 60 million deutschmarks would  
5 have provided the first portion of the project.

6 Q. There were two other substantial portions as the project  
7 evolved which actually increased the projected capital  
8 costs, were there not?

9 A. I don't recall.

10 Q. Do you recall that the second POPE plan for opening  
11 in -- something, I can't remember what the acronym goes  
12 for; forgive me for that. I'm learning a lot, but  
13 I can't remember all this, so work with me if you will.

14 The second POPE actually contemplated a different  
15 horizontal shaft into the deposit area; does that ring  
16 any bells with you?

17 A. Are you referring to the first POP (sic), they call it?

18 Q. I was actually referring to the second one.

19 A. Second one done by Rozmin, or done by --

20 Q. Yes, yes. I'll tell you what: we can come back to that  
21 later. Let me come back to this.

22 MS BURTON: If I can make a suggestion on those. These  
23 things happened so long ago; when you're talking about  
24 documents, if you could put them in front of him.

25 MR ALEXANDER: That's fair. I want to start out with just

13:24

1 understanding actually what he does recall. But really,  
2 if you can't answer without seeing the document,  
3 I understand.

4 As you sit here today, we had the 60 million  
5 deutschmark request to DEG, roughly €30 million. Were  
6 there changes to the mine plan that actually increased  
7 that cost during the course of the first three or four  
8 years?

9 A. I don't think so.

10 Q. Okay. Did that include the processing plant?

11 A. No. You talk about the flotation?

12 Q. Yes.

13 A. No, I don't think so. I will give you the reason: the  
14 current operator, EuroTalc, which is owned by Schmid  
15 Industrieholding in Austria, has been negotiating with  
16 us for the last two or three years to purchase the  
17 interest in the mine for their investment, which is  
18 approximately €30 million, and we had made and have made  
19 arrangements through a London investment house to  
20 purchase this project. And a year ago, unfortunately  
21 Schmid Industrieholding declined to provide us with  
22 sufficient due diligence and then suddenly stopped the  
23 negotiations. So I assume, because their price was  
24 €25-30 million, that this is roughly the figure we are  
25 talking about.



13:26

1 Q. Now, the mine at the stage in 1997, when you came in,  
2 with the feasibility study and the Hansa Geomin work  
3 having been done, the borehole drilling had been limited  
4 to surface drilling; is that correct?

5 A. Correct.

6 Q. Then Rozmin came to the view that some additional  
7 drilling would be helpful to further understand the  
8 deposit; is that fair?

9 A. It was not "helpful"; it was necessary.

10 Q. Was consideration also given to the possibility of  
11 further assessment after the deposit had been opened, by  
12 underground drilling?

13 A. Can you repeat your question, please?

14 Q. Yes. Was consideration also being given in the mine  
15 plan to the possibility of further assessment of the  
16 deposit by deployment of underground drilling after the  
17 deposit had been opened?

18 A. Well, in order to delineate ore reserves, you have to do  
19 underground drilling. You have to drill from the level  
20 which you -- I call it the tunnel or the shaft, in order  
21 to get to the true picture of the ore body. Otherwise  
22 it doesn't give you -- make any sense.

23 Q. Alright. So it was always contemplated then that there  
24 would be underground drilling as the mine was opened, to  
25 get, as you say, to the true picture of the deposit?

13:28

1 A. That's normal practice in mining.

2 Q. Alright. Do you know if the capital estimates that you  
3 were considering at the time included that additional  
4 underground drilling?

5 A. Probably.

6 Q. You would expect that?

7 A. Well, I'm coming back to the Schmid proposal, because he  
8 has done underground drilling, extensive underground  
9 drilling, and if he wants \$30 million, I assume that  
10 his -- that these expenditures are included in it.

11 Q. Now, at the time you first came to the project, were  
12 there any proven reserves, in the SEC sense?

13 A. "SEC sense" means blocked out from three sides. No.

14 Q. And prior to 2000, were there any proven reserves, from  
15 the SEC sense, that you felt it was appropriate --

16 A. Sorry, there was a noise. Prior to ...?

17 Q. Prior to 2000, the year 2000, were there any proven  
18 reserves, in the SEC sense, of the deposit?

19 A. Well, Rozmin did drilling, as I said before, and this  
20 gave what we would call in North America a semi-proven  
21 deposit, semi-proven figure.

22 Q. You're familiar with the CRIRSCO standards?

23 A. (Nods head)

24 Q. You have to speak for them to record it.

25 A. Yes.

13:29 1 Q. And the phrase you just used, could you give me that  
2 again? When I asked if there were any proven  
3 [reserves], what did you say?  
4 A. Semi-proven reserves.  
5 Q. "Semi-proven", yes.  
6 A. I would consider these semi-proven reserves.  
7 Q. Yes. And that's a concept not recognised in the CRIRSCO  
8 standards, is it?  
9 A. It's a concept recognised in the Canadian mining  
10 standard.  
11 Q. But not in the CRIRSCO standards; is that right?  
12 A. Correct.  
13 Q. And it's not a concept recognised in the SEC world, is  
14 it?  
15 A. Correct.  
16 Q. You were a public company having to report [to the]  
17 Securities and Exchange Commission quarterly and in annual  
18 filings; correct?  
19 A. Correct.  
20 Q. It is true that from 1997 through 2004, EuroGas never  
21 reported that it had established proven reserves in any  
22 SEC report, had it?  
23 A. Correct.  
24 Q. Nor had it reported that it had established any  
25 semi-proven standards, because you recognised -- or your

13:30

1 counsel did -- that that was not a legitimate way to  
2 report in the securities and exchange world?

3 A. Well, we didn't have the necessity to report this,  
4 because it affected the subsidiary Rozmin.

5 Q. There came a point in time though, of course, when you  
6 consolidated the operations and financial affairs of  
7 Rozmin into EuroGas's financial statements, right?

8 A. Right.

9 Q. And you reported on the mineral resources that Rozmin  
10 held, certainly from that time forward?

11 A. That's right. But there's still no necessity for us to  
12 report this, because it's a subsidiary.

13 Q. Would you agree that if "semi-proven [reserves]" had  
14 ever been discovered, the market might have been  
15 interested in that?

16 A. Semi-proven reserves mean nothing. You need proven  
17 reserves blocked out three sides. If you don't have  
18 them, you don't go into production.

19 Q. Thank you. During the period prior to the reassignment  
20 of the excavation area in early 2005, at any time  
21 between 1997 and 2005 did you ever get to proven  
22 reserves in the deposit?

23 A. No.

24 Q. Would you agree, Mr Rauball, that the Gemerská Poloma  
25 project and that site was challenging technically?

13:32

1 A. That may be the case, but it also had tremendous  
2 potential to be the largest deposit in the world.

3 Q. Would you agree that it also proved to be very  
4 challenging financially?

5 A. Any project of this kind is financially a big hurdle.

6 Q. Let me be clear. You went into the project on the  
7 assumption that you could provide the financial strength  
8 that you promised to Mr Corej; fair enough?

9 A. That's correct.

10 Q. And you later continued in the project with confidence  
11 that you could provide the financial strength that you  
12 promised to Belmont when in March 2001 you promised to  
13 have it in commercial production within one year;  
14 correct?

15 A. Correct.

16 Q. But in fact you were able to achieve neither of those,  
17 were you?

18 A. I may have achieved it if Mr Corej wouldn't have played  
19 a dirty game.

20 Q. We will come back to that at some length. But the fact  
21 is that during the period where you had problems with  
22 Mr Corej, EuroGas was the majority stockholder in  
23 Rima Muran?

24 A. Correct.

25 Q. So Mr Corej worked for Rima Muran; correct?

13:34

1 A. Yes.

2 Q. So to come back to my earlier question, the fact is that  
3 you were never able to achieve the commercial production  
4 within one year that you promised to Belmont? I think  
5 that's a yes or no question. You can explain it if you  
6 want, but I think it calls for a yes or no answer.

7 A. It is: yes. But I just wanted to give you the  
8 explanation.

9 Q. Please go ahead.

10 A. I had at that time a firm commitment from one of the  
11 largest talc producers in the world, Mondo Minerals, and  
12 also from Rio Tinto, from their French subsidiary. They  
13 had made numerous visits to the mine, and they were  
14 prepared to enter into a joint venture with us. So  
15 I didn't have this concern of raising money. I knew  
16 I would end up in a future joint venture with them,  
17 except they were very unhappy with Mr Corej. They  
18 didn't like Mr Corej as an operator in there.

19 Q. What point in time was this?

20 A. That was over a period of two or three years, I would  
21 say.

22 Q. Is there a reason you didn't mention that in your  
23 witness statement?

24 A. No, there is no reason.

25 Q. You knew that concerns about capital adequacy were

13:36

1 central to this case, did you not?

2 A. Of course. Any mining project is very sensitive as far  
3 as financially is concerned.

4 Q. But you didn't say a word about Mondo Minerals,  
5 Rio Tinto or the other company you mentioned in your  
6 witness statement?

7 A. Well, there was no need to do that.

8 Q. And you haven't put into the record, have you, any  
9 document showing that you had finalised financing or  
10 investment arrangements with any of those companies?

11 A. We have not -- we may not have submitted the  
12 documentation, but we have that documentation on file.

13 Q. Even after the Slovak Republic's Counter-Memorial called  
14 into question whether you would ever be able to bring  
15 the project to commercial production, as you had  
16 promised to Belmont, you elected not to submit that  
17 information, didn't you, Mr Rauball?

18 A. I elected to give you the information when you  
19 questioned me.

20 Q. But my question was: you elected not to put them into  
21 the record, the documents you claim you have?

22 A. I did not elect it. I repeat my answer: I elected to  
23 answer the questions to you, and give you the picture.

24 Q. So that was a conscious choice on your part: not to put  
25 it in the record but instead to handle it in

13:37

1 cross-examination?

2 A. Correct. I may add, members of the Tribunal, that  
3 Dr Rozlozник will confirm what I said. We had numerous  
4 visits from many senior mining companies which were  
5 interested in either a joint venture or even also  
6 an outright sale over that period of time which I just  
7 described.

8 Q. Mr Rauball, the fact is, though, that although you had  
9 lots of discussions which you now claim, you never  
10 brought any new cash or equity to the project from these  
11 companies, did you, sir?

12 A. Well, I made the remark before: Mr Corej had caused  
13 these problems.

14 Q. Could you please first, though, answer my question.

15 A. What was your question again, please?

16 Q. My question is, Mr Rauball: the fact is that although  
17 you had what you claim were lots of discussions, you  
18 never brought any new cash or equity to the project from  
19 these companies, did you, sir?

20 A. I did not bring the equity to place this mine into  
21 production; that's correct.

22 Q. And all of these companies that you claim to have talked  
23 to, for which you elected not to put any documents in  
24 the record, none of them contributed any cash to the  
25 project, did they?



13:39

1 A. No.

2 Q. And you now say that it was because Corej was the  
3 problem, right?

4 A. Corej was the problem to those companies. They didn't  
5 want to work with him.

6 Q. Did it ever occur to you that as the majority  
7 shareholder of Rima Muran, it was surely within your  
8 power to make a change?

9 A. There is documentation on file, I believe, about a big  
10 quarrel which I had with Mr Corej. When he was voting  
11 at an annual meeting or a document -- or an important  
12 meeting, he was voting against the majority  
13 shareholders, in other words our intention to do certain  
14 things, and I protested against this.

15 Q. But you did have majority control of the company?

16 A. We did, yes.

17 Q. So the fact that Mr Corej was voting against you surely  
18 didn't stop you from making a change if you believed it  
19 was necessary, as the majority owner?

20 A. That's correct. We made the change.

21 Q. You made the change to eventually involve Siderit; is  
22 that right?

23 A. No. We made a change to take Rima Muran out of Rozmin  
24 by converting our advances to Rima Muran into an equity  
25 position of Rozmin. This is what crystallised then in

13:41

1 the 57% shareholding in Rozmin.

2 Q. Did you in fact have the votes to replace Corej as the  
3 majority shareholder in Rima Muran long before you took  
4 those steps? You did have that power, didn't you?

5 A. Well, it wasn't long before. What I described happened  
6 over a period of two years. We were so disenchanted  
7 with Mr Corej that we decided to exchange our capital  
8 expenditures in Rima Muran into an equity, into buying,  
9 acquiring, his -- Rima Muran's -- equity interest in  
10 Rozmin.

11 Q. When did the problems with Corej begin? What year?

12 A. Mr Alexander, this is 25 years ago. I don't know.  
13 I think it might have been one year before -- one year  
14 after we got involved, two years. It's all within  
15 a very, very short period of time. We're not talking  
16 about years. We're talking about two years maximum.

17 Q. Members of the Tribunal, I'd like to show the witness  
18 a document and distribute that document. It's not one  
19 that's in the open binder yet. So I will ask my  
20 colleague to distribute that, if I may. (Pause)

21 Mr Rauball do you know the company Rega?

22 A. No.

23 Q. Have you ever heard of them?

24 A. No.

25 Q. From your experience in the mining industry, what do you

13:44

1 understand this document to be?

2 A. It's a complaint by Mr Corej, which in my opinion was  
3 totally unwarranted. But Dr Rozloznik can give you  
4 probably more details about it, because I was not  
5 involved in the day-to-day operations.

6 Q. The fact is that there were inspection reports performed  
7 concerning Mr Corej's work; isn't that true?

8 A. I don't remember.

9 Q. But Mr Rozloznik would have had responsibility for and  
10 would know about that?

11 A. Correct.

12 Q. Is there any documentation that you advised the Mining  
13 Office of your claimed problems with Mr Corej before the  
14 works were suspended?

15 A. I was not involved in the day-to-day operations,  
16 Mr Alexander. But I'm sure that Dr Rozloznik will be  
17 able to give you an answer to that.

18 Q. Did you grant any of Mr Corej's requests for additional  
19 amendments to the contract?

20 A. I don't remember.

21 Q. Did you agree to increase his compensation at any time?

22 A. I don't recall. Unless you have a document to show me,  
23 to refresh my memory, I don't recall.

24 Q. I think we'll work with Dr Rozloznik on that, given what  
25 you've said about your lack of knowledge.

13:46

1 A. Right.

2 Q. Now, at the time you entered into an agreement -- well,  
3 let's back up. Let's back up in time.

4 Did the fact that Thyssen and Dorfner had already  
5 spent substantial time and developed a feasibility  
6 study, and had gotten Hansa Geomin involved, did that  
7 give you some comfort in considering investment into the  
8 project?

9 A. Of course.

10 Q. Why was that?

11 A. Well, because these guys are responsible, these  
12 companies are responsible companies.

13 Q. Did you believe their participation would be valuable in  
14 attempting to attract further investment?

15 A. No.

16 Q. Help me understand this, Mr Rauball, as a layman  
17 unfamiliar with the industry. If you've got  
18 world-renowned companies involved in a project, I would  
19 think that a lender or a potential farm-out participant  
20 might take some comfort from that.

21 A. The problem has been that Thyssen Schachtbau was in  
22 financial problems, which led to them approaching us and  
23 Belmont to sell their interest in the project. Dorfner  
24 was only a small company in relationship to Thyssen,  
25 Thyssen Schachtbau; they are more or less a medium-sized

13:48

1 German refining company and producing soapstone for  
2 industrial purposes.

3 So the key element here was that Thyssen Schachtbau  
4 had internal problems, and came to us and offered us to  
5 purchase this interest. In the beginning they wanted  
6 10 million deutschmarks for their interest, and then  
7 later on Belmont successfully negotiated a far  
8 substantially lower price.

9 Q. Is there a reason you didn't say anything about that in  
10 your witness statement?

11 A. Well, Mr Alexander, with due respect, I cannot go into  
12 all the details. I am giving you the general  
13 guidelines, and you can ask me questions and I fill you  
14 in with the answers.

15 Q. So your view at the time you were preparing your witness  
16 statement was that was just too general?

17 A. That was not my view; that was the fact. Thyssen was in  
18 financial trouble and they wanted to sell their  
19 interest. Dorfner didn't -- was not prepared to go on  
20 alone in this project because they are not  
21 an engineering company, they are not a company which is  
22 building shafts, they don't have -- maybe they have the  
23 financial means to do that, but in the end they cannot  
24 do this alone.

25 So they both decided to get out of the project, and

13:49

1 they did. They wanted -- in the beginning they wanted  
2 substantially more money, in the 10 million deutschmarks  
3 bracket; and then later on, Belmont was successful in  
4 buying it for some -- I forgot the number -- 3.2 million  
5 Canadian equivalent.

6 Q. Would you agree with me, Mr Rauball, that you did not  
7 put into the record any evidence that supports your  
8 assertion today for the first time that Thyssen  
9 Schachtbau was in financial trouble?

10 A. Well, the whole world knew that. You can go to the  
11 records and see it on the internet. They were in  
12 serious problems. The whole world knew this.

13 Q. So the answer is: you decided not to put it into the  
14 record because the whole world knew it?

15 A. Well, it's public knowledge, so why should I put it into  
16 my statement?

17 Q. You of course are aware of the witness statements filed  
18 by Mr Haidecker; correct?

19 A. Yes.

20 Q. I'm sorry, by Mr Dorfner. He described different  
21 concerns; do you agree?

22 A. If you give me again Mr Dorfner's statement to refresh  
23 my memory, yes, then I will give you the answer.

24 Q. Certainly. Mr Dorfner first.

25 MS POLAKOVA: It's tab 4 from the witness bundle that you

13:51

1 received earlier this morning.

2 MR ALEXANDER: I am going to ask you about paragraphs 10, 11  
3 and 12. (Pause)

4 A. Okay.

5 Q. First of all, you would agree that there is no  
6 suggestion in Mr Dorfner's statement that they were  
7 having financial problems which caused them to leave the  
8 project?

9 A. I didn't say that. I said Thyssen had financial  
10 problems.

11 Q. Alright. So we will come to Mr Haidecker's statement in  
12 a moment on that. But before we do that, so we don't --

13 A. Let me make a remark, after I refresh my memory.  
14 Paragraph --

15 Q. Wait a second, Mr Rauball. I'll ask you a question, you  
16 can answer it. If you want to explain it, that's fine.  
17 But you don't get to just make remarks.

18 A. I apologise.

19 Q. Mr Rauball, would you agree with Mr Dorfner's statement  
20 that the project was financially very demanding?  
21 I think that's non-controversial, right?

22 A. I said that before.

23 Q. Alright. Do you also agree with his statement that  
24 Mr Corej had approached the Thyssen affiliate Östu, and  
25 Gebrüder Dorfner, with an idea to secure financing for

13:53

1 the project by involving EuroGas GmbH? Were you aware  
2 of that?

3 A. It was me who gave him personally money in order not to  
4 lose his interest in the mine. So I agree.

5 Q. So you authorised Mr Corej to make that proposal to the  
6 shareholders of Rozmin?

7 A. Yes.

8 Q. And you became aware that they clearly refused to permit  
9 that?

10 A. Who refused?

11 Q. Dorfner and Thyssen.

12 A. They did not refuse it. They accepted the proposal.  
13 Otherwise we wouldn't have been involved in the project.

14 Q. Well, I think you are actually mistaken about that,  
15 Mr Rauball. Let me explain to you why by asking you  
16 another question.

17 Do you dispute the statement that cooperation was  
18 not acceptable for Östu and Gebrüder Dorfner? Do you  
19 dispute that?

20 A. Yes. That's wrong. Why would they have us -- why would  
21 these two companies have us accepted as a partner if  
22 Mr Dorfner comes to this opinion here? That's wrong  
23 here.

24 Q. Right. And when you read this a year or so ago, at the  
25 time of the submission of the Counter-Memorial, you knew



13:55

1 it was wrong then; correct?

2 A. Yes.

3 Q. But you elected not to say anything at the time?

4 A. The opportunity is right now.

5 Q. Are you aware of the fact that both your counsel and

6 Belmont's counsel have waived cross-examination of

7 Mr Dorfner?

8 A. I am aware of it.

9 Q. So you deny that there was a refusal of them to allow

10 you to come directly into Rozmin?

11 A. Correct.

12 Q. You did not come directly into Rozmin though, did you,

13 sir? That wasn't the route you came in.

14 A. Eventually we came into Rozmin.

15 Q. Right. But you came in through the back door, didn't

16 you, sir?

17 A. Yes.

18 Q. And the back door was Rima Muran?

19 A. Well, they may not have liked it, but we came in.

20 Q. Right. And you didn't disclose to them after they had

21 refused to let you in the front door that you had a plan

22 to go in the back door, did you?

23 A. That's not correct, Mr Alexander. I protest against it.

24 There was a meeting between Dorfner and Thyssen and

25 myself and my brother Reinhard and Rima Muran, and

13:56

1 I made clear, after I had personally advanced \$200,000  
2 to Mr Corej so that he would not be diluted in his  
3 interest -- this money didn't come from EuroGas or any  
4 company, it came from me personally, because there was  
5 such a short time in order to save his interest in the  
6 deal. The Germans wanted to push him out. And I got  
7 a phone call at that time from the managing director of  
8 Thyssen Schachtbau, Mr Loehr, and he was furious that  
9 I had helped Corej to stay in the deal. Then in the end  
10 they said, "Okay, fine, we have no choice", and they  
11 accepted us.

12 Q. But you went through the back door of Rima Muran because  
13 you couldn't go in the front door; isn't that right?

14 A. I protest against it. It wasn't a back door because  
15 I explained to Thyssen Schachtbau exactly the way we  
16 want to do it: we want to finance Rima Muran, we want to  
17 help them to maintain the shareholding in Rozmin.  
18 Because a very important item came up, the feasibility  
19 study, which cost 2-3 million deutschmarks, and  
20 Rima Muran would never have been possible to finance  
21 this feasibility study. And I explained this to Thyssen  
22 Schachtbau, and they finally accepted it.

23 Q. Mr Rauball, once again I have to ask you: is there  
24 a reason you didn't provide that information earlier in  
25 your witness statement, any of that?

13:58

1 A. Well, I didn't consider it important. You bring up the  
2 questions now, and my memory gets back and I am telling  
3 you this. At that time, when I filed my witness  
4 statement, I didn't consider answers to these questions  
5 important.

6 Q. Is there a reason you didn't put into the record any  
7 documentary support for what you have just alleged?

8 A. No, there is no reason.

9 Q. But the fact is you did come in through Rima Muran, by  
10 acquiring a majority position in that company?

11 A. With the approval of both shareholders.

12 Q. For which there is no evidence in this record, is there,  
13 Mr Rauball?

14 A. I haven't checked that. I don't think it's important.

15 Q. Whether they approved or not?

16 A. They approved it. I am under oath.

17 Q. But wouldn't you think, Mr Rauball, in something as  
18 significant as this, there would be one document that  
19 would substantiate?

20 DR GHARAVI: I have to object now. I should have objected  
21 since the beginning, when the representation was made  
22 that this issue is central to this case: central to this  
23 case on what planet and on whose perspective?  
24 Irrespective of that, the witness has answered on many  
25 occasions, "I didn't think that this was important,

13:59

1 I didn't think that this was important". So I think at  
2 one stage we have to stop this. The testimony is that,  
3 "I didn't think it was important". And when it's  
4 essential to the case, you have to mention on what point  
5 and from whose perspective to the witness.

6 MR ALEXANDER: Members of the Tribunal, I'm going to ask for  
7 a clarification. Is that an objection on behalf of  
8 Belmont or EuroGas?

9 DR GHARAVI: On behalf of Belmont. It relates to the merits  
10 as well. The case you're putting is important to your  
11 post facto defenses on the merits and not central to this case  
12 according to us. He responded many times, "It was not  
13 important", and you think it was important.

14 THE PRESIDENT: I don't think there is a valid objection  
15 here. But we have understood your point, the questions  
16 that you repeatedly asked, and it's not necessary to ask  
17 the same questions again and again.

18 MR ALEXANDER: Alright, understood. Thank you, Mr Chairman.

19 MR RAUBALL: If I may make a suggestion, Mr Chairman, all  
20 these questions, all these answers can be put towards  
21 Dr Rozloznic. He was there too.

22 THE PRESIDENT: The lawyer has the right to ask you the  
23 questions he chooses to ask you, and maybe he will ask  
24 also these questions also to some other witness.

25 MR ALEXANDER: So it is your testimony before the Tribunal,

14:01

1 Mr Rauball, that you received no indication from either  
2 Dorfner or Thyssen that they believed you were  
3 an inappropriate partner?

4 A. I didn't say that. I said they were not happy, or at  
5 least Thyssen was not happy, but they finally accepted  
6 us.

7 Q. How did they express to you the fact that they were not  
8 happy?

9 A. Because they had a certain business plan: they wanted to  
10 push Rima Muran out of Rozmin, because Rima Muran was  
11 financially very weak, had no money. And they didn't  
12 like very much that somebody, like deus ex machina,  
13 comes out of the blue and helps them, and they stay in  
14 the project.

15 Q. So if I'm understanding correctly, your testimony today,  
16 for the first time, is that you helped Mr Corej stay in  
17 the project?

18 A. Of course.

19 Q. At the time you provided that help to him, how long had  
20 you been working with him?

21 A. I did not work with him at all. I had met him through  
22 Dr Toeszer, from the Ministry of Environment of the  
23 Slovak Republic, and he had introduced him to myself.

24 Q. Why did you believe it was appropriate to help Mr Corej  
25 stay in the project?

14:02

1 A. Because Mr Toeszer had asked me to do so.

2 Q. And that was the only factor?

3 A. Well, I had said earlier that I had met Dr Toeszer  
4 already in the early '90s, together with Bill Agyagos,  
5 when we were looking for some Slovak mining properties.  
6 And at that time -- and I am referring to that, by the  
7 way, in my witness statement -- we were also getting  
8 acquainted with the Gemerská Poloma situation, but at  
9 that time we felt it wasn't ripe, it wasn't interesting  
10 enough. And when I met again with Dr Toeszer six years  
11 later, five to six years later, he asked me if  
12 I wouldn't reconsider, and he told me that in the  
13 meantime a lot of work has been done, and that's when  
14 I reconsidered.

15 Q. How long after you entered Rozmin through Rima Muran did  
16 Dorfner and Thyssen tell you that they were leaving the  
17 project?

18 A. I don't know the exact time, but it was not very long  
19 afterwards; maybe two/three years.

20 Q. In fact it was the next year, wasn't it? You came in in  
21 1998 and they announced they were leaving in 1999.

22 A. Well, if you tell me this and the figure is correct,  
23 then I believe it is correct. All I remember is it was  
24 a short time afterwards.

25 Q. Alright. What's your understanding of why they decided

14:04

1 to leave?

2 A. Mr Alexander, I just gave you the answer. Thyssen  
3 Schachtbau had substantial financial problems and they  
4 were cutting down their worldwide operations, and that's  
5 the reason why they left the project: financial  
6 problems.

7 Q. You knew that they were exploring financing, didn't you?

8 A. Pardon me?

9 Q. You knew that they were exploring financing when you  
10 entered the project, didn't you?

11 A. Are you referring to the DEG?

12 Q. Yes.

13 A. Yes.

14 Q. Or Deutsche Bank.

15 A. Deutsche Bank I'm not aware of. DEG, I'm aware of DEG  
16 because I visited DEG myself.

17 Q. How long after Dorfner and Thyssen announced that they  
18 were pulling out of the project did DEG stay in?

19 A. DEG never gave an approval to any financing even as long  
20 as Dorfner and Thyssen stayed in the project.

21 Q. And that was notwithstanding what you've described as  
22 the very favourable report from Hansa Geomin?

23 A. A report is only favourable if you get the money. It  
24 may be the most favourable report in the world; if you  
25 don't get the money, it doesn't help you very much.

14:05

1 Q. What's your understanding of why DEG pulled out?

2 A. I don't know. I cannot tell you. They may have changed  
3 total investment philosophy. It had nothing to do with  
4 the Gemerská Poloma project.

5 Q. So with Dorfner and Thyssen and DEG no longer involved,  
6 what was your plan for capital development for  
7 €25 million?

8 A. Do a joint venture with a renowned, respected company in  
9 the industrial minerals sector.

10 Q. How many of such companies did you have more than  
11 preliminary discussions with?

12 A. We had more than preliminary discussions.

13 Q. With how many such companies?

14 A. I personally had discussions with -- talked to Luzenac,  
15 a Rio Tinto subsidiary, and with Mondo Minerals. Both  
16 companies had their chief geologists and mining guys on  
17 the property several times. I remember that Luzenac was  
18 there at least twice, at least twice; Mondo Minerals,  
19 three or four times.

20 Q. Did you ever get to exchanging any draft of preliminary  
21 agreements?

22 A. I did.

23 Q. Are any of those in the record?

24 A. I submitted them to our lawyers. I don't know if they  
25 put them on record.



14:07

1 Q. Did you have any discussions with Luzenac about their  
2 possible participation?

3 A. Yes.

4 Q. Did you get to any preliminary stages with them?

5 A. Yes. They were very interested.

6 Q. Do you know why they lost interest?

7 A. They didn't lose interest. They probably were also  
8 disenchanted because of Mr Corej.

9 Q. They were probably disenchanted because of Corej. Did  
10 they ever say that to you?

11 A. That's my assumption.

12 Q. In fact -- and I say this with respect, Mr Rauball --  
13 but you assume that everything that went wrong with that  
14 project was due to Corej, don't you?

15 A. And believe me, I am correct. Believe me, I'm correct.

16 Q. And that's why you tried to instigate a criminal  
17 prosecution of him?

18 A. No, I did not do that.

19 Q. You didn't initiate a criminal investigation with  
20 Slovakian authorities; you deny that?

21 A. I deny that. I never did this.

22 Q. But despite that relationship with Mr Corej, you never  
23 took steps to replace him as the contractor until he  
24 walked off the job for non-payment, did you, sir?

25 A. Mr Alexander, I don't know why you always come back to

14:09

1 the same question. Mr Corej pretty soon was gone,  
2 because he got into a fight with Rozmin, with  
3 Dr Rozloznic, and the problem then didn't occur anymore.  
4 Although I strongly believe that Mr Corej is behind --  
5 or was behind all these dubious, in my opinion, corrupt  
6 practices which followed later on.

7 Q. So when he suspended work on the project in 2001, and  
8 Rozmin gave notice of suspension of work, what steps did  
9 Rozmin take at that time to get a new contractor in  
10 there?

11 A. I cannot tell you, because I wasn't involved in the  
12 day-to-day operations. But I'm sure Dr Rozloznic -- and  
13 probably also Mr Agyagos -- can give you more background  
14 there.

15 Q. Mr Rauball, you had a substantial investment in this  
16 project. Is it your testimony before this Tribunal that  
17 when the contractor walks off and notice of suspension  
18 of work is given, you don't have any personal knowledge  
19 of what happened after that to get it back on track? Is  
20 that what you're saying?

21 A. No, that's not what I said. I said I have personal  
22 knowledge, but I cannot give you detailed information  
23 what has happened on a day-to-day basis.

24 Q. Did you have any conversation with Rozloznic to the  
25 effect, "You'd better get going and get this back on

14:11

1 track, and get another contractor in there, because  
2 Corej has been nothing but a mess anyway. Let's go"?

3 A. That's exactly what I told him.

4 Q. When did you learn that there was virtually no progress  
5 on that front?

6 DR GHARAVI: That's a misrepresentation as well.

7 MR ALEXANDER: I'll rephrase the question.

8 When was the first time that Rozmin put out another  
9 request for bids to get the project back on track? It  
10 wasn't until 2004, was it?

11 A. Well, I remember that Rozmin had made several  
12 applications to the Mining Office, the lower Mining  
13 Office, informed them that there is a delay; and  
14 according to my knowledge, Rozmin got an extension. And  
15 in the meantime we sorted out the problems with  
16 Rima Muran.

17 Q. And that took three years?

18 A. I cannot answer that question. It takes several months  
19 to get answers back from the Mining Office. But  
20 I wasn't involved in the day-to-day operations. And  
21 regardless if this is a major -- or was a major  
22 enterprise for us, I was not involved in the day-to-day  
23 operations. But I'm sure there are other witnesses here  
24 which can give satisfactory answers.

25 I can only say that the relationship between

14:12

1 Mr Corej and Rozmin and myself deteriorated to a point  
2 because of certain acts and deeds which we didn't find  
3 appropriate, and I will give you one example. When we  
4 purchased our interest in Rima Muran, Mr Corej insisted  
5 on cash payment of a large amount of money,  
6 1.2/1.3 million deutschmarks, and he wanted to have that  
7 money in Liechtenstein, and we definitely don't deal in  
8 Liechtenstein. So that was the condition he had. And  
9 we wanted to get control of Rima Muran in order to get  
10 going with this project. So we arranged for him,  
11 through an affiliated company, to get 1.3 million  
12 deutschmarks.

13 Before you ask me, Mr Alexander, we made a note in  
14 the SEC financial statements about this. And that's how  
15 badly the relationship between Mr Corej and us had  
16 deteriorated.

17 Q. According to your allegation -- which, as you know, he  
18 has denied -- that actually came at the very outset of  
19 the relationship, didn't it, sir?

20 A. No. That money was -- he demanded that money, if I'm  
21 not mistaken, in 1998, and he got the money.

22 Q. That's the date when you came into the project by  
23 purchasing your interest in Rima Muran, isn't it?

24 A. It may be.

25 Q. The fact is that according to your story of this payment

14:14

1 that you say concerned you so much, it didn't concern  
2 you enough not to get into business with Mr Corej, did  
3 it, under your version of events, which, as you know, he  
4 has denied? It didn't stop you getting into business  
5 with him, did it?

6 A. He may deny it as much as he wants. The document is on  
7 file here. It shows his signature that he received  
8 1-point -- I don't have the footnotes in here --  
9 1.3 million in cash, and it was confirmed by two bank  
10 employees. So what else do you want to hear?

11 Q. Well, I would like to have heard some of this when you  
12 read his witness statement where he denied that that was  
13 his signature. But you chose not to respond on that  
14 either.

15 My point, Mr Rauball, is simply this: you thought  
16 this payment was improper, according to your story?

17 A. No, I did not say that. I protest. I really protest  
18 here. We put it even in the SEC files. I said, "Okay,  
19 we will arrange this for you. If you want to have that  
20 money in Liechtenstein, fine, we do this". But we  
21 didn't hide this payment. We showed this payment openly  
22 in our financial statements and made a note in our SEC  
23 files.

24 Q. So I'm a little confused, Mr Rauball. You haven't said  
25 there was anything improper about this payment; that's

14:15

1 what you're saying now?

2 A. Absolutely.

3 Q. Mr Corej had no illegitimate purpose in asking for it;  
4 is that what you're suggesting?

5 A. I am suggesting that he did not want the payment to be  
6 wired to him by ordinary way, through bank wire. He  
7 wanted to have, out of the payment for the interest in  
8 Rima Muran, a cash payment. In cash, Mr Alexander, in  
9 a bag, to be paid in Liechtenstein. We did this. But  
10 we reported it in our financial statements, and we  
11 reported that he got this money through an affiliated  
12 company in Liechtenstein.

13 Q. So taking, for purposes of discussion, your version of  
14 events, which Mr Corej has denied --

15 A. It's the truth, Mr Alexander. It's the truth.

16 Q. -- you felt perfectly comfortable going forward with  
17 him, did you not, on your version of events?

18 A. At that time, although I was shocked that he was making  
19 demands like that.

20 Q. Were you shocked enough to bring it to the attention of  
21 either Dorfner or Thyssen?

22 A. I think that they were out already.

23 Q. You think what?

24 A. It was none of their business. It was our business.

25 Q. So the answer is: you didn't bring it to their

14:17

1 attention?

2 A. No.

3 Q. You weren't that shocked?

4 A. I was shocked. But why do I have to tell the world  
5 about a relationship which I am having with Rima Muran?  
6 We dealt with it, and later on the experience showed  
7 that my attitude was correct, and that I shouldn't have  
8 trusted Mr Corej.

9 In addition to that, he recorded as purchase price  
10 on his financial statements this transaction only being  
11 1 million Slovak crowns, which is the equivalent of some  
12 \$30,000. So he didn't say that he got 1.2 million  
13 deutschmarks plus additional consideration. No, he said  
14 the total purchase price for the shares was 33,000 --  
15 I think \$33,000. Wouldn't you be shocked if I -- if  
16 somebody -- if some of your client would [do that]?  
17 I was shocked.

18 Q. If one of my clients came to me with a bag of cash?

19 Yes, I would be shocked.

20 A. Okay, so we talk the same language.

21 Q. I think it might be a big red flag, and I would wonder  
22 whether I had a responsibility to alert people.

23 A. We did.

24 Q. But not Thyssen and Dorfner, on your version of events,  
25 your partners in the transaction.

14:18

1 A. We alerted the anti-corruption police in the  
2 Slovak Republic.

3 Q. How many years later?

4 A. Four or five years later.

5 MR ALEXANDER: I'll move on from this, Mr Rauball.

6 Mr Chairman, might I ask if this is a convenient  
7 time for a break? We've been at it for a while, an hour  
8 and 20 minutes.

9 THE PRESIDENT: Yes, yes, okay, we make a break.  
10 15 minutes.

11 Mr Rauball, as I think you are aware, you must not  
12 talk with anyone about this case.

13 MR RAUBALL: (Nods head)

14 (2.20 pm)

15 (A short break)

16 (2.39 pm)

17 (2.39 pm)

18 THE PRESIDENT: So, Mr Alexander, we can proceed.

19 MR ALEXANDER: Thank you, Mr Chairman.

20 Mr Rauball, I want to go back to the share purchase  
21 agreement you signed with Belmont in March 2001. Do you  
22 recall that?

23 A. Yes.

24 Q. That was the agreement to which we referred earlier  
25 where you promised to bring sufficient capital to bring



14:40

1 the project to commercial production within one year  
2 from the date of execution. Do you recall that?

3 A. Correct.

4 Q. How did you book that transaction, sir?

5 A. Pardon me?

6 Q. How did you book the transaction in your financial  
7 statements?

8 A. I don't know. I don't remember.

9 Q. Well, let's come at it a different way. You're familiar  
10 with the principles of consolidation?

11 A. Yes.

12 Q. If you control a subsidiary, you are permitted to  
13 consolidate its operations into your own financial  
14 statements?

15 A. Correct.

16 Q. Prior to the share purchase agreement, had you ever done  
17 that with respect to Rozmin?

18 A. No.

19 Q. But after the acquisition, you started doing that; isn't  
20 that right?

21 A. I'm not sure. I think we recorded it on an equity  
22 basis, cost basis.

23 Q. If you had recorded it on an equity basis, you wouldn't  
24 have been allowed to consolidate; correct?

25 A. You ask me questions right now on accounting, which

14:41

1 I can't answer to you.

2 Q. Alright. Well, let's take a look if we could, please,  
3 at what's at tab 11, which is Exhibit R-73.

4 Can you tell us what that is, sir?

5 A. This looks like the 10-K for EuroGas Inc for fiscal year  
6 ended December 31st 2003.

7 Q. And you, of course, as a sophisticated businessman,  
8 appreciate the importance of filing accurate financial  
9 statements as part of your annual form 10-K?

10 A. Correct.

11 Q. You understand there are potentially very serious  
12 penalties if you do not?

13 A. I understand.

14 Q. Take a look if you would, please, at page 4 of that  
15 exhibit, just below the bar that begins with the  
16 sentence:

17 "The purchase of the interest in Rozmin s.r.o..."

18 Do you see that?

19 A. Yes.

20 Q. "... was recorded at \$3,843,560 ..."

21 You can, of course, read the rest of the sentence,  
22 but I want to ask you first a question about that. In  
23 fact that reports that you booked the transaction with  
24 Rozmin as a purchase -- I'm sorry, the transaction with  
25 Belmont as a purchase of the shares in Rozmin?

14:43

1 A. That's the narrative. But it was meant Belmont.

2 Q. Well --

3 A. No, sorry --

4 Q. No, I'm not suggesting there's anything wrong with your  
5 description.

6 A. I was just saying. Yes, I'm sorry.

7 Q. I'm just saying: you report there that the purchase had  
8 been recorded on the company's books at a value of  
9 \$3,843,000.

10 A. Yes.

11 Q. Then you go on to explain the basis for that amount:

12 "No goodwill was recognized in the purchase  
13 transaction."

14 Then you say, and this is the sentence that I really  
15 want to focus on:

16 "The operations of Rozmin ... have been included in  
17 the consolidated results of operations from its  
18 purchase."

19 Do you see that?

20 A. No.

21 Q. It's in the last sentence of that paragraph.

22 A. Okay.

23 Q. That was a true statement, wasn't it?

24 A. It was.

25 Q. In fact, the only way you could possibly have lawfully

14:45

1 consolidated the results of Rozmin in your financial  
2 statements as a result of that purchase was if you had  
3 acquired control of it?

4 A. Well, it's a matter of interpretation. First of all,  
5 I didn't do this, our CFO did this, and I assumed it's  
6 correct.

7 Q. Did you review the financial statements before they were  
8 filed?

9 A. Yes, but I am not an expert in accounting.

10 Q. In fact, what was your title with EuroGas at the time?

11 A. At that time I think I was CEO and director, president  
12 and CEO.

13 Q. The CEO of a public company has a particular  
14 responsibility to verify the accuracy of its financial  
15 statements; wouldn't you agree?

16 A. I agree.

17 Q. And that's why you took it so seriously and ensured its  
18 accuracy before you signed it?

19 A. To me these numbers were correct.

20 Q. Now, you said in the next paragraph down -- actually I'm  
21 going to skip down two. You reported here, in the  
22 second sentence of the third paragraph in that section,  
23 so I'm two paragraphs below where we were:

24 "Mine construction, which began in August 2000, is  
25 scheduled for completion in 2004, at which time talc

14:46

1 production is scheduled to commence."

2 A. Excuse me, Mr Alexander. Which one are you referring  
3 to?

4 Q. I'm referring to -- do you see the bar across the page  
5 there?

6 A. Yes.

7 Q. Alright. Count down three paragraphs. The second  
8 sentence:

9 "Mine construction, which began in August 2000 ..."

10 A. I read this.

11 Q. Now, of course the project was not completed by 2004,  
12 was it?

13 A. It couldn't be, because it was taken away from us.

14 Q. Well, actually you hadn't even begun further works on  
15 the shaft to the deposit at that point, had you?

16 A. That's not correct. We have done extensive work on the  
17 mine.

18 Q. I'm talking about from the period of 2001, when Mr Corej  
19 walked off the project, you gave notice of  
20 discontinuance of operations. After that point in time,  
21 there had been no further work on the opening works to  
22 reach the deposit, had there, sir?

23 A. The reason for that were those delays caused by waiting  
24 for the final approval from the mining officers, the  
25 Mining Department officers. On or about -- I guess this

14:48

1 took one or two years until Dr Rozloznik sorted it out.  
2 As I said, I wasn't involved; I can only report.

3 On or about May 31st 2004, the lower Mining Office  
4 issued an approval to continue the works and granted  
5 a date until mid-November 2016 to complete these works.  
6 And as far as I remember, Rozmin started to resume the  
7 operations in Gemerská Poloma in summer 2004, including  
8 negotiations to get a new operator, which resulted, in  
9 fall 2004, in the appointment of Siderit as operator.

10 Q. So is the answer to my question "yes", and that's the  
11 explanation for it?

12 A. What was your question again?

13 Q. It is true, isn't it, Mr Rauball, that from the time  
14 Mr Corej walked off the job in 2001 and you gave notice  
15 of suspension of works, that from that time until the  
16 reassignment of the excavation area, there had been no  
17 progress on opening the access to the deposit in the  
18 western area; yes or no?

19 A. Well, they couldn't, because we only got approval on  
20 May 31st 2004 to continue the works, and immediately  
21 Rozmin resumed operations to start with the opening of  
22 the mine.

23 Q. When did you first apply to resume operations?

24 A. I don't know.

25 Q. Yes.

14:50

1 A. I understand that Dr Rozloznik is coming: he can answer  
2 all these questions.

3 Q. Let me ask you if I could, please, to turn to page 29 of  
4 the 10-K report before you. Underneath  
5 Mr Blankenstein's signature, do you see the statement:

6 "Due to lack of funding at this point, in particular  
7 the in ability to pay our auditors, we are forced to  
8 issue our annual statement with only information that is  
9 prepared by the EuroGas management."

10 Do you see that?

11 A. I see it.

12 Q. Do you recall what the auditors' fees were at that  
13 point?

14 A. I don't, but they were substantial.

15 Q. So even though the auditors weren't involved in this  
16 work, the company reported that the purchase of the  
17 interest in Rozmin was recorded at 3.8 million; is that  
18 right?

19 A. Correct.

20 Q. And thereafter made the decision, without the blessing  
21 of the auditors, to consolidate its operations?

22 A. At a cost basis, correct.

23 Q. The date of this 10-K, can you see that up there next to  
24 Mr Blankenstein's signature?

25 A. May 15th 2004.

14:52

1 Q. Do you recall when EuroGas was put into bankruptcy?

2 A. On or about that time.

3 Q. EuroGas initially entered an appearance in the  
4 bankruptcy proceedings, did it not?

5 A. Possible. I don't recall.

6 Q. You don't recall?

7 A. The lawyers handled this.

8 Q. Right. I was wondering if you might have followed that  
9 proceeding closely, like you have this one.

10 A. No. I was living in Germany at that time, and I left it  
11 up to Mr Blankenstein to take care of these matters,  
12 because he was living in Utah and was running the  
13 day-to-day operations of the company.

14 Q. Do you recall that EuroGas opposed the filing of the  
15 involuntary petition for bankruptcy, and entered  
16 an appearance, and retained counsel, and participated in  
17 the proceedings? Do you recall that?

18 A. I do.

19 Q. Do you recall there came a point in time when you were  
20 ordered by the United States Bankruptcy Court to provide  
21 schedules of assets and liabilities? Do you recall  
22 that?

23 A. I do.

24 Q. You and two other people in the company were the subject  
25 of that order; do you recall that?



14:53

1 A. I don't recall two other people in the company.

2 Q. The only one you can remember is yourself?

3 A. And Blankenstein.

4 Q. Okay. You did not file schedules of assets, did you,  
5 sir?

6 A. Yes, as I said before, I was in Germany, and I left it  
7 with our chief financial officer, Hank Blankenstein, who  
8 resided in Salt Lake City, to take care of this.

9 Q. But you knew that you were the personal subject of the  
10 order, right?

11 A. I do, although I was never served on that order, I have  
12 never received the order.

13 Q. But you had actual notice that the court had ordered you  
14 to do that?

15 A. From Mr Blankenstein, yes.

16 Q. If a schedule of assets had been filed in compliance  
17 with the court's order, would you agree with me,  
18 Mr Rauball, that it would have been reasonable to  
19 include the interest in Rozmin and this potential claim,  
20 given the fact that you were actually consolidating the  
21 operations of Rozmin into the EuroGas financial  
22 statements?

23 A. Yes.

24 MS BURTON: I would have to say an objection. It's calling  
25 for areas that are outside of his knowledge.

14:55

1 MR ALEXANDER: He has answered. I will live with the  
2 answer.

3 When did you first learn that Mr Blankenstein had  
4 not filed schedules of assets?

5 A. I did not learn, because I had told Mr Blankenstein --  
6 we had one problem at that time: the previous management  
7 had left a mess behind in the company, and most of the  
8 files were gone or were not available. So I had told  
9 Mr Blankenstein to talk to the previous trustee, trustee  
10 Joel Marker, and sort this problem out, even if we don't  
11 have any files. And he talked to Mr Marker; I know  
12 that.

13 Q. You saw during opening statements yesterday testimony on  
14 the screen offered by Mr Blankenstein in the bankruptcy  
15 proceedings, did you not?

16 A. Correct.

17 Q. When did you learn that he had given that testimony?

18 A. I don't recall. There were so many depositions done by  
19 trustee Smith. I cannot tell you.

20 Q. In fact, prior to the bankruptcy, what we have called  
21 EuroGas I had been dissolved under Utah law; you knew  
22 that?

23 A. Yes.

24 Q. Is it true, Mr Rauball, that when it dissolved, you were  
25 its CEO?

14:57

1 A. No.

2 Q. What was your position at the time?

3 A. It -- well, it may be that I was CEO. But the fact that  
4 it was dissolved was the mistake of the previous  
5 management, which unfortunately forgot to make a \$15  
6 payment to the registry in Salt Lake City. And I found  
7 out only later on, actually when Mr Blankenstein told  
8 me. I think it was on or about 2005 when he told me  
9 that.

10 Q. Did you investigate whether it would be possible to  
11 reinstate at that time? You were within a two-year  
12 period.

13 A. Yes, but the previous management had -- in my opinion  
14 they had already let this lapse a long time earlier.

15 Q. You didn't find out, from counsel or otherwise, what  
16 steps you could take at that point?

17 A. I did. After I found out, immediately I instructed  
18 Mr Blankenstein to do the appropriate steps to seek  
19 legal advice and find out how to remedy this situation.

20 Q. So it's your testimony that you weren't aware for two  
21 years that your company had been dissolved?

22 A. That's correct.

23 Q. If you had filed a schedule which included the  
24 consolidated results of Rozmin, the trustee would have  
25 been in a position to assess what it wanted to do;

14:58

1 there's no dispute about that, is there?

2 A. I think he was in a position.

3 Q. Let's not get into the legal quibble.

4 Did you ever alert the Bankruptcy Court or the  
5 trustee to the fact that the company had been dissolved?

6 A. Not me personally.

7 Q. Did you ever take any steps to alert the investing public  
8 that the company that was being publicly traded on the  
9 securities markets no longer existed?

10 A. I don't recall. But I can tell you what I told  
11 Mr Blankenstein --

12 Q. I am not asking for that. Did you ever take any steps  
13 to file on the Austrian or German commercial register  
14 what had happened with respect to EuroGas?

15 A. There's no necessity to do that.

16 Q. Did you ever alert the German stock exchange, where the  
17 shares were traded, that the company no longer existed?

18 A. No, I didn't know that. I didn't -- as I told you,  
19 I only learnt about it 2005/2006.

20 Q. So after you'd come through the bankruptcy process, you  
21 took steps to create a new EuroGas II?

22 A. I informed Mr Blankenstein to take steps to do this  
23 immediately.

24 Q. I actually misspoke, Mr Rauball: it was actually while  
25 the bankruptcy was pending. And given the fact that the

15:00

1 bankruptcy was still pending, you still took no steps to  
2 alert the court to status of the company?

3 A. Not me personally.

4 Q. Did you advise your lawyers to do that?

5 A. I advised Mr Blankenstein.

6 Q. Did you ever follow up with him to see if he ever did  
7 anything further on it?

8 A. No. We did this over the phone. I just told him to  
9 solve this problem and get legal advice, get to a lawyer  
10 and get this done.

11 Q. When you got the court's order directing you to file  
12 schedules of assets, did you ever follow up with him to  
13 see whether he had filed those schedules?

14 A. Yes.

15 Q. What did he say?

16 A. He said that he had approached our previous auditor,  
17 Doug Hawkes of Hansen Barnett, and had asked him to  
18 provide data to the trustee.

19 Q. Did he tell you that he'd ever filed schedules of assets  
20 and liabilities?

21 A. Blankenstein?

22 Q. Yes.

23 A. Well, we didn't have any files, we didn't have any  
24 documents to file the list of these assets. So that's  
25 why I told him: see our auditor, previous auditor,

15:02

1 Doug Hawkes, and seek advice, and ask him to get in  
2 touch directly with the trustee, Joel Marker, which he  
3 did.

4 Q. Because you say you didn't have any files, I take it the  
5 answer to my question is: no, he never told you that  
6 schedules of assets and liabilities had been filed?

7 A. Well, I learned later on that they were not filed.

8 Q. Did you ever follow up with Blankenstein, to whom you  
9 had delegated the responsibility, to ensure that  
10 schedules of assets and liabilities had been filed? The  
11 fact is you didn't do that, did you, Mr Rauball? You  
12 never --

13 A. I did. Of course I did. And he told me that he had  
14 spoken with both, with the trustee and also with  
15 Doug Hawkes, our previous auditor. And Doug Hawkes told  
16 him that he had been -- or that he has been asked for  
17 deposition by the trustee, and Doug Hawkes provided the  
18 entire files -- which we unfortunately didn't have  
19 anymore -- to trustee Marker.

20 Q. Did Mr Blankenstein tell you that he had testified under  
21 oath that EuroGas didn't own anything in the talc mine?

22 A. Well, I think it was part of the financial statements.  
23 I saw that in trustee Smith's statement, deposition  
24 statement.

25 Q. Let me see if I can ask the question again. Did

15:03

1 Mr Blankenstein tell you that he had testified under  
2 oath that EuroGas didn't own any interest in the talc  
3 mine?

4 A. Yes.

5 Q. He told you that?

6 A. Yes.

7 DR GHARAVI: That's a mischaracterisation of what  
8 Mr Blankenstein said before the Bankruptcy Court.

9 MR ALEXANDER: I don't agree. I will live with the answer.

10 DR GHARAVI: Put the document in front of him. It is clear.  
11 It's in my tab 76. I'll do that, if you don't do that.  
12 I will not let you mischaracterise.

13 MR ALEXANDER: I asked him first, as you'll recall --

14 THE PRESIDENT: No, no, I think you should show the  
15 document.

16 MR ALEXANDER: I'm happy to do that.

17 DR GHARAVI: It's tab 76 of our opening bundle. It's  
18 R-0106, public bankruptcy proceedings, and at page 71 we  
19 have answers to questions that are clear.

20 MR ALEXANDER: I asked him, as the Tribunal will recall,  
21 whether he had seen the testimony on the screen  
22 yesterday, and I'm happy to put this to him now.

23 (Pause)

24 DR GHARAVI: Tab 76. It's on our opening bundle. It's  
25 R-0106.

15:05

1 MR ALEXANDER: Do you have page 69 in front of you,  
2 Mr Rauball?

3 A. I do.

4 Q. The question was asked:

5 "Now, isn't it true that Eurogas does not even own  
6 this talc project?"

7 And the answer was:

8 "That's correct."

9 DR GHARAVI: I apologise. Allow the witness to read  
10 pages 69 to 72. Allow him to read. It's 69 and then  
11 it's 71, the question:

12 "Thank you, sir.

13 "Question: Now, you're buying this Rozmin talc  
14 deposit from Belmont?

15 "Answer: Correct."

16 And then it goes on. Page 71. (Pause)

17 MR ALEXANDER: Mr Rauball, did Mr Blankenstein get into  
18 detail on the subject matter of his testimony?

19 A. No.

20 Q. Did he talk to you at all about his testimony?

21 A. He did.

22 Q. Did he tell you that he had said that EuroGas does not  
23 even own this talc project?

24 A. He did.

25 Q. Now I'd like to ask you, Mr Rauball, to turn to tab 14



15:08

1 in your witness binder, which is R-0209.

2 One more question, Mr Rauball. Did you discuss with  
3 Mr Blankenstein whether he'd ever made any disclosure of  
4 the claim relating to the reassignment of the excavation  
5 area? Had he ever disclosed that to anybody?

6 A. I don't recall.

7 Q. Now, you have before you R-0209. Do you recognise that  
8 document, Mr Rauball?

9 A. I do.

10 Q. Did you initiate proceedings that resulted in  
11 an investigation of Mr Corej by criminal authorities?

12 A. No.

13 Q. Do you know who did?

14 A. Yes.

15 Q. Who did?

16 A. Mr Danicek.

17 Q. And who is he?

18 A. Former managing director of Rozmin.

19 Q. Did you discuss that with him before he initiated those  
20 proceedings?

21 A. Yes.

22 Q. You understood he was going to do it?

23 A. Correct.

24 Q. You were supportive of it?

25 A. Correct.

15:10

1 Q. Now, turning to page 4, if I might ask you to do that,  
2 do you see the second paragraph there, you were -- this  
3 is in response to a question -- let's see. Focusing on  
4 the answer there:

5 "I am an executive of EuroGas Gmbh ..."

6 Do you see that?

7 A. Yes.

8 Q. "... which is a subsidiary of American company  
9 Eurogas Inc., in which I am the chairman of the Board of  
10 Directors and Supervisory Board. Rozmin is a company in  
11 which Eurogas Gmbh has a 33% share ..."

12 Do you see that?

13 A. Mm-hm.

14 Q. "... and the American company Eurogas Inc. has a 57%  
15 share, i.e. 90% together."

16 Do you see that?

17 A. Correct.

18 Q. Did you make that statement to criminal authorities  
19 while you were under oath?

20 A. I did.

21 Q. You took seriously the responsibility to tell the truth  
22 that day, didn't you, sir?

23 A. Well, I was of the opinion that this statement was  
24 correct at that time.

25 Q. Yes. Let's turn to tab 15 if we may now, R-0265.

15:12

1 A. 0265?

2 Q. Yes, that's the exhibit reference. Do you recognise  
3 this document?

4 A. I do.

5 Q. You've seen this before?

6 A. Yes.

7 Q. It's dated February 16th 2012. Do you see that?

8 A. Yes.

9 Q. It purports to be a EuroGas press release. Do you  
10 recall preparing this?

11 A. I did not prepare it, but I recall it.

12 Q. You signed it?

13 A. I did.

14 Q. Or at least it went out under your name and title,  
15 I should say. You authorised its release?

16 A. That's correct.

17 Q. And because of the requirements of applicable securities  
18 law, it would be safe to assume that, as the chairman,  
19 you take very seriously your responsibility to report  
20 matters accurately when you are issuing a press release  
21 on behalf of a company?

22 A. Correct.

23 Q. You of course are sensitive to the fact that under US  
24 securities law there are significant penalties for  
25 intentionally making false statements in a press

15:13

1 release; you know that, don't you?

2 A. I know that.

3 Q. In this document, under the heading "EuroGas AG is  
4 issuing the following clarification in this respect",  
5 I am interested in the third bullet in particular:

6 "EuroGas ... is a holder of 57% of business shares  
7 of company Rozmin s.r.o. EuroGas ... acquired said  
8 business shares contractually in March 2000."

9 Do you see that?

10 A. I do.

11 Q. Did you make that statement with knowledge of the facts  
12 that surrounded the statement?

13 A. I didn't make this statement, but I signed it. It was  
14 done by -- prepared by our Swiss auditors -- Swiss  
15 accountant -- sorry, Swiss lawyers.

16 Q. I assume, just in the interests of time, that you also  
17 authorised the next paragraph:

18 "... EuroGas ... expressly confirmed the rightful  
19 title of EuroGas GmbH to 57% of business shares of  
20 company Rozmin s.r.o ..."

21 A. Yes.

22 Q. And the reason you were willing to issue this press  
23 release is because you had taken the consideration  
24 received from Belmont in the share purchase agreement,  
25 which was the shares in Rozmin, and you had sold that on

15:15

1 to EuroGas GmbH?

2 A. No.

3 Q. That's not true?

4 A. I approved this and signed it as our lawyers prepared  
5 it, and I had no doubt that this statement would be  
6 wrong in any circumstance.

7 Q. So you thought it was true at the time you signed it?

8 A. At the time I signed it, yes.

9 Q. And your lawyers had reviewed it; is that correct?

10 A. They prepared the text; I didn't do it.

11 Q. And your accountants had also been involved in this  
12 discussion and review; is that right?

13 A. That's correct.

14 Q. Then the final paragraph:

15 "EuroGas AG thereby directly or indirectly holds 90%  
16 of Slovak mining company Rozmin s.r.o."

17 Does all your prior testimony about the procedures  
18 that were involved apply to this paragraph as well?

19 A. That's correct.

20 Q. Mr Rauball, you are aware, of course, that Belmont and  
21 EuroGas filed a Request for Arbitration which initiated  
22 these proceedings?

23 A. Originally it was EuroGas Inc which filed the Request  
24 for Arbitration.

25 Q. Yes. Did you review that document before it was

15:17

1 submitted to initiate these proceedings?

2 A. I did.

3 Q. In that document you describe the Claimant as: EuroGas,  
4 a company having been incorporated in 1985; is that  
5 right?

6 A. Correct.

7 Q. At the time you knew that that's not who the Claimant  
8 was in this proceeding, didn't you, sir?

9 A. Give me your question, please.

10 Q. At the time you reviewed and authorised that filing to  
11 be made, you knew that EuroGas, the 1985 company, was  
12 not the Claimant in this proceeding?

13 A. No.

14 Q. You didn't know that?

15 A. No, what I wanted to say is I just relied on the  
16 judgment of our previous lawyers in Prague, which had  
17 suggested this, and I just assumed that this fact is  
18 correct.

19 Q. You thought that the Claimant was the 1985 company?  
20 That's what you assumed?

21 A. Yes.

22 Q. So it was your intention in submitting and initiating  
23 these proceedings for the 1985 company to be the  
24 Claimant?

25 A. The difference between the 1985 company and the 2005

15:18

1 company, EuroGas II, the legal consequences out of this  
2 came only to my judgment later, several years later. At  
3 that time I was of the opinion it's the 1985 company  
4 which is making the claim.

5 Q. That was your intention: to make it on behalf of the  
6 1985 company?

7 A. Yes.

8 Q. There came a point in time, after the bankruptcy, that  
9 there was a document related to merger that was drawn  
10 up. Do you recall that?

11 A. Yes, I do.

12 Q. It purported to merge the 1985 company and the new  
13 company, what we'll call "the 2005 company", or  
14 EuroGas II. You're aware of that?

15 A. I am.

16 Q. Did you personally participate in the preparation of  
17 that step?

18 A. No.

19 Q. Who handled that?

20 A. I had -- I actually got a phone call from  
21 Mr Blankenstein at that time and he said he found  
22 a lawyer in Utah who suggested how to handle this  
23 merger, and which is our current corporate solicitor,  
24 Mr Michael Coombs. And I said, "Well, go ahead and get  
25 this done".

15:20

1 Q. So you authorized that step to be taken?

2 A. Yes.

3 Q. Did you ever file articles of merger?

4 A. No.

5 Q. Did you ever advise the Austrian or German commercial  
6 registers -- notify those registers, make appropriate  
7 filings there to notify the merger?

8 A. No, the lawyers for our companies are doing this.

9 Q. But to your knowledge, it hasn't been done yet, has it?

10 A. Sorry, which hasn't been done?

11 Q. Giving notice of the merger.

12 A. They assume that there is a merger.

13 Q. Did you ever make any filing with the SEC that you had  
14 merged the prior company into a new company by the same  
15 name?

16 A. I guess so, yes.

17 Q. You guess so?

18 A. Yes.

19 Q. Where is that?

20 A. I don't have it here. I'm sure that our lawyer can  
21 answer that.

22 Q. So if it's not in any SEC filing that's in this record,  
23 do you have any reason to believe it's somewhere else?  
24 If it exists, do you think it's in here, in this record?

25 A. I don't know. What I know is that our Utah-based



15:21

1 solicitor had discussions with the SEC about this  
2 document and they didn't raise any objections to it. So  
3 I assumed that everything is fine.

4 Q. Have you ever seen any documents to substantiate that  
5 any such discussion occurred?

6 A. If my lawyer tells me that everything is fine, I assume  
7 that everything is correct and I don't have to look at  
8 additional documents.

9 Q. Well, but your lawyer, being a good lawyer, would  
10 presumably have some written record of the conversation,  
11 or a letter memorialising it, or an email to you;  
12 anything like that?

13 A. He does.

14 Q. He's given you that?

15 A. Yes. Not email, but he told me that he had done so.

16 Q. He told you?

17 A. Discussed with the SEC in 2011, and there was no  
18 problem.

19 MR ALEXANDER: Members of the Tribunal, I would beg your  
20 indulgence and respectfully request that we receive that  
21 document. Given the late disclosure of its existence,  
22 we would respectfully ask that it be provided to us.

23 THE PRESIDENT: Which document exactly?

24 MR ALEXANDER: The document that purports to memorialise  
25 approval by the SEC of the merger he's describing.

15:23

1 THE PRESIDENT: Okay, we note the request.

2 MR ALEXANDER: Thank you. (Pause)

3 Mr Chairman, I am close to finishing, but I wonder  
4 if I might beg your indulgence in a short five-minute  
5 break to just focus and be done.

6 THE PRESIDENT: Five minutes' break.

7 MR ALEXANDER: Thank you very much.

8 (3.24 pm)

9 (A short break)

10 (3.35 pm)

11 MR ALEXANDER: Mr Chairman, there's one other document

12 I would like to respectfully request, before you  
13 announce -- and I'm not sure you're ready to yet, but  
14 I wanted to --

15 THE PRESIDENT: First, we have made a decision on your first  
16 request.

17 PROFESSOR GAILLARD: Is it related?

18 MR ALEXANDER: Yes. It's about three lines above in the  
19 transcript.

20 THE PRESIDENT: Okay.

21 MR ALEXANDER: It's the point at 15:21:07, the question:

22 "Did you ever make any filing with the SEC that you  
23 had merged the prior company into a new company by the  
24 same name?

25 "Answer: I guess so, yes ...

15:36

1 "Question: Where is that?

2 "Answer: I don't have it here."

3 I'd like also like to respectfully request that that  
4 document be provided.

5 THE PRESIDENT: That's what we had understood.

6 MR ALEXANDER: No, the second one came a couple of lines  
7 later, and in that context he said that his lawyer had  
8 some memorandum or email, it was a little fuzzy, but I'd  
9 like to request that that be produced as well.

10 THE PRESIDENT: On the same issue?

11 MR ALEXANDER: On the same issue, that memorialised the fact  
12 that this conversation had supposedly occurred.

13 THE PRESIDENT: So the answer is: we don't make an order,  
14 but we tell Claimants that if they find these documents  
15 and they find it useful to file them, it's authorised.

16 MS BURTON: Thank you. We will check with the corporate  
17 lawyer for EuroGas to see if he actually still has  
18 those.

19 MR ALEXANDER: Thank you, Mr President.

20 DR GHARAVI: Mr President, although everybody trusts the  
21 judgment of the Tribunal, we would appreciate, if this  
22 were to reoccur, to have a chance to speak before the  
23 Tribunal deliberates on such issues. But we are happy  
24 with your order.

25 MR ANWAY: I would just know one other point. One of the

15:37

1 documents we asked for was the SEC filing to which he  
2 referred, so it wouldn't be a question of whether he  
3 still has the documents; it would be a public document.  
4 We have been unable to find it, but since Mr Rauball  
5 represented it exists, we would appreciate being  
6 provided that.

7 MS BURTON: Well, I agree with you: if it exists it would be  
8 a public record. So I don't see a need for us to have  
9 to go try find that one.

10 THE PRESIDENT: Okay. Considering the nature of our answer,  
11 I don't think it would have been of any use for you to  
12 say anything.

13 DR GHARAVI: No, that's why we said we are very happy with  
14 your -- it was just in anticipation of the future.

15 MR ALEXANDER: Thank you, Mr Chairman. That concludes my  
16 cross-examination.

17 THE PRESIDENT: Thank you. So now we are going to have the  
18 re-direct.

19 DR GHARAVI: Unfortunately, some re-direct questions. But  
20 first I would like ... (Pause)

21 (3.38 pm)

22 Re-direct examination by MS BURTON

23 Q. Mr Rauball, other than the bankruptcy proceeding which  
24 was instituted against the 1985 company or, as it has  
25 been referred to here sometimes, EuroGas I, have you

15:39

1 ever been involved in a bankruptcy case under the United  
2 States Bankruptcy Code?

3 A. No.

4 Q. So I take it you're not familiar with the forms that are  
5 filed by a company that is placed into bankruptcy?

6 A. That is correct.

7 Q. Have you ever even seen the type of forms that a company  
8 in bankruptcy is required to file?

9 A. No.

10 Q. In response to questions from counsel for the Respondent  
11 and specifically -- you don't need to look at it,  
12 I don't think -- their tab 15 in their bundle, which is  
13 R-265 and was a press release relating to  
14 an announcement made in -- I don't know if it was  
15 Switzerland or Germany, but it had -- oh, she has gotten  
16 it out for you there.

17 In it you indicated about direct and indirect  
18 ownership, and what I want to ask you to do is to  
19 explain your understanding of direct and indirect  
20 ownership of corporations.

21 A. Direct ownership is if the company holds a direct  
22 interest in the other company. Indirect ownership is if  
23 the company holds an interest in that company through  
24 an intermediary company.

25 Q. With regard to the 1985 company -- and I'm going to

15:40

1 focus your answers here and I want you to focus your  
2 answers here as of May 18th 2004, which is the date on  
3 which the involuntary bankruptcy was filed against the  
4 1985 company. As of that date, was the interest of the  
5 1985 company in Rozmin a direct interest or an indirect  
6 interest?

7 A. It was an indirect interest.

8 Q. Why do you say that?

9 A. Because it was held through the Austrian private company  
10 EuroGas GmbH.

11 Q. So is it accurate to say that as of May 18th 2004, the  
12 1985 company owned a direct interest in EuroGas GmbH?

13 A. That's correct.

14 Q. But did not own a direct interest in Rozmin?

15 A. Yes, correct.

16 Q. With regard to the actual mining interest, the permits,  
17 the leases, the mining equipment with regard to this  
18 talc project, as of May 18th 2004, which entity owned  
19 those assets?

20 A. Rozmin.

21 Q. Did the 1985 company own any direct interest in any of  
22 the assets located in the Slovak Republic on  
23 May 18th 2004?

24 A. The talc assets?

25 Q. Right.

15:42

1 A. No, it did not.

2 Q. I'd like for you to take a look, and I believe the  
3 bundle is there, in the Claimants' opening bundle it's  
4 going to be tab number 76, Exhibit R-106. Just turn it  
5 so that you see the date on the next page. It's not  
6 going to be there.

7 This is Mr Blankenstein's testimony before the  
8 Bankruptcy Court that was referred to by the  
9 Respondent's counsel in questioning you here a few  
10 minutes ago. If you look at the page that's marked 69  
11 of the transcript up in the top page, it's probably the  
12 second page in this particular one, where  
13 Mr Blankenstein was asked the question:

14 "... isn't it true that EuroGas does not even own  
15 this talc project?"

16 And he answered:

17 "That's correct."

18 Do you see that answer there?

19 A. Yes.

20 Q. As it relates to owning a direct interest in the talc  
21 project, would you agree with Mr Blankenstein?

22 A. I would agree, yes. Correct.

23 Q. If you would look up at the very top of the page, you  
24 will see a couple of dates, one being August 17th 2004.  
25 At the very top of the page. Do you see the dates

15:44

1 August 17th 2004 and August 18th 2004?

2 A. Yes, I do.

3 Q. Is it your understanding that those would reflect, the  
4 first one, the date on which the hearing occurred?

5 A. I assume so.

6 Q. You assume so?

7 A. I don't remember exactly.

8 Q. If we were to compare that date to the date on which the  
9 Slovak Republic expropriated the rights, in either late  
10 December 2004 or January 2005, would you agree that that  
11 expropriation occurred after this testimony?

12 A. It did.

13 Q. And certainly you would agree that the expropriation  
14 occurred after the bankruptcy case was filed?

15 A. That's correct.

16 Q. I want to direct your attention to July 2008, I believe  
17 is the month, certainly the year, when the 1985 company  
18 and the 2005 company signed a joint resolution. Do you  
19 recall that joint resolution?

20 A. You talk about the F joint resolution merger?

21 Q. Yes.

22 A. Yes.

23 Q. Okay. At that point in time of the signatures on that  
24 joint resolution, what was your position with the 2005  
25 company?



15:45

1 A. I presume director and CEO.

2 Q. Do you recall what your position at the time of the  
3 signing of the resolution was with the 1985 company?

4 A. I assume the same.

5 Q. Do you believe you're in a position to testify to the  
6 intent of both of those parties on the purpose of that  
7 document?

8 A. Yes, I believe so.

9 Q. Would you please tell the Tribunal: what was the  
10 purpose, from the viewpoint of both of the parties to  
11 that document? What was the purpose of that document?

12 A. The purpose was to find a continuation of the 1985  
13 company, which, as we found out at that time, was  
14 dissolved, and to have a transaction done in the best  
15 interest of the shareholders of EuroGas Inc, assuming  
16 all liabilities of the 1985 company and all assets of  
17 the 1985 company, whatever the assets are.

18 I might add that EuroGas, the 1985 company, was  
19 a very successful company. When I helped to --

20 Q. And I'm going to stop you there. You've probably gone  
21 beyond the bounds of my question.

22 So is it fair to say then that the intent of the  
23 parties was to effect a transfer of the 1985 company's  
24 assets to the 2005 company?

25 A. That was the intent.

15:47

1 Q. Was it the intent of the parties to have the 2005  
2 company assume the liabilities of the 1985 company?

3 A. Correct. That's what I said.

4 Q. What was the intent of the parties to the joint  
5 resolution with regard to the shareholders of the 1985  
6 company?

7 A. To take over the original shareholders.

8 Q. So that they would be shareholders of the 2005 company?

9 A. Yes.

10 Q. Did the 1985 company cease operations following the  
11 execution of the joint resolution?

12 A. Well, that's a legal question, because--

13 Q. Okay. If you don't know the answer, that's fine.

14 A. I don't know the answer. The legal answer I don't know.

15 (3.48 pm)

16 Re-direct examination by DR GHARAVI

17 Q. Mr Rauball, could you turn to our opening bundle, the  
18 first one, at tab 18, which is R-0169. You were asked  
19 questions by counsel for Respondent on financial issues  
20 relating to Rozmin and Rima Muran. This is a letter  
21 during the peak of the dispute, I would say, July 25th  
22 2001, from Rozmin to Rima Muran, and you are copied in  
23 that letter.

24 The second page of that letter suggests that  
25 invoices for certain months were not paid. If you look

15:49

1 at the second page, where you are Cc'ed: assuming  
2 invoices were sent, there would still be an overpayment  
3 because of the advance payment. And then there is  
4 a conclusion:

5 "We therefore cannot recognize and accept the  
6 suspension of works due to non-funding of works by  
7 Rozmin ..."

8 The question to you is: do you recall receiving any  
9 letters in response from Rima Muran challenging the  
10 tables, the financial situation as summarised in this  
11 letter? If you don't remember, say you don't.

12 A. Let me make myself familiar, please. (Pause) No,  
13 I don't, I don't remember that.

14 Q. Then if you move to tab 22, R-130: a settlement  
15 agreement, March 26th 2002. Were you involved in that  
16 negotiation?

17 A. Directly and indirectly. Indirectly through one of our  
18 employees, Jürgen Preuss.

19 Q. How about the handover certificate protocol, which is  
20 October 2002? It should be at tab 19, R-131. It's the  
21 handover protocol. Were you involved in that?

22 A. No.

23 Q. Suggestion was made to you by Respondent's counsel that  
24 not much had happened from October 2002 to May 2004,  
25 when Rozmin obtained authorisation to resume mining

15:51

1 activities until the end of 2006. Do you recall what  
2 happened during that period? You mentioned a court  
3 decision.

4 A. Can you repeat your question once more?

5 Q. What was Rozmin doing between October 2002 and May 2004?

6 A. They were negotiating with the Mining Office to get  
7 an extension -- which they got -- of the work permit or  
8 concession, whatever you may call it, and it ended in  
9 the issuance of a new -- we called it, it may be legally  
10 wrong to call it -- a new concession dated May --

11 Q. I understand, Mr Rauball. My question was: why did it  
12 take so long, do you recall, between October 2002 and  
13 May 2004 for you to obtain such an authorisation?

14 A. Well, I personally was not involved, so I can't tell  
15 you.

16 Q. Can you turn to tab 25, which is C-226. Were you  
17 involved in the court litigation? Namely the request  
18 had been denied first by the mining authority, and the  
19 Main Mining Office reversed that decision, May 15th  
20 2003. If you don't remember, say you don't remember,  
21 Mr Rauball, and we will move on.

22 A. I don't remember.

23 Q. Okay.

24 A. I know of it, but I don't remember this specific  
25 document.

15:53

1 Q. Okay. We are going to hand you further documents,  
2 whether you recall. Who was running the operations at  
3 that period?

4 A. Of Rozmin?

5 Q. Yes.

6 A. Dr Rozloznic and Bill Agyagos.

7 Q. Were you involved in these processes, C-239, C-240,  
8 C-233, namely the different permits that were  
9 secured/applied for in the meantime: permit for  
10 "Drifting of Exploratory Winze -- Talc"; the following  
11 one, for temporary civil structure; or approval to  
12 exclude the area from the forestry area?

13 A. No, I was not involved.

14 Q. Okay, let's take the last one maybe, C-233. Turn the  
15 page to the sticker. It says:

16 "The request was supported by the below ...  
17 documents ..."

18 Were you involved in the preparation or the  
19 instruction for the preparation of an expert opinion and  
20 the different other documents? C-233, it should be the  
21 second page. Were you involved in the instruction for  
22 preparation of an expert opinion?

23 A. No, not at all.

24 Q. Now I move to another issue, which is the statement used  
25 by counsel for Respondent, "issue that is central to

15:56

1 this case".

2 Do you have knowledge or involvement in which areas  
3 are essential to the case from the perspective of  
4 international law, for example, or causation, or do you  
5 rely on others for that?

6 A. Could you tell me -- ask me again?

7 Q. Are you a lawyer?

8 A. No, of course not.

9 Q. Okay. Now I come to Siderit, the period just prior to  
10 when Rozmin's rights were revoked. Were there any  
11 outstanding bills from Siderit?

12 A. No.

13 Q. Did the Government of Slovakia, any agency, raise any  
14 concerns to you in relation to Rozmin's financial  
15 capacity?

16 A. Not to my knowledge.

17 Q. On the issue of the bankruptcy, could you turn to tab 76  
18 of the opening bundle. It's Mr Blankenstein, R-106. In  
19 the bankruptcy proceedings, in response to trustee  
20 Smith, who I understand initiated/caused the opening of  
21 the bankruptcy, if you turn to page 71, it was asked to  
22 your representative:

23 "Question: Now, you're buying this Rozmin talc  
24 deposit from Belmont?

25 "Answer: Correct.

15:58

1           "Question: And you did that by issuing 12 million  
2 shares of newly issued EuroGas stock?

3           "Answer: No. There were subsequently going to need  
4 to be issued 12 million shares, but they haven't been  
5 issued. They would prefer the cash at this point ...

6           "Question: And now you owe another 12 million, if  
7 they're willing to take it, or they want 1.6 million  
8 Canadian dollars?

9           "Answer: Correct.

10          "Question: Do you have the ability to pay that ...?

11          "Answer: Right now, no.

12          "Question: ... is it true that your testimony was  
13 that you had four to six weeks to pay that or the talc  
14 deposit would be lost?

15          "Answer: There's a very distinct possibility, yes."

16          Was this statement reported to you at the time?

17    A. Yes.

18    Q. Do you think that's a wrong statement, that your rights  
19 would be lost?

20    A. No, I think it was correct. If we didn't pay, we would  
21 have lost -- we wouldn't have gained anything under the  
22 agreement.

23    Q. Do you think today you, Belmont, EuroGas I, EuroGas II,  
24 EuroGas V, VI, anyone that you are aware of, has any  
25 claim to the ownership of the 50% shares of my client,

15:59

1 Belmont?

2 A. Honestly, no.

3 Q. How about the money you paid?

4 A. That will be a situation which the lawyers will have to  
5 sort out. I myself am not the guy who initiates  
6 lawsuits. On the other hand, it is very difficult to  
7 initiate a lawsuit because Belmont could argue that we  
8 were in default of the payments, et cetera, so they  
9 could come with a damage lawsuit. It's a very difficult  
10 question right now.

11 Q. Finally, you were asked questions on your statement in  
12 the context of criminal proceedings. It's R-0209. The  
13 document you were shown missed, I think, a few pages, so  
14 we are providing it to you again. It should be the last  
15 one in the recent bundle that was distributed, in hard  
16 copies that was distributed, in that folder.

17 A. Yes.

18 Q. In these documents you have the permits that I went  
19 through; correct? Then you have that statement made.  
20 You said:

21 "The share is still registered in favour of Belmont  
22 but it will be re-registered in favour of EuroGas ...  
23 within a short time."

24 Is that a true statement, Mr Rauball?

25 A. Which page is that?



16:01 1 Q. Page 5. (Pause) You say the shares of Belmont would be:  
2 "... re-registered in favour of EuroGas Inc. within  
3 a short time."  
4 Is that scientifically exact? What is this?  
5 A. At that time I was of the opinion that EuroGas Inc could  
6 make the payments which were due under the SPA, which  
7 didn't happen. So it was wishful thinking, let me put  
8 it this way.  
9 Q. I appreciate, Mr Rauball. I did not want to suggest  
10 that to you.  
11 A. On my part, I mean.  
12 Q. What's the rest?  
13 "Due to, in my opinion corrupt, illegal revocation  
14 of the license to mine, our company was unable to cope  
15 with bankruptcy and we had to pay USD 113 million ..."  
16 Is that a correct statement, Mr Rauball?  
17 A. I believe so, yes.  
18 Q. You had to pay: doesn't it suggest that you paid?  
19 A. No, we did not pay.  
20 Q. Okay. But the way it is drafted --  
21 A. We did not pay. But we have an obligation to pay  
22 \$113 million.  
23 DR GHARAVI: Thank you.  
24 THE PRESIDENT: Thank you, Mr Rauball. Your examination is  
25 completed. We thank you for your cooperation.

16:04

1 I think we must have a break before we hear

2 Mr Rozloznic, because of technical issues.

3 MR RAUBALL: Thank you, Mr Chairman.

4 THE PRESIDENT: Five minutes.

5 (4.04 pm)

6 (A short break)

7 (4.14 pm)

8 DR ONDREJ ROZLOZNIK (called)

9 (Evidence interpreted)

10 THE PRESIDENT: Good afternoon, Dr Rozloznic.

11 DR ROZLOZNIK: Thank you very much indeed.

12 THE PRESIDENT: You're appearing as a witness in this case,

13 and you're expected to tell the truth. Can you read,

14 please, the statement in front of you.

15 DR ROZLOZNIK: I solemnly declare on my honour and

16 conscience that I will say the truth, the whole truth,

17 and nothing but the truth.

18 THE PRESIDENT: Thank you very much.

19 Direct examination?

20 DR GHARAVI: No, Mr President, none.

21 DR ROZLOZNIK: I'm not sure that -- what I am supposed to

22 answer.

23 THE PRESIDENT: No question has been asked yet.

24 DR ROZLOZNIK: That's okay, I apologise.

25 THE PRESIDENT: Now, cross-examination, Mr Pekar.

16:16

1 MR PEKAR: Thank you, Mr Chairman.

2 (4.16 pm)

3 Cross-examination by MR PEKAR

4 Q. Good afternoon, Mr Rozloznic. My name is

5 Rostislav Pekar.

6 A. Thank you very much, Mr Pekar.

7 Q. I am counsel for the Slovak Republic, and I will be

8 asking you a few questions about your witness statement

9 and certain documents that you have authored, or which

10 are otherwise in the record.

11 A. I have it with me, which I have prepared myself in the

12 Slovak language.

13 Q. Thank you, sir.

14 There are sometimes some small translation issues

15 that we have detected in the documents. Most often we

16 have Slovak terms that were translated in two different

17 ways. So it may happen that I will use a Slovak

18 expression when asking the question, and I apologise in

19 advance to the court reporters and everybody, I know

20 it's not easy, but those are things we need to rectify.

21 A. You're absolutely right. I found the same actually, in

22 fact: that the English translation is not matching with

23 the original text, and terminologically there is some

24 terminology which is not matching.

25 Q. I also apologise in advance if I start asking a question

16:17

1 too early, because I will not be working on the  
2 translation. I will always try to let some time for the  
3 translators.

4 Okay, Mr Rozloznic, I --

5 A. It's quite alright with me.

6 Q. I think you have been maybe explained by your counsel  
7 how this exercise works. I will be showing you some --

8 A. I did not receive a real detailed explanation, but I'm  
9 quite sure I will be able to handle this.

10 Q. Okay. I will explain that to you. I will direct you to  
11 some parts of your witness statement or to some parts of  
12 the documents that are in the binder in front of you.  
13 I will ask you questions. I will try to ask very simple  
14 questions, but if you need me to rephrase them, please  
15 feel free to tell me and I will do my best.

16 My first question --

17 A. It's okay with me. I agree.

18 Q. Thank you.

19 My first question relates to paragraph 5 of your  
20 witness statement. There you explain your position in  
21 the Rozmin company. Can you see that?

22 A. Yes, I can see it in front of me.

23 Q. May I ask you what term you have used in the Slovak  
24 version of your witness statement to describe your  
25 position?

16:19

1 A. I would describe it in Slovak that I was "executive  
2 officer" within the Commercial Act as enacted in  
3 Slovakia. Of course, there are English terms used:  
4 "managing director" or something like that. But in  
5 Slovakia we have "executive officer".

6 Q. Thank you. That was my impression as well.

7 You said a while ago that you wrote your witness  
8 statement in Slovak. So how come that you used the  
9 wrong term in the Slovak version?

10 A. You know how it is: the translation was probably done from  
11 English, and there was an email communication there as  
12 well. So somewhere misunderstandings did occur, because  
13 I am operating in the city of Rosnava all the time, and  
14 when we were communicating with Vienna there could have  
15 been some terminology shortcomings.

16 But basically it does not change anything about the  
17 substance of the whole matter at hand, what title they  
18 are going to attribute to me.

19 Q. So you did review your witness statement carefully and  
20 this is the only translation mistake that you have  
21 detected?

22 A. No, I have found more. For instance, as a geologist,  
23 I cannot allow myself to call talc as  
24 an ore, in fact, it is not an ore. But the way I have written it makes  
25 sure it is correct in English language; but for Slovak

16:21

1 experts, I would never call it that way.

2 Q. Okay. You said Mr Rozloznic, that you were -- and  
3 I will in English use the term "executive" for "konateľ",  
4 to make clear the difference between "managing director"  
5 and "executive" in the Slovak language. So --

6 A. I did use it, because it's an executive function within  
7 the company.

8 Q. Do you agree, Mr Rozloznic, that as an executive you had  
9 a legal duty to make sure that Rozmin, the company where  
10 you were the executive, does business in strict  
11 compliance with Slovak law?

12 A. Of course. I fully understand that.

13 Q. And it was also your duty as an executive to prepare the  
14 financial statements of the company and annual reports  
15 for the shareholders?

16 A. Not to prepare it. We had auditors to do that, who  
17 would process the information. We had an economist who  
18 would keep the entire bookkeeping. And I'm a geologist,  
19 I'm not as well-versed in accounting. But when the  
20 accounting was being verified and I have signed it,  
21 I did make sure that it was all correct.

22 Q. So you would agree with me that an executive in a Slovak  
23 company has to sign those annual reports?

24 A. Yes, certainly.

25 Q. And he is responsible for their accuracy?

16:23

1 A. And yes, I am responsible for the accuracy. I had to  
2 rely on the auditors and the people. And some of the  
3 misunderstandings, something I misunderstood, I had it  
4 explained to me, and only then I would sign it. I would  
5 never sign it automatically in any case.

6 Q. Thank you.

7           You also represented Rozmin in the various  
8 administrative proceedings relating to the issuance of  
9 all the permits which were needed for the construction  
10 of the mine; is that correct?

11 A. Yes, indeed, that's correct. Because in the first stage  
12 I was the first executive, after which Mr Haidecker came  
13 in as a second executive. So we had the right of  
14 signing all documentation each individually, in  
15 accordance to the Memorandum of Association. So I had the right of  
16 signing all documents which were appropriate for issuing  
17 and requesting for permits, whether mining permits or  
18 any other permits, for -- permits from various Slovak  
19 institutions and organisations, and I did sign them as  
20 well.

21 Q. Just to make it absolutely clear, you had that right at  
22 all moments when you were the executive, from 1997 until  
23 2011; correct?

24 A. Yes, indeed, I did have full authority.

25 Q. And you were actually using that authority and you were

16:24

1 the person communicating with the authorities; correct?

2 A. If you say the term "use" --

3 Q. Apologies. I just meant that you were the one who was  
4 signing the letters and applications.

5 A. Yes, indeed.

6 Q. Obviously you always made sure that the information  
7 which was provided to Slovak authorities was absolutely  
8 correct?

9 A. I am convinced of it. Whatever I would sign, I would  
10 sign with my full knowledge and awareness of them being  
11 correct.

12 Q. And you believe that it really was correct? Even with  
13 the hindsight knowledge that you have right now, you  
14 believe that the information that you provided to the  
15 Slovak authorities was correct?

16 A. Yes, I think that. Yes, definitely so. There is no  
17 person who does not make mistake in the world. But in  
18 the most fundamental things, I think I have done everything  
19 thoroughly .

20 Q. I would ask you to go to the first document which we  
21 have there, and it's a document which should be marked  
22 15(b).

A. The mining permit.

Q. Yes.

23 PROFESSOR STERN: Can you always refer to the number,  
24 because I have already the documents.

25 MR PEKAR: Thank you, Professor Stern. I have it here;



16:26

1 I just forgot to read it. It is C-22.

2 Mr Rozloznik, this is, I would say our internal  
3 numbering. You should not be worried by those C or  
4 R numbers that you will hear from time to time.

5 A note for the translators as well: I will refer to  
6 this document as the "general mining permit".

7 So, sir, would you agree with me that a general  
8 mining permit is a sort of general authorisation for  
9 a company to conduct mining activities in the territory  
10 of Slovakia?

11 A. It's not as general. It's a very important document.  
12 Any company wishing to conduct mining operations needs  
13 to obtain such mining permit; only then they may conduct  
14 mining operations. And to the mining permits, there are  
15 people required who are certified by the Mining Office and they receive  
16 a certificate that they may conduct certain activities:  
17 they are named on that permit.

18 Q. So would you agree with a simplification -- and it is  
19 a simplification -- that this permit basically attests  
20 that the company is competent to do mining activities in  
21 Slovakia?

22 A. Yes, definitely, mining operations. So that is not only  
23 for the particular Gemerská Poloma deposit but  
24 throughout the entire territory of Slovakia.

25 Q. Now, actually you mentioned one important thing which

16:28

1 I want to explore with you a little bit more. If you  
2 could please go to page 3 of this document. It is  
3 page 2 in the English translation. So it's 3 in Slovak  
4 and 2 in English.

5 This is the list of the so-called responsible  
6 persons in Rozmin; correct? And you were one of them;  
7 correct?

8 A. Yes. It's right here on the top of the -- my name and  
9 my number, birth number, and description of what I'm  
10 responsible for, and the number of certificate issued by the  
11 District Mining Office.

12 Q. Could you please tell the Tribunal what duties  
13 a responsible person has?

14 A. Such a responsible person needs to exactly stick within  
15 the Geology Act, must be familiar in detail with the  
16 Mining Act, must be familiar with what are minerals, and  
17 must be able to write final reports, be familiar with  
18 geological documentation, which I have done all my life,  
19 all my life. So I had no problem with that.

20 Q. Sir, you mentioned that one of the duties is the duty to  
21 know mining legislation, especially the Mining Act?

22 A. Yes, certainly I was certified to do that in front of  
23 the Mining Office. So I was well-tested and  
24 well-examined in order to prove my knowledge of that.

25 Q. Does it also include a duty to be aware of amendments to

16:30

1 applicable legislation?

2 A. Well, if you have such certification, you also need to  
3 be aware about all the amendments and resolutions  
4 which are relevant for such acts and such legal  
5 documents. So you need to have a general overview and  
6 general knowledge in this specific area. So yes, you  
7 cannot breach anything, and it is in my own  
8 interest to be well-versed and well-informed about the  
9 acts.

10 Q. We have been informed that there was a mistranslation of  
11 my term "amendments". I meant "zmena" in Slovak, not  
12 "doplněk".

13 A. Yes, certainly, certainly; or all the other additions to  
14 the law.

15 Q. You know that one of the central issues in this  
16 arbitration is an amendment which was voted in 2001 and  
17 came into force on 1st January 2002?

18 A. Yes, I know exactly, because this was very important for  
19 us, it had tremendous impact. If I can elaborate on  
20 that, if I could explain; perhaps I can do so.

21 According to this new amendment effective as of 2002, the mining  
22 (in Slovak language version: dobývací) area was basically removed from  
23 Rozmin company, because  
24 there was one important new condition, namely that an organization  
25 to which the excavation area is assigned, has to start with dobývanie  
within three years.

However, law is law, but at that time this law was rather imperfect, because even the Supreme Court of the Slovak Republic stated that the term "dobývanie" wasn't elaborated or explained enough. This is one of the main reasons why this exploitation mining (in Slovak language version: dobývací) area was taken away from Rozmin.

This term on its own, or perhaps this confusion, was then understood also by the National Mining Authority, because in 2007 there was another amendment to this Act where this term "exploitation" (in Slovak language version: dobývanie) has been further defined. Because in the first amendment, what is "exploitation" (in Slovak language version: dobývanie)? It is dobývanie of a deposit, but you are not exploiting (in Slovak language version: dobývať) the whole deposit as a whole unit.

Apologies for going into greater detail, but this is very important to understand for Gemerská Poloma.

Gemerská Poloma -- this is not just talk -- is a huge volume of about 400 metres' depth. This is mainly magnesite and dolomagnesite. And 20% of this volume of this deposit are talc volumes or talc deposits. We were not interested in magnesite because this was not our interest; it didn't have sufficient quality. This was the assessment that we had. We were only interested in talc.

1           This was additionally explained in 2007. It was  
2           finally clarified in the new amendment to the Mining act that  
3           "exploitation" (in Slovak language version: dobývanie) is the mining (in  
4           Slovak language version: ťažba) of a specific selected  
5           mineral. Our selected mineral was talc. If this would be the  
6           case in the version of the law in 2002, Rozmin wouldn't have a chance to  
7           protest against reassignment of the mining (in Slovak language version:  
8           dobývacieho) area, and  
9           we wouldn't be sitting here at all. This is a very  
10          important detail, according to my opinion, this  
11          statement. It was also stated by the Supreme Court of  
12          the Slovak Republic that this was the biggest mistake  
13          done by the National Mining Administration.

12    Q. Thank you, sir. We will come to it a little bit later.

13           Just one notice for the translators with respect to  
14          the transcript: Mr Rozloznic always referred to  
15          "dobývanie", which is "excavation".

16    DR GHARAVI: It is certainly not "excavation". It is  
17          "mining". That's precisely what caused the problems.  
18          It is the Republic of Slovakia that is translating it as  
19          "excavation". It says "mining", and the expert said  
20          "mining". The interpreter said "mining". So it's  
21          wishful thinking on behalf of Slovakia.

22    A. Certainly if I can add perhaps on that.

23           In Slovakia we have two terms: one is "dobývanie"  
24          and one is "ťažba". Everybody thinks that it is the same.

25          It might be the same. The

16:36

1 problem is that "dobývanie", in terms of mining law, is  
2 the exploitation (in Slovak language version: dobývanie) of a selected  
3 mineral according to  
4 a predefined (as heard is Slovak) dobývacía method which needs to be  
5 approved by the  
6 Mining Authority. So according to the approved (as heard is Slovak)  
7 dobývacía  
8 method, only then can you excavate the given mineral.

9 I'm not going to elaborate on that. Even the  
10 current version of the law is imperfect, because you  
11 excavate or you mine (in Slovak language version: dobývať) a certain  
12 volume of talc, like  
13 maybe 1 tonne or 1 kilo, and you take it up to the  
14 surface, and you comply with the condition that you have  
15 started *Claimants' version: the process / Respondent's version: dobývať*.  
16 But this is not mining (in Slovak language version: ťažba).

17 The problem is that, in my  
18 understanding, is that if you take the mineral out on  
19 the surface and you transfer it into a product that can  
20 be sold, that's the whole meaning of the term  
21 "tazba".

22 When talking about the different versions of the  
23 law, 2002 and 2007, even the State Mining Authority  
24 understood that in the 2002 version of the law there was  
25 this three-year period for all deposits, so even  
26 deposits which reached the surface. There wasn't  
27 a problem to open up in one month such deposits.

28 But this was equally valid -- and I'm going to  
29 exaggerate a little -- for deposits which were  
30 1 kilometre below the surface, where you need enormous

16:37

1 shafts, where you need incredible winze. This is  
2 impossible to comply with within three years' deadline.  
3 They finally understood this in 2007, and they have  
4 a different deadline for underground deposits, which is  
5 now five years.

6 MR PEKAR: Mr Rozloznic, thank you. We will come back to  
7 it, but I would first like to set the record straight.  
8 I find it strange that people who do not speak the  
9 language know what the right translation is. But we  
10 will now come to it. One second.

11 You mentioned, Mr Rozloznic, that -- I will use the  
12 Slovak term -- "dobývanie" is the activity which is  
13 permitted in the mining --

14 A. The mining (in Slovak language version: dobývacia) method.

15 Q. It is stated in what we would call -- I'm sorry for  
16 using the term -- POPE, which is "plan of opening,  
17 preparation and excavation", and we have one of those  
18 documents here in the bundle. I will direct you to it  
19 and we will clarify this translation issue.

20 A. It is clearly documented there.

21 Q. Yes. Could you please go to tab 22, which is C-25.  
22 This document actually to some extent illustrates the  
23 translation confusion, because if you look at the  
24 subject of this document, it says:

25 "Authorisation of mining activities under the 'Plan

16:39

1 for the opening, development and mining of an exclusive  
2 soapstone deposit in ... Gemerská Poloma ..."

3 Then we have the plan under tab 23, which is C-168.  
4 It is a C-document, so this is a translation that was  
5 provided by the Claimants. If we look at the first page  
6 of the English translation, it says "Plan for the  
7 Opening, Preparation and Excavation".

8 If we then go to page 32, please. It's  
9 number 1.2.4. It says in English:

10 "Excavation methods and data on their approval,  
11 reasons for their use, specific measures for  
12 implementation of new excavation methods."

13 Mr Rozloznic, is that what you had in mind when you  
14 were speaking about "dobývanie"?

15 A. You talk about the beginning, when I used the word  
16 "dobývanie" as a term. Well, I was talking about the  
17 deposit. Given the chaos in the usage of the terms --  
18 as you can see, in Slovak we have two terms, "tazba" and  
19 "dobývanie". The Mining Authority uses the term  
20 "dobývanie" because this is how they classify it when  
21 you have to issue an application for a method  
22 of dobývanie of the deposit, i.e.  
23 of the particular selected  
24 mineral. So here we are talking about the selected  
25 specific mineral within the large deposit.



16:42

1           Therefore I know what you are perhaps going to ask.

2           However, the reasoning or the explanation I gave before,

3           I still stand behind it.

4   Q.   Thank you.  Then to close that discussion, there also is

5           in the Slovak language the expression "banskej

6           cinnosti"?

7   A.   Certainty the term "banskej cinnosti", or something like

8           "mining activity".  You are facing rather controversial

9           ways of assessment of "banská činnosť" by the Mining

10          Authority that does not

11          for example consider a treatment facility for

12          the waters that are leaving the mine

13          to be "banská činnosť".

14          And they say that this is not mining activity (in Slovak language

          version: banská činnosť).

15          The Mining Authority says that you can start with the

16          mining work; but, for example, the Environmental

17          Office or any other office will not allow you to start

18          the mining activity unless you have the water treatment

19          facility.

20          So there seems to be a certain confusion between

21          different levels of authorities, and there needs to be

22          a common understanding of this.  Because according to my

23          opinion, even this water treatment facility falls under

24          the definition of mining activity, "banskej cinnosti",

25          because without cleaning, for example, the water from

16:43

1 certain oil sediments, I wouldn't be able to start the  
2 mine.

3 Q. So just a note for translations. When I will use the  
4 English expression "mining activity", I will be  
5 referring to "banskej cinnosti"; and when I am using the  
6 expression "excavation" in English, I will be referring  
7 to "dobývanie".

8 A. Yes, thank you.

9 DR GHARAVI: That is just imposing on the translator  
10 a translation that is contested. The amendment uses  
11 "dobývanie", and the Supreme Court has clarified that.  
12 So I would object to that. Why don't you use the Slovak  
13 term?

14 MR PEKAR: I have no problem using the Slovak term,  
15 obviously.

16 DR GHARAVI: Yes, but then "dobývanie", we know that each  
17 person has its own interpretation of this. So use  
18 dobývanie. The 2002 amendment says "dobyvani"; are we  
19 in agreement with that? Okay. So use "dobyvani". We  
20 think it is "mining activity", as the translator said  
21 and as the court said, and the Slovak Republic thinks  
22 it's "excavation".

23 THE PRESIDENT: Maybe you use in English "dobývanie".

24 MR PEKAR: I shall, yes. I will clarify one thing.

25 Mr Rozloznik, is "dobývanie" the same thing as

16:45

1 "banskej cinnosti"?

2 A. I think I know what you are trying to allude me to.

3 Q. Sir, this is a simple yes or no question.

4 A. "dobývanie" -- allow me to explain on that. The Mining  
5 Act says that "dobývanie" is a certain set of  
6 activities, and this was confirmed by the act in 2007.  
7 But the terminology, well, I mean, we perhaps need to  
8 find some common understanding when we are using the  
9 term "dobývanie".

10 I have tried to explain what I understand under this  
11 term, because under the term "tazba", I already see the  
12 final product. "Dobývanie" is a certain activity in the mine by which  
13 the selected mineral - the talc - is taken out of the mine in line  
14 with the approved (as heard is Slovak) dobývacia method. So  
15 this is the difference that I see between these two  
16 terms.

17 I think we should use only one term, as English is  
18 using, only one term.

19 Q. For "banskej cinnosti" and "dobývanie"?

20 A. Not for "banskej cinnosti", only for "dobývanie" and  
21 "tazba". "Banskej cinnosti", as we have said, mining  
22 activity, this is everything that -- this is a broader,  
23 general term that includes a number of activities.

24 Q. Just to illustrate it a little bit more with this  
25 document that you prepared, if you go a little bit back

16:46

1 to page 22. There we have "Plan for the Opening,  
2 Preparation and [dobývanie] of the exclusive deposit by  
3 underground method".

4 Would you agree with me, sir, that opening,  
5 preparation and dobývanie are all mining activities?

6 A. Yes, indeed.

7 Q. And opening and preparation are not dobývanie?

8 A. They are three different activities.

9 Q. Thank you, sir. This is --

10 A. "Opening" is a general term: I am opening a deposit.

11 Preparation is the next one, and then I am exploiting (in Slovak  
12 language version: dobývať)

13 it. But opening applies to: in a location I have  
14 a deposit; I wish to open it, make it accessible by  
15 mining activities for exploitation (in Slovak language version: ťažbu).

16 Q. Thank you, sir.

17 So thank you for your patience, members of the  
18 Tribunal, with the complexities of Slovak language and  
19 its translation into English. We can continue.

20 So I was asking you about the amendment from  
21 2002. When did you become aware of the  
22 existence of this amendment?

23 A. I have realised that immediately as soon as the act came  
24 into force in 2002, and initially one would have mixed  
25 feeling about this.

Q. Maybe our discussion will be more focused if we go to

16:49

1 tab 18. This is document R-62. This is the text of the  
2 new provision; correct? The text states that:

3 "The District Mining Office will cancel the  
4 excavation area or will assign the excavation area to  
5 other organization based on a selection procedure ... if  
6 the organization to which the excavation area was  
7 assigned does not begin the excavation of the exclusive  
8 deposit within three years from the assignment of the  
9 excavation area or its transfer, or if the organization  
10 interrupted the excavation for a period of time  
11 exceeding three years."

12 DR GHARAVI: I apologise. To make clear, this is the  
13 contested translation; correct? It uses the word  
14 "dobývanie", and you are reading from your own  
15 translation.

16 MR PEKAR: Yes, I am.

17 DR GHARAVI: I just wanted to make that clear.

18 MR PEKAR: My question is this: was it your understanding at  
19 the time that if Rozmin does not start excavation/dobývanie within  
20 three years, it will lose the licence?

21 A. Yes, certainly I did realise that, as an executive back  
22 then. And I have reminded the shareholders of this  
23 fact, that this act is coming into force, and then we  
24 had to think about this. But we have not extended the  
25 mining activity -- we have interrupted the mining activity

16:51

1       which we did, but -- so we interrupted it, but we have  
2       been fully aware of this. And we were of the opinion  
3       that with regard to having a foreign investor who wishes  
4       to continue in these works, he will continue mining  
5       activities as well.

6       Q. Did you inform the shareholders of your company of this  
7       amendment immediately when the amendment was published?

8       A. Yes, I did inform them. Such important things must be  
9       made known to company owners.

10      Q. Was it your understanding that if Rozmin loses its  
11      licence in this way, it will not be able to reapply for  
12      the licence?

13      A. Yes, certainly.

14      DR GHARAVI: That's a legal question. I apologise. What  
15      does that have to do with his testimony?

16      THE PRESIDENT: I think that even if it's legal, I think  
17      it's in the competence of the witness.

18      A. Yes, certainly, you know, how did I understand this or  
19      how did I see that, I'd say I'm not sure. But I do  
20      realise that this is a serious, serious section of the  
21      act.

22      MR PEKAR: Mr Rozloznik, when we were discussing your duties  
23      as a responsible person of Rozmin, I think that we  
24      agreed that it is one of your duties to understand  
25      mining legislation. Do you remember that?

16:53

1 A. Yes, I did say that I was aware of this.

2 Q. This is why I am asking you if it was your understanding  
3 that if Rozmin loses its licence under this provision,  
4 then Rozmin will not be able to reapply for it.

5 A. I did understand this. Perhaps it could happen like  
6 that. It could happen. I was not, however, convinced  
7 of that, of us losing the permit.

8 Q. Mr Rozloznic, this is not what I meant, and I apologise  
9 if it was not clear. I meant that in the event that  
10 Rozmin loses the licence, Rozmin will not be able to  
11 reapply for it.

12 A. There is one decree within the Mining Act that you may  
13 not reapply for a mining permit for mining activities if  
14 something like that were to happen. So there was  
15 a possibility of this happening.

16 Q. In the text that we read, and which I invite you to  
17 re-read, it is stated that the excavation area will be  
18 reassigned to another organisation. Can you see that?  
19 And this reference to another organisation means that it  
20 cannot be the organisation which held the excavation  
21 area before.

22 A. This is exactly the way it happened. One, whose rights to (as heard in  
Slovak) dobývaci area were revoked, cannot

23 *Claimants' version: reapply within the proceedings to be selected for  
mining permit. / Respondent's version: participate in a tender.*

24 This is something which the Mining Act clearly  
25 stipulates.

16:55

1 Q. Okay. Now I would ask you to go to tab 21, which is  
2 C-20. This is, Mr Rozloznic, what we call in English  
3 a "Decision on assignment of excavation area".  
4 I believe there is no terminological discrepancy between  
5 the parties concerning this document.

6 This specific document was issued to a company  
7 called in English "Geological Service of the Slovak  
8 Republic"; correct?

9 A. Yes, it was Geological Service.

10 Q. And this entity later transferred the assignment of this  
11 excavation area to Rozmin; is that correct?

12 A. Correct. By the means of an agreement. There is a document witnessing to  
that effect.

13 Q. If you turn the page, you can see the content of the  
14 decision, and you can see that the decision quite  
15 precisely defines the excavation area that is being  
16 assigned in this decision; is that correct?

17 A. I correct you. You must not understand as "excavation  
18 area" -- it does not mean that the deposit will be  
19 within the entire excavation area, because the  
20 excavation area is much larger, and it's defined by  
21 specific coordinates, as you have it in the  
22 documentation. So "excavation area" must be understood  
23 as a territory, as an area. Everyone submitting  
24 an application for excavation area would enlarge their  
25 area in order for someone else not to be able to come



16:58

1 in, because within the excavation area no other  
2 organisation can any longer conduct any survey  
3 activities.

4 Q. Thank you very much for the clarification, Mr Rozloznik.

5 There is a point 6 on the page, and it states that:

6 "Opening work on the Gemerská Poloma deposit shall  
7 begin no later than 31 July 1998."

8 Can you see that?

9 A. I do see it, right away.

10 Q. Let's now go to the following document, which is tab 22,  
11 C-25.

12 A. Yes, I see it.

13 Q. This is a document which we call in English  
14 "Authorisation of mining activities". In Slovak it's  
15 "Povolenie banskej cinnosti". This is basically the  
16 permission for Rozmin to mine the deposit.

17 The mining has to be done in accordance with the  
18 plan for opening, development and dobývanie; correct?

19 A. Yes, that's correct.

20 Q. If we go very quickly through those pages -- I will not  
21 ask any questions at this moment -- you can see that the  
22 authorisation itself is very short, but it refers to the  
23 very long document that we have already seen, and that  
24 we have under tab 23 (C-168), and to which I would  
25 invite you to turn right now.

17:00

1           On the first page we see the names of the authors of  
2           the document, and you are one of them, right? And it is  
3           together with Mr Haidecker and Mr Corej?

4   A.   Yes, that's correct.

5   Q.   Then if you turn the page again, we have the table of  
6           contents, which shows that this is really an extensive  
7           document of some 40-plus pages. We then have a list of  
8           graphic annexes.

9           So, Mr Rozloznik, is it fair to say that basically  
10          this is the document which sets out in great detail how  
11          exactly the deposit will be first opened, then prepared,  
12          and at the end dobývanie?

13   A.   Yes, certainly it's a fairly detailed project. All the  
14          activities, mining activities, all the way from  
15          preparing the ground, all the mining works, you can see  
16          that here: what all has to be done for opening for  
17          instance. So, yes indeed, we can agree with your  
18          statement.

19          Certainly some things in there could be missing, but  
20          the content which is in here is precisely in line with  
21          the Mining Act. The procedure is defined therein, and  
22          you can take it, and based on that you will process all  
23          your documentation. So it is fully in accordance with  
24          the requirements of the Mining Act.

25   Q.   Thank you.

17:02

1           Now please go to page 22. We already were there  
2 a while ago. At the very end of part 1.2.1, there is  
3 a sentence saying:

4           "Opening works in Gemerská Poloma deposit will start  
5 at latest on July 31, 1998."

6           Is that correct?

7 A. It is there, it is written there. But basically when we  
8 did the POPE, we have also conducted a sufficient amount  
9 of works: we have done new drillings and provided new  
10 supportive documentation.

11           So I don't exactly remember whether that was the  
12 date on which it began, the works began. Whether we  
13 have retained the deadlines, I can no longer remember.  
14 I don't remember that. But in my opinion it is not as  
15 significant, because opening of deposit is not something  
16 simple; it's a very complex process. One may not  
17 operate with merely days, because many problems may come  
18 up, many new data may come up, and it is difficult here  
19 to operate with months, or sometimes even years.

20 Q. Then if we go to the -- I have it on the following page,  
21 23, but maybe in your text it is on page 22 -- we have  
22 part 1.2.3, and this is the part of this plan which  
23 describes in detail how you will open the deposit,  
24 right?

25 A. Yes.

17:04

1 Q. The one technical specification for a layman, like I am,  
2 is the sort of table that we have there, and which  
3 describes -- yes, this is what I have in mind, sir --  
4 which describes what is translated here as a "winze".  
5 I have been informed by our mining expert that a better  
6 term would be "decline".

7           Could you please describe the winze or decline?

8           What is it you were proposing?

9 A. I will explain some basic terms, because in the mining  
10 business there are horizontal mining works with  
11 a certain inclination, i.e. adit. There are vertical works, i.e.  
12 shaft, but when you go through the foothill at  
13 a certain angle, you are drilling inside a mountain,  
14 then it is called in Slovak -- it is then called the  
15 "winze". And we have used "winze" and we have used  
16 "ramp" from German term "Rampe". "Ramp" in Slovak,  
17 however, means -- has a different meaning.

18           But in Slovak terminology it is "winze", it is part  
19 of the mining works, with a declination of 12% into the  
20 underground.

21 Q. I understand that it was supposed to be a sort of spiral  
22 going down.

23 A. Certainly spiral, because we -- when we located the  
24 works in a valley, in a most suitable spot, in order for  
25 one to work their way on top of the deposit they needed

17:06

1 12% declination of the winze. You would not be able to  
2 do it through such distance, so you're going to have to  
3 go in a curve, drilling in a curve, to come to the  
4 correct spot.

5 A direct line, it  
6 could be 1,000 metres long, but it would require you to change  
7 the 12-degree declination to a bigger one, which was not possible  
8 because originally the winze which was pursued by the  
9 German investors, it was considered the main mining  
10 works. That is why, where you see there is a huge  
11 profile of 20 square metres -- that is a light profile and,  
12 gross profile was almost 25 metres, which causes  
13 a lot of problems, major problems. So the length of  
14 1,000 metres, after explaining to you, was -- let me  
15 make a comment on the side here.

16 I kept telling the German investors that the  
17 so-called "ramp", "winze", can never be the main mining  
18 works, because no one will allow you to build in  
19 a valley which is natural protected habitat for Gemerská  
20 Poloma region, for Betliar and Roznava villages,  
21 municipalities, for water wells, for you to be able to  
22 build a treatment plant where you are going to  
23 have to take petrochemicals. So the risk  
24 of leaks into natural waterways was really large: you  
25 only need one single truck to have an accident carrying

17:08

1 diesel fuel, and we were responsible for drinking water  
2 supply for a large number of population.

3 Later this may bring us to POPE 2 what we have done,  
4 that no longer describes this particular spot to be the  
5 main mining works, because it was not realistic.

6 Q. Sir, you mentioned the profile, the big profile. Is  
7 that because the idea was that the talc mined will be  
8 put on trucks, and the trucks would then go up the  
9 spiral, and then --

10 A. Exactly. You've correctly described it. Getting back  
11 to this, you may get to this, and maybe you ask me about  
12 the quality of the mining works of Rima Muran company.  
13 We had a problem with them in this regard because they  
14 had not observed the declination.

15 Q. Let's finish where the truck goes first. So the truck  
16 leaves the mine, and then --

17 A. Yes indeed, because it was planned so that they leave  
18 the mine and the first treatment will be done near the  
19 mine, because unless you do that, you're going to have  
20 to transport the ore somewhere, some kilometres away.  
21 Now, imagine you're going to have to ship 100,000 tonnes  
22 annually of the talc ore somewhere. So the first  
23 treatment would have to be done, basically milling the  
24 ore to a certain-size grain.

25 And then you're going to have to build

17:10

1 a second-stage treatment plant, where from the  
2 first-stage plant already separated talc to certain  
3 grain size, as some of the producers require it. Then  
4 you will produce certain given types and sizes of grain.  
5 So it's a fairly complex process indeed.

6 Q. The transport of talc between the first treatment plant  
7 and the second treatment plant would again be done by  
8 trucks; correct?

9 A. Yes, certainly again trucks. Rozmin proposed for the  
10 second phase of processing several different locations.  
11 We have checked them, together with our German partners.  
12 We were looking for a good spot for the second-phase  
13 processing. Obviously you need to have good  
14 infrastructure, connectivity to the grid, and also good,  
15 broad infrastructure connections, because the talc  
16 cannot just be transported as it is, once produced,  
17 because either it is transported in the big bags or  
18 there are specially built rail cars, rail carriages for  
19 that.

20 We even had discussions with the rail company: there  
21 were some French-made cars for transportation. Because  
22 it is enough for you to have wind or rain on it while  
23 it's transported, and no one will take it away from you,  
24 no one will buy it. So it has to be specially sealed  
25 while transported.

17:11

1 Q. Do you agree with me that when leaving the mine and the  
2 treatment plant, they would have to take a forest road  
3 for, I don't know, 5 kilometres maybe?

4 A. About 4 kilometres, 4.5 kilometres.

5 Q. And the road runs parallel to a creek?

6 A. Yes, quite clearly, it is right next to the creek. And  
7 had we the transportation by trucks as proposed,  
8 the forest company already proposed that these  
9 4 kilometres of the forest road, this is to be expanded,  
10 and we also need to have a number of meeting points  
11 where the trucks can bypass one another. And as this  
12 road was right next to the creek, and actually on  
13 several points it was crossing over the creek, over  
14 bridges, it was a very narrow valley. Well, it was --  
15 we had also the high-voltage line and we also had the  
16 road; everything within a small valley.

17 Q. You also mentioned water sources, of drinkable water in  
18 the area. Could you please explain where they were  
19 located?

20 A. In Slovak legal system, if you have a source of drinking  
21 water, you need to have a special protective area around  
22 it. It is specially labelled, it is specially  
23 designated around a specific water source. It has to be  
24 also specially fenced and no activities can be performed  
25 there. Then there is a broader perimeter which is



17:13

1       protected, this is rather broader than the immediate  
2       perimeter: also many activities are limited there. For  
3       example, mining activities cannot be conducted there.  
4       Then you have the third perimeter, third zone, and in  
5       that one we were supposed to have the winze.

6               I do not necessarily agree with the hydrogeologist  
7       who was assessing this. I think it was rather the  
8       second protective perimeter, because, as I have said, if  
9       diesel fuel enters underground water, it immediately  
10       contaminates the drinking water sources.

11    Q. Thank you very much. Let's go back to tab 22 (C-25),  
12       please, and let's turn the page to page 2. We will look  
13       a little bit at the content of this decision.

14               So first, in point I we have a specification of what  
15       is permitted, and it is to:

16               "To engage in mining activities ..."

17               Which in Slovak would be "banskej cinnosti":

18               "... pursuant to the submitted Plan, underground and  
19       on the surface in such a manner as referred to in  
20       [legislation] ..."

21               Then if we look further down, to the middle of the  
22       page, we have a sentence saying:

23               "This Decision and thus the authorisation of mining  
24       activities is valid until 31 December 2002."

25               Can you see that?

17:15 1 A. This is quite clear, yes. This was how it was proposed  
2 in the POPE.

3 Q. Precisely. I was going to ask you that question: that  
4 this date comes actually from the plan that you  
5 prepared, and it is --

6 A. Yes, as it was made with Haidecker and the other  
7 colleague. The third colleague was not very active, but  
8 nevertheless that is the case.

9 Q. Then if we go to the last paragraph on page 2, the  
10 District Mining Authority says that:

11 "It was possible to reach this Decision in part  
12 because ROZMIN ... holds mining authorisation to engage  
13 in mining activities ..."

14 Can you see that? And this is the document that we  
15 saw under tab 15.

16 A. Yes, it was seen before, yes.

17 Q. Do you agree with me, sir, that if Rozmin had not had  
18 the general mining permit, it would not have got this  
19 authorisation?

20 A. Yes, quite logically: if you don't have the mining permit,  
21 no one can approve POPE.

22 Q. Then still in the same paragraph, at the end there is  
23 a reference to the "transfer of the Gemerská Poloma  
24 mining area", which gives Rozmin the right to mine the  
25 exclusive talc deposit.

17:17

1           There was a translation issue, I'm afraid. I just  
2 wanted to draw your attention to the fact that there is  
3 reference to the assignment of excavation area to  
4 Rozmin. If you wish, I can look at the Slovak text.

5 A. Yes, it says here: establishment of a right to dobývať the exclusive  
6 deposit of talc.

7 Q. This is the right which Rozmin had under the assignment  
8 of excavation area; correct?

9 A. Yes, quite certainly.

10 Q. Again, if Rozmin had not had this right, it would not  
11 have gotten the authorisation; correct?

12 A. Again, yes, that is the logical flow. It is very  
13 important to have this mining permit, assignment of mining (in Slovak  
14 language version: dobývací) area - you need to own mining (in Slovak  
15 language version: dobývací) area - and then you need to  
16 prepare the POPE plan. Everything is linked.

17 Q. Then if we go to the next page -- it's also the next  
18 page, page 3, in the Slovak language -- there is a list  
19 of documents that you had to submit together with the  
20 application for this authorisation; correct?

21 A. Yes, again correct.

22           Again, the application was submitted by Rozmin to all these  
23 organizations and they had to comment on the POPE.

24

25       Only

17:19

1 on the basis of their previous positive statements then  
2 the Mining Authority could organise a final meeting  
3 where the organisations had the final opportunity, final  
4 possibility to raise objections. If they all agreed and  
5 they all have issued positive statements, on the basis  
6 of that, this POPE was approved and mining activity was  
7 permitted.

8 Q. And it was Rozmin's responsibility to contact those  
9 authorities and request the permits or the opinions that  
10 they were supposed to issue?

11 A. That was our obligation.

12 Q. And you were able to collect all of those documents, and  
13 therefore you fulfilled also this precondition for the  
14 issuance of the authorisation?

15 A. Had we failed, we wouldn't have received the approval.

16 Q. So you had now the authorisation and you could start  
17 working?

18 A. Yes.

19 Q. We saw in an earlier document that you had committed to  
20 start opening works by 31st July 1998. Did you comply  
21 with that commitment?

22 A. Well, I cannot recall the specific dates and the flow of  
23 the individual processes. Once the permit was issued,  
24 we needed to then write the project for the surface  
25 constructions, and also for the mining activity in its

17:21

1 own.

2 This was done by approaching a company,  
3 Rudny Projekt Košice, a respective mining company which  
4 is familiar with this type of activities, and for  
5 a significant financial amount they prepared the  
6 blueprint for the individual surface constructions.  
7 There were numerous constructions, several ones we  
8 needed to have. And the project for mining activity was  
9 done by an Austrian project author together with  
10 Rudny Projekt company. This was their business; we were  
11 not involved.

12 Then this project again had to be approved by  
13 respective institutions, mainly by the Construction  
14 Authority in Slovakia. So they needed to issue the  
15 construction permit. So you can imagine that this is  
16 a complicated organisational activity, many tasks that  
17 have to be coordinated. And very often state  
18 authorities have long deadlines within which they can  
19 comment or raise objections; and they very often do not  
20 even react within the deadline, so you have to urge  
21 them. You have to ask them, "Please, we are under  
22 stress, we need to know yes or no, or do you have any  
23 objection or comment".

24 This was mainly concerned with water. The water  
25 management authority responsible for the river basin of

17:23

1 Hron in Banská Bystrica, they had major objections on  
2 everything that needs to be done. A special water  
3 treatment plant [was] planned, not only for the mining  
4 water but also for surface water, and also from all the  
5 other surfaces where these trucks will be parked. So  
6 from the perspective of projects, financing, and also time, this  
7 was very demanding. We needed to prepare all the  
8 documentation and also to receive the final permit to  
9 conduct such activities.

10 They were even asking -- even [though] we had  
11 a bridge already built, they were saying we need to  
12 build a new bridge, again for a substantial amount, and  
13 it was very specifically said what profile does the  
14 bridge need to meet in order to comply with, for  
15 example, flooding conditions. There was no other bridge  
16 in the vicinity, but still we had to comply with this  
17 criterion.

18 Q. In mid-2000 you were finally able to find a contractor  
19 and start the works?

20 A. And then we had another phase: the selection of the  
21 provider of such activities, of the construction  
22 company. So again, a number of different documents we  
23 needed to process.

24 Fortunately enough, Mr Haidecker was very  
25 experienced in this type of activity, especially in

17:24

1 project works, so he has used some of the methods that  
2 are used in Austria. So he had a very detailed  
3 description of how each activity needs to be conducted,  
4 and especially in case of the mining works how this has  
5 to be done. This in several copies, as they were  
6 requested. I think there were seven applicants in the  
7 call for proposals, so we had to distribute this  
8 technical documentation to all the bidders. They needed  
9 a certain time to analyse the documents, and then they  
10 submitted their bids. And that had to be analysed  
11 afterwards, with the presence of us as executive  
12 officers, and also the shareholders, Dorfner company and  
13 Thyssen Schachtbau, and we have selected the final  
14 successful bid.

15 Q. May I interrupt you?

16 A. And quite clearly even Rima Muran submitted a project,  
17 who was a 43% shareholder of the company. At the end,  
18 it was awarded to Rima Muran  
19 company, who received this 71 million Slovak crown  
20 volume of contract to construct the surface buildings  
21 and also to construct the initial winze. We have signed  
22 a contract with them on the delivery of works, on the  
23 execution of works, according to very specific criteria  
24 from our side. There was a very detailed contract --  
25 I'm sure you have it in your documents -- where it

17:26

1 clearly stipulated the conditions for that company, what  
2 everything has to be complied with.

3 Q. Was EuroGas a 55% shareholder of Rima Muran at that  
4 time?

5 A. Look, I guess it was as follows: I was hardly aware of  
6 how these things worked. For me as an executive, it was  
7 company Rima Muran. They were the owners.

8 And what their shareholdings were and how they were  
9 arranged, how they would share their percentages with  
10 Rima Muran, that was none of our concern really at that  
11 time. It did not not interest us, but it didn't have  
12 a major impact on our work, because as long as they  
13 would invest, as long as they would provide the money,  
14 work could go ahead. And Rima Muran basically did not  
15 fund this, but it was all funded on their behalf by  
16 EuroGas or Belmont or I'm not quite sure. I don't have  
17 that information at my disposal, so it's difficult for  
18 me to respond to that.

19 Important for us was 43% shareholding by Rima Muran,  
20 who were to share in funding the project accordingly,  
21 and also implementation on the mining activity.

22 Q. You mentioned, sir, that the price was 71.5 million  
23 Slovak crowns?

24 A. Approximately like that.

25 Q. To give the Tribunal an idea, do you know how much that



17:28

1 could be in euros?

2 A. You just divide it by 30.

3 Q. Even though I'm a lawyer, I ... 71.5 divided by 3, it's  
4 almost 2.4, right? So €2.4 million; correct?

5 A. Correct.

6 Q. Yes. Do you remember when Rima Muran started to do the  
7 work actually?

8 A. Well, we began -- I don't -- I would have to search my  
9 memory a little bit.

10 Q. Was it in the fall of 2000?

11 A. I am not able to say exactly when it began.

12 Q. Yes. Would you agree if I tell you that it's in the  
13 fall of 2000?

14 A. It had various festive openings. Approximately so, yes,  
15 it could have been.

16 Q. If you go to Article 10 of this agreement ...

17 A. With Rima Muran?

18 Q. Yes. Oh, we are not there, sorry. Please go to tab 24.  
19 This is the agreement that Rozmin signed with  
20 Rima Muran, and it is C-218.

21 So if you go to Article 10, at the very end it says:

22 "Completion of the construction, disposal of the  
23 construction site according to the 'Schedule for the  
24 construction of the adit': no later than 343 calendar  
25 days after the official start of the construction."

17:30

1 A. Yes, I remember that. It was 340 days, I remember that  
2 figure somewhere. It was in a contract stipulated.

3 Q. So the plan was to open the deposit within one year;  
4 correct?

5 A. Yes. Of course it was not met.

6 Q. Yes, we will come to that later. But now we are at the  
7 level of the plan. And because the agreement was signed  
8 in September 2000, it would be approximately September,  
9 maybe October 2001; correct?

10 A. Approximately so, yes.

11 Q. And the authorisation of mining activity was said to  
12 expire at the end of 2002, right?

13 A. Correct. All I can say to that is that of course the  
14 Mining Office will not issue to you a POPE for a very  
15 long time. So when they gave us a permit until 2002, so  
16 then in 2001 we had the obligation to produce another  
17 POPE to have it yet again approved. But then the  
18 interruption of works had occurred.

19 Q. But let's say the plan was that you would be done with  
20 the opening works by, let's say, October 2001, and you  
21 then still had 14 months under the existing  
22 authorisation to dobývat?

23 A. The dates are correct as you have described them.

24 Q. Now please go back to your witness statement, sir,  
25 part 5, paragraph 41. In this part 5, which actually

17:32

1 starts at paragraph 41, you describe the dispute which  
2 developed between Rozmin and Rima Muran, and I want to  
3 ask you specifically about one statement that you have  
4 in paragraph 45. It is the second sentence. In the  
5 second sentence you say that:

6 "... contrary to what Rima Muran may have stated at  
7 the time, Rozmin was not in default of any payment, nor  
8 was it in financial distress."

9 Can you see that?

10 A. Yes, this part.

11 Q. My question is: do you maintain this testimony, sir?

12 A. Yes, certainly. We had no unpaid invoices. Except  
13 this: there is 7% mentioned. I don't know if I am  
14 supposed to respond to that.

15 Q. I will ask you to go to tab 26. It is document R-168.  
16 If we go to the first page of the document, we can see  
17 that you are the author, and you prepared it on  
18 16th January 2001; correct?

19 A. That's correct, yes.

20 Q. Then if we go to part 2.2, you basically state that  
21 Rozmin had four employees, which included two  
22 executives -- that would be you and Mr Haidecker; do  
23 I guess right?

24 A. Correct.

25 Q. -- an economist and an administrative worker.

17:35

1           Then we have part 2.3, which is called "Realized  
2           Works". Then please turn the page again: the end of the  
3           following page, the very last paragraph.

4   A. 90%, yes.

5   Q. So the first sentence says that 90% of surface  
6           construction was completed. And the second sentence  
7           states:

8           "In December, as a result of the project financing  
9           by the shareholders of Rozmin s.r.o., the progress of  
10          the works was limited."

11          Can you please explain this sentence?

12   A. I will explain this as follows. Back then we even had  
13          problems with Rima Muran with technical completion,  
14          coming up with new contractual amendments. It says 95%  
15          here, but this was technical construction of individual  
16          construction sites. But Rima Muran over the entire time  
17          never handed over to us a single construction into our  
18          usage, which they were obliged to do. They were  
19          supposed to have a final permit conducted for those  
20          works, and then give it to us for use.

21          Now, on the winze, which I mentioned was 93 metres  
22          long, there was a storage of explosive, 43 metres long,  
23          part of it. There was supposed to have been a major  
24          cost expended for that purpose alone. 93 plus 43. It  
25          ended up costing us nearly 20 million crowns. So had

17:37

1       there been such conditions with the remaining  
2       1,300 metres, then the 71 million -- later, with  
3       amendment, 73 million -- would have had to be increased  
4       by about threefold.

5               So at that stage we were already considering that  
6       such a winze in such a profile would cause major  
7       problems, because when you are drilling such a major,  
8       huge, large profile, the explosion work will disrupt the  
9       entire stability of the entire mountain. There are  
10       increased pressures resulting from that, so you are  
11       going to have to reinforce with steel reinforcement  
12       equipment and components. So the entire length would  
13       have to be reinforced by costing metre by metre, and the  
14       entire shaft was planned to have sprayed concrete with  
15       netting.

16               So later on such work we realised was no longer  
17       possible with this method. It cannot be said that there  
18       would not be funding available. But back then we  
19       already started considering that this cannot continue  
20       this way; we are going to have to review the whole  
21       thing.

22    Q.   You say:

23               "... as a result of the project financing by the  
24       shareholders ..."

25               What did you have in mind when you put those words

17:38

1 into this document?

2 A. Look, there are certain situations in a company that  
3 money is, within certain deadlines, not made available.  
4 Monies were coming from Canada, there were bank  
5 transfers conducted in this way.

6 So there were difficulties of a certain kind, but  
7 these were overcome, these were resolved. I know that  
8 everyone wants to have money immediately, but the  
9 difficulties were there. But nothing can be done  
10 without any difficulties. But these difficulties were  
11 overcome, in fact.

12 Q. Can I ask you to go to the following tab. It's tab 27,  
13 document R-124. This is an amendment to the contract  
14 that Rozmin had with Rima Muran; it was signed on  
15 20th April 2001. I would ask you to go to [Article] 2.  
16 Article 2, second paragraph, states:

17 "The original contract should be amended due to  
18 deadlines for completion of individual construction  
19 phases. The deadlines provided in the original contract  
20 were not observed due to fault on the part of the  
21 customer who failed to fulfil its payment obligations  
22 vis-à-vis the contractor."

23 Mr Rozloznik, the customer is Rozmin; correct?

24 A. Yes, indeed.

25 Q. This is an agreement that you signed on behalf of

17:40 1 Rozmin; correct?

2 A. Correct. I think I have signed this together with Agyagos.

3 Q. Yes.

4 A. I understood correctly.

5 Q. This is correct, yes. Mr Agyagos co-signed this.

6 Could I ask you now to go back to tab 25. Tab 25 is

7 document C-342: it's a monthly report on the activities

8 of Rozmin for October 2001.

9 We have a translation problem, Mr Rozloznik.

10 I apologise for the inconvenience, but this is

11 a document that was filed by the Claimants and it was

12 filed only in the English language. So I suggest to

13 proceed as follows: I will read the content out loud, it

14 will be translated for you by the interpreters and you

15 will understand.

16 I will not read the whole document because it is

17 quite long. But if you believe that I should read and

18 therefore make sure that you get the translation of

19 a bigger part, just let me know and I will do it.

20 A. Only give me the gist.

21 Q. Okay. First of all, do you recall making such monthly

22 reports to the shareholders of the company?

23 A. When the report is here, when the signature is here,

24 I think yes -- no, this is something else. There are no

25 signatures here? But I guess so. Definitely.

17:42

1 I definitely had knowledge of such report being written.

2 Q. On the very last page it states that you are one of the  
3 authors, together with Mr Agyagos. So probably this is  
4 correct. So you agree that this is correct, do you?

5 A. Yes, I see it. Here it is. Yes. Back then I'm not  
6 sure whether he was already executive, Mr Agyagos, or  
7 not, I don't remember exactly, but he was the main  
8 shareholder of the company by 57% shareholding. So when  
9 it was in English only, when a 57% shareholder signs it,  
10 I suppose.

11 Q. Understood.

12 So this report was prepared on November 8th 2001,  
13 and this was after the entry of Belmont into Rozmin. So  
14 it is addressed to the two then shareholders, Rima Muran  
15 and Belmont. Do I have it right?

16 A. Correct.

17 Q. Okay. So in part 1 we have "Personal situation":  
18 Ms Czmorikova, bookkeeping; you, Dr Rozloznik, managing  
19 director; and then Mr Zahoransky as construction  
20 supervisory person.

21 Then in 2 it describes the activities of the  
22 company. 2.1 basically describes what has been  
23 constructed by Rima Muran until that date. And the one  
24 part which I find very interesting is part 2.2.1, which  
25 is called "Financial position and investment state".



17:44

1 Now I will read it out loud, for you to understand  
2 what's written here:

3 "The states of accounts of the Rozmin company to  
4 November 9th, 2001 are as follows:

5 "VUB, a.s. Roznava 28.922,18 [Slovak crowns]."

6 Then:

7 "HVB, a.s. Kosice 179.731,60 [Slovak crowns].

8 "Total 208.653,78 [Slovak crowns] [equals  
9 approximately] 6.889 [Canadian dollars] [or] 9.409  
10 [German marks]."

11 Then it goes on and says:

12 "From the above mentioned it is resulted that the  
13 Rozmin company is in insolvency also with respect to its  
14 own company operation whereby following problems will be  
15 occurred such as communication disconnection, legal  
16 payments to state authorities etc."

17 Can you see that, sir?

18 Sir, do you maintain your statement in  
19 paragraph 4[5] of your testimony that, "Rozmin was not  
20 in default of any payment, nor was it in financial  
21 distress"?

22 A. In my paragraph 40 I was always leaning on bills and  
23 invoices and payments. So I said this or written this  
24 in 4[5] on the basis that payments were made, what it was and how it  
25 was: it was through banks, and all the difficulties, and

17:47

1 that's a different thing entirely. But you have to  
2 understand this particular paragraph that I would always  
3 follow whether we have all the payments, the receipts,  
4 the receipts that would be handed to us, or invoices,  
5 whether we have paid them all.

6 Q. This document that we have just seen, tab 25, says  
7 specifically that "Rozmin company is in insolvency".

8 A. It is signed by 57% shareholder, who I guess had put  
9 this together with the accountants. It's difficult for  
10 me to respond to that now.

11 Q. Okay. We are in November 2001. This is the time when  
12 Rozmin notified the District Mining Office that it was  
13 suspending mining activities; correct?

14 A. Interrupted.

15 Q. This is what I meant. I don't know how it was  
16 translated, yes.

17 I understand from your witness statement that the  
18 reason why the mining activities were suspended is that  
19 you had this dispute with Rima Muran. Is that correct?

20 A. To a certain significant extent, yes.

21 Q. Was the financial situation of Rozmin that is described  
22 in this document a reason why it was suspended?

23 A. Look, I'm a geologist and I'm a bit of a technician, so  
24 the main reason for me was that this is -- one cannot  
25 continue in this way technically. That was the main

17:49

1 reason for me. Of course, the financial situation at  
2 a certain stage could have been problematic, but  
3 consequently it was resolved.

4 Q. Did you try to replace Rima Muran with another  
5 contractor?

6 A. You have to understand this as follows. We had had to  
7 first terminate the contract we had still pending with  
8 them, and they themselves had withdrawn from the  
9 contract, Rima Muran. They stated that we are not  
10 capable of making payment. But it was not exactly so,  
11 because payments were made, but they would complain  
12 sometimes of not having money.

13 Let me give you an example. They had a bridge built  
14 which cost nearly 2 million crowns, but they were not  
15 capable of handing it over into use because, of the  
16 2 million, we had deducted the 7%, as per contract, as  
17 a withholding amount which will be then paid after we  
18 have received from the building authority that the  
19 bridge is concluded, completed, and can be put to use.  
20 All they needed to do was this, and the remaining 7%  
21 held by us could have been paid back to them.

22 There were many such cases of small works, so ...  
23 And when Rima Muran would complain like this, one always  
24 needs to understand this: that they would also still be  
25 a 40% shareholder of Rozmin. Please do understand that.

17:51

1 Those were the things back then: that they would own  
2 a high-power electricity line coming to us, and we would  
3 pay them rent for that monthly.

4 Q. I will repeat my question.

5 A. I don't want to --

6 Q. I will repeat my question, Dr Rozloznic. Did you try to  
7 replace Rima Muran with another contractor?

8 A. Yes, yes, we tried. Because during the suspension of  
9 works, it was difficult for Haidecker leaving. Whatever  
10 the reason, where I have heard something that he was  
11 asking for a different payment, okay, that's merely for  
12 him to explain or the other shareholders to explain.

13 But back then, we would -- the only one remaining  
14 was Mr Stek(?), a very important director who built many  
15 tunnels compared to our ramp, because the mining works  
16 is very similar to his expertise. So we would go with  
17 him over many alternatives what needed to be done,  
18 coming to a very logical conclusion that we shall  
19 decrease the winze profile to half. It would result in  
20 considerable savings. And he drafted an detailed  
21 economic overview of all the activities, ranging from  
22 cost down to personnel, to reinforcement, to shift work,  
23 down to for the ramp itself and for horizontal adit of  
24 4.2 kilometres long and for a vertical shaft. He worked  
25 on all of that.

17:52

1           We together have come to a conclusion that, yes,  
2           this could be feasible; that the ramp will not be the  
3           main mining works, but it will be in the future serving  
4           as a second egress, exit, because as per the Mining Act  
5           stipulating each mine needing to have two exits. And  
6           this was our plan during the suspension of works.

7           Of course when in 2001 works was suspended, we would  
8           work on this intensely over that period. I have  
9           conducted new POPE studies until 2006. The deadline,  
10          I think it was November. It was only stipulated  
11          before -- because that was the deadline until when we  
12          have had the forestry growth excluded from a forest as  
13          classification. We had had to do that for excluding  
14          a part of forest for production of timber. I don't  
15          remember the exact dates, but November 2006.

16   Q.   May I interrupt you, because I believe that we are  
17          a little bit out of time sequence now.

18   A.   I'm getting into too much detail, right?

19   Q.   No, you are, I would say, describing the future from the  
20          perspective of my question, because my question was  
21          related to November 2001 very specifically. And this is  
22          because we all know that under the authorisation of  
23          mining activity, you had the plan approved until the end  
24          of 2002, and therefore you still had 14 -- no, the first  
25          one -- you still had 14 months to go.

17:55

1           My question is whether during that time, in  
2           November 2001, knowing that you had 14 months of  
3           authorisation, whether you tried to replace Rima Muran  
4           with another contractor.

5    A.   Well, look, 14 months, it's nothing, especially when we  
6           talk about mining activities.  If you are trying to  
7           select a new provider, a new contractor, you will start  
8           the whole process from the scratch.

9    Q.   Why would you need a new plan?

10   A.   Because you need a new POPE.

11   Q.   Sorry, we don't understand each other.  My question is:  
12           why would you need a new plan?  Because you still have  
13           the authorisation, valid until the end of 2002, under  
14           the old plan.

15   A.   Apologies, apologies.  I misspoke.

16           Well, during these 14 months it wouldn't be  
17           feasible, it wouldn't be enough to go through the whole  
18           selection procedure.  It is very difficult to conduct  
19           the whole process, because you have to start the whole  
20           procedure, you have to go through all the steps again:  
21           look for the -- you have to start with issuing the  
22           notice, you have to approach all the possible  
23           construction companies.  It was more important to revalue  
24           everything from the point of view at that time.

25           The interruption of mining activity can be done only

17:56

1 for more than 30 days, but you could interrupt the  
2 mining activity [for] up to three years. So you  
3 couldn't extend the period of three years. That was the  
4 maximum possible interruption. After three years, you  
5 had to again commence the mining activity. So what that  
6 meant is that we were trying to make good use of that  
7 time.

8 It wasn't very easy to redesign the whole project.  
9 Already then we were in discussion with several experts,  
10 we were in discussions with other mining companies  
11 discussing how to change such a winze: what different  
12 machinery do we need, what different drilling equipment  
13 do we need, what voltage line do we need? Because the  
14 high-voltage line was basically destroyed by Rima Muran;  
15 it wasn't functional. There was a wind storm, the lines  
16 were interrupted. They had the court disputes with the  
17 forest company for not paying them rent. So if you  
18 accumulate the whole amount of problem, the 14 months we  
19 had are insufficient, this is an sufficient amount of  
20 time.

21 Well, you can say that we halted the activities  
22 because of lack of funds: well, this depends from  
23 different opinions. Everyone can talk from their own  
24 perspective. But I think that from the perspective of  
25 new owners, it would mean giving up this mining (in Slovak language  
version: dobývací) area,

17:58

1 and we wanted to continue. So the financial flows from  
2 Belmont and from EuroGas, these financial flows were  
3 reinstated. So the money started to flow again and we  
4 could finance those works, which eventually did start.

5 Q. Do I understand correctly that you wanted to change the  
6 method of opening the mine?

7 A. Yes.

8 Q. Thank you. And that means that you needed to prepare  
9 a new plan?

10 A. Yes.

11 Q. That also means that, on the basis of this new plan, you  
12 had to apply for a new authorisation of mining activity;  
13 correct?

14 A. Yes, we would need a new POPE plan. But this was done.

15 Q. Because the existing authorisation was linked to the old  
16 plan and it was not valid for anything else; correct?

17 A. Yes.

18 Q. Thank you.

19 So you notified -- as you explained, thank you --  
20 the Slovak authorities that mining activities were  
21 suspended. Did you also notify them at that time that  
22 you were planning to change the opening method?

23 A. Well, I don't think that -- this information wasn't that  
24 precisely provided. We did not inform the Mining Authority about  
25 changing the opening method because we were in the



18:00

1 process of preparing the new POPE, and we would explain  
2 to the Mining Authority specifically in the plan what  
3 was our intention.

4 In the second POPE plan, the original idea was that  
5 if you have the second POPE plan, well, you can see that  
6 we were proposing in the second POPE what already is  
7 being done by EuroGas: a 4.2-kilometre adit, which in  
8 the Rozmin POPE is already projected. So there is the  
9 adit exactly on the same spot as we were proposing it  
10 back then.

11 So if we would continue in the winze, we would enter  
12 the deposit in 2006 and we would be able to take the  
13 samples for processing outside of the mine, and we would  
14 be in the process of obtaining all the permits for  
15 basically locating all the adits which currently EuroGas  
16 has. It is very difficult because you need to purchase  
17 the land first and you need to approach all the  
18 respective institutions which need to authorise such  
19 a procedure. But this was already the time period 2005  
20 to 2006. It was complicated.

21 Q. Yes. Mr Rozloznik, just for the Tribunal and others who  
22 didn't have the chance to visit the site, as I did, to  
23 understand what we are talking about, I will try to  
24 describe it and you tell me if you agree with that.

25 So the idea is that the decline starts from --

18:02

1 I wouldn't say the top of the mountain, but almost the  
2 top of the mountain, and it goes down to the deposit.  
3 And an alternative way to get into the deposit is from  
4 the side, horizontally, and this is the adit which  
5 actually today is used to operate the mine.

6 Would you know, Mr Rozloznic, how far away the  
7 decline and the mouth of the adit are from each other?

8 A. Well, the distance is not that important, the  
9 geographical distance from the adit, because you need to  
10 go through the whole long valley. Perhaps we are  
11 talking about some 8 kilometres from the winze.

12 Q. So 8 kilometres on the road. And the mouth of the adit  
13 is --

14 A. You have 4 kilometres up the valley, then you have the  
15 state road, and then you have the side road to the adit.  
16 My estimate is 8 to 10 kilometres -- perhaps not 10.  
17 8 or 9 kilometres.

18 Q. So would you agree that this is something very different  
19 from your original plan?

20 A. Yes, definitely, very different.

21 What is important, if I may -- I don't know if  
22 I don't talk at too much detail -- but I was already  
23 trying to convince both Dorfner and Thyssen that their  
24 solution is not a good one; that the best solution is to  
25 have a long horizontal adit. But nor Dorfner was ever

18:04

1 involved in such activities, mining activities, it was  
2 involved in surface mines, nor even Thyssen had ever  
3 such a type of activity performed. They were doing deep  
4 shafts all over the world, but they had not specific  
5 experience with this.

6 And I was trying to explain them that we cannot have  
7 any surface treatment plant in this valley, and we need  
8 to calculate with the fact that this deposit will be  
9 mined (in Slovak language version: ťažený) over several decades, and it  
10 will  
11 be very expensive because every kilogram of ore has to  
12 be exported, has to taken up to the surface by vehicles,  
13 every litre of water which will be in the mine has to be  
14 pumped to the surface. And the moment you construct the  
15 long 4-kilometre adit, the water will just drain out on  
16 its own; and you can just shift the trolleys with your  
17 finger, because you have a small decline; and you can  
18 immediately approach the surface treatment plant, there  
19 was a huge place where we could build the surface  
20 treatment plant, and this is where EuroGas specifically  
21 has a treatment plant. Everything is in the POPE plan.

21 Q. You mentioned, Mr Rozložník, the problem with water. Is  
22 it your recollection that the decline was flooded after  
23 the works were suspended?

24 A. Well, on one hand it was flooded, this decline. But for  
25 the miners this is a great advantage, having water

18:05

1       there, because you need water in mine. And if you need  
2       water in mine, you have to ask specifically water  
3       management company to drain this water from the creek  
4       for example, a specific volume of water. And by  
5       building this explosive depot, which was built exactly  
6       below one creek, they have access to the perfect  
7       drinking water.

8               Because during the interruption of works we were  
9       doing chemical analysis. On a monthly basis -- we have  
10      hydrogeological statements on that -- we were following  
11      the output of water, the quality of water. It is  
12      a good-quality water. And the water which is now there  
13      can be consumed at any moment, because you just make  
14      a small pool in the middle of the winze and then you can  
15      use this water for concrete production, for your own  
16      personnel, and you have your own water.

17   Q.   Yes. But in order for you to resume works on the  
18       decline, you had to drain the water out first?

19   A.   This is not a problem. We did pump it out when we were  
20       starting the works. The new partner for Siderit was  
21       pumping the water. They had finished in one week.

22   Q.   If you were to continue mining the decline, you would  
23       also have to pump the water out, right? Continually.

24   A.   That is not a problem.

25   Q.   Your answer is: yes, but it's not a problem; correct?

18:07

1 A. This is not a problem at all, because water flows just  
2 behind the horizon of the ramp, where it starts to  
3 decline. So the difference in -- the horizontal  
4 difference is perhaps 5 to 6 metres where you have to  
5 start pumping. And you can perhaps make one more drill  
6 into the valley from the decline, and it will flow on  
7 its own into the valley. It's not a problem.

8 Q. In paragraph 48 of your witness statement you describe  
9 your successful efforts to obtain an extension of the  
10 permit for the construction of above-ground structures.  
11 Those structures were basically structures which were to  
12 be built at the mouth of the decline, and some of  
13 them -- or maybe even all of them -- related to  
14 treatment of water; is that correct?

15 A. Not the majority of these structures. Perhaps one third  
16 were connected with water treatment. But if you receive  
17 a construction permit, it also gives you a specific  
18 deadline within which you have to complete the  
19 construction. So we had to apply for new construction  
20 permits. As a matter of fact, what I had to process is  
21 that the bridge had to be authorised and also put into  
22 use --

23 Q. If I may interrupt you, because in 48 at the very  
24 beginning you say:

25 "On June 21, 2001, Rozmin was granted an extension

18:09

1 of the permit for the construction ... and on October 4  
2 ... amendment ..."

3 So it does not look like you are referring to new  
4 permits, but it seemed that you referred to simple  
5 extensions or amendments.

6 A. Yes, extension of the permit. Not a new permit.

7 THE PRESIDENT: I'm not sure I understand everything.

8 I understand there's a change of plan, a new POPE, but  
9 it seems that what Siderit was starting to do was in  
10 a location in connection with the winze, and not  
11 a horizontal tunnel very far away.

12 So I don't understand. If you could ask the  
13 question better than I can do ...

14 MR PEKAR: I am trying to do this chronologically. So we  
15 will approach that when we come to 2004, or I can ask  
16 those questions -- in any event, we will not be able to  
17 finish today. So whatever you prefer.

18 THE PRESIDENT: Do as you like, provided that at some point  
19 there is a question which clarifies this.

20 MR PEKAR: Thank you, Mr Chairman. I will do that; maybe  
21 tomorrow, if you can be patient overnight.

22 THE PRESIDENT: I will be patient, but I may not be able to  
23 sleep!

24 MR PEKAR: We will just clarify this. I will ask you the  
25 question.

18:11

1 A. Just to explain, the POPE only concerned the ramp. The  
2 second part of the mine was POPE outline as a future  
3 activity, once -- making sure the Mining Office is  
4 notified in advance what's going to be happening.

5 Q. What you were planning to do and what you were doing in  
6 2004 was not the adit?

7 A. No, that was not the adit. It was an idea outlined for  
8 the future. But it is part of the POPE; it is there.

9 Q. We will come to it later maybe, when we start discussing  
10 Siderit.

11 THE PRESIDENT: I am trying to guess: the surface  
12 constructions could stay in the same place whether it  
13 was the winze or the horizontal?

14 MR PEKAR: I was going to ask that question, Mr Chairman,  
15 yes. I was going to ask you precisely this question,  
16 so ...

17 A. I will explain. Once we have selected a new contractor,  
18 Siderit, it was one mining company which used to  
19 employ 1,000 employees before. They used to mine, for  
20 Siderit, ore. And they had many mining works, which we  
21 normally do, and they had already built up the entire  
22 infrastructure we needed. So they had storage for  
23 explosives, they had various ramps, excavation  
24 equipment, housing facilities for workers -- for miners,  
25 which would no longer be needed on the site itself

18:13

1 because it would be sufficient to ship the people for  
2 every shift. They only needed maybe ten to twelve  
3 people by a small's van.

4 Q. I will break it down. So, for example, the water  
5 treatment plant, did you need it ...

6 A. That had to be there. Not only that one: Siderit have  
7 already built a second one, a second water treatment  
8 plant. And also there was some hygiene equipment that  
9 needed to be there.

10 Q. And this is because during the construction of the  
11 decline, there would be water pumped out of the decline,  
12 and the water needed to be treated on the mouth of the  
13 winze. And then, if I may, much, much later, if you  
14 were to build the adit, that would no longer be needed;  
15 correct?

16 A. No.

17 Q. But only after the construction of the adit, which was  
18 many years in the future; correct?

19 A. But that was not a major cost item because it is special  
20 equipment for water treatment to clear it of  
21 petrochemicals. They have a sedimentation tank, then  
22 they have a cleaning treatment plant itself, and then  
23 pumping out into the creek, which is then observed by  
24 taking samples, whether it meets the requirements for  
25 drinking water. So all of it operates automatically.



18:14

1           There is no problem.

2   Q.   But it was still needed both under the first plan and  
3       under the second plan?

4   A.   Yes, certainly.

5   THE PRESIDENT:   Sorry --

6   MR PEKAR:   At the same place.

7   THE PRESIDENT:   Okay, at the same place.

8   A.   Yes, on the same place.

9   THE PRESIDENT:   In 2004, was the idea of a winze forgotten,  
10       to be replaced by another system?   Because you mentioned  
11       earlier, Mr Pekar, the de-flooding of the winze.   So it  
12       seemed to be still envisaged?

13   A.   No, we have not forgotten the winze.   We would continue  
14       in that, we would continue drilling it.   We had pumps  
15       already pumping the water out, and we were ready to  
16       begin in a small profile, continue drilling the winze,  
17       which would then consequently serve as a second mining  
18       exit available on foot.

19       Now, EuroGas has a 320-metre vertical shaft as the  
20       second mining exit.   And this idea of the winze where  
21       you could walk, and use it for other purposes as well,  
22       in my opinion was the more optimum solution, as opposed  
23       to a 320-metre vertical shaft, which does not have  
24       an elevator but only cranes.

25   THE PRESIDENT:   I think I start to understand.   There would

18:16

1 be two accesses, but not for the same purposes: one for  
2 persons -- or one to extract, to excavate, that's the  
3 horizontal one?

4 MR PEKAR: Yes.

5 THE PRESIDENT: But still you needed this --

6 MR PEKAR: If I may interrupt the cross-examination and give  
7 you my answer.

8 THE PRESIDENT: Until I have understood, I will be asking  
9 questions.

10 MR PEKAR: Okay, then I will explain it.

11 Under Slovak law, each mine has to have two  
12 entrances, for safety reasons. So the idea was that the  
13 decline will become --

14 A. Exactly, you say it right: safety reasons.

15 MR PEKAR: -- the second entrance. So under the original  
16 plan, it was supposed to be the principal entrance.  
17 Under the second plan, it was supposed to be just  
18 a safety sort of entrance. But it also was supposed to  
19 play an important part in the first part of the project,  
20 because the project would actually start -- the second  
21 project, I mean -- would start by building this decline,  
22 reaching the deposit; and as Mr Rozloznik already said,  
23 then some further samples of the talc would be taken  
24 from within the deposit, taken out.

25 A. Exactly.

18:17 1 MR PEKAR: And then later there would be the adit built from  
2 the side.  
3 THE PRESIDENT: Do you agree: that's how you see it?  
4 A. Yes, it's correct.  
5 MR PEKAR: Thank you.  
6 THE PRESIDENT: Thank you very much. I am grateful.  
7 MR PEKAR: You are welcome, Mr Chairman.  
8 I have a question for you, Mr Rozloznic, which is  
9 somewhat related to what we discussed already, and that  
10 is: why did you ask for an extension of the building  
11 permits for those surface structures while your  
12 authorisation to conduct mining activities was  
13 suspended?  
14 A. That is not related to mining activity. The permit was  
15 issued by water treatment, water management authorities.  
16 That is where we had to have deadlines extended; not  
17 with the Mining Office, because it was not  
18 mining-related.  
19 Q. So the construction of the surface structures was not  
20 mining activity; do I understand correctly?  
21 A. It is mining activity. I explained this. In accordance  
22 with the Mining Office, it is not mining activity. But  
23 in fact it is mining-related activity when you had to  
24 obtain various other permits from other authorities:  
25 construction authority, water authority --

18:19

1 Q. So according to the Mining Authorities, this is not  
2 mining activity; but you disagree with that  
3 categorisation?

4 A. But I am convinced that it does relate, mainly the water  
5 treatment plant, from water resulting from mining  
6 activity.

7 Q. But you do not dispute that the Mining Authorities did  
8 not consider it to be mining activity?

9 A. I doubt it. It should be mining activity because it  
10 directly relates to the mine. For God's sake, it  
11 relates to the mine. Without you having other  
12 structures there, you cannot conduct work.

13 Q. I apologise, I asked the question in a wrong way.  
14 I meant: you do not dispute that it is the opinion and  
15 the decision-making practice of Mining Authorities that  
16 this is not mining activity?

17 A. It does not cause any problems to the Mining Office,  
18 because we would always resolve it somehow.

19 Q. Can you please answer yes or no to my question?

20 A. Yes.

21 Q. Thank you.

22 Could you please now go to tab 30, which is  
23 document R-276. This is a letter that you sent to the  
24 District Office Environmental Department. My  
25 understanding is that this is precisely the Slovak

18:20

1 authority which is responsible for permitting of those  
2 water treatment facilities. Is that correct?

3 A. Correct. They have a water department, this  
4 environmental authority.

5 Q. If you look at paragraph 2, it states:

6 "The entire structure has been temporarily suspended  
7 and no works are carried out on object of the structure.  
8 However, the shareholders of Rozmin want to continue in  
9 the works yet this year, after resolving all economic  
10 and technical problems which conditioned the suspension  
11 of the structure."

12 Can you see that?

13 A. Yes, I see it, indeed.

14 Q. You again referred to economic problems. What problems  
15 did you have in mind?

16 A. I think it relates to what we mentioned before, the  
17 economic difficulties. It is difficult for me to  
18 describe now what I meant back then. Perhaps you are  
19 asking: there was no money available. But everything  
20 was running, everything worked, because we would not  
21 work on the construction site; it was -- only personnel  
22 costs would be incurred for an economist, for myself,  
23 and a couple of others. So I meant that the economic  
24 part -- by that I meant that once we had obtained all  
25 the additional permits, we needed to properly finance

18:22

1 that.

2 Q. And you did not have that money at the time, the money  
3 needed for the ...

4 A. For this continuation, no, I guess. Overview of bank  
5 statements is available.

6 Q. You also state that the shareholders wanted to continue  
7 the construction "yet this year". This is 2002. How  
8 did you know that they wanted to continue with the  
9 works?

10 A. I guess we talked about it back then, I don't know  
11 whether through email or over the phone, and they said:  
12 yes, they want to continue. And I took their statements  
13 as they were made.

14 Q. I will read the following paragraph:

15 "However, further to the continuance of the  
16 structure it is necessary to ask your office for  
17 extension of the building permit the validity of which  
18 expires on 30 June 2002. Currently, we are arranging  
19 all essentials which are necessary to be submitted to  
20 the request for extension of term of the building  
21 permit, in particular the removal from the Forest Land  
22 Fund for following years and the lease contracts with  
23 Lesy SR."

24 A. Yes.

25 Q. So you understood that again you needed to provide

18:24

1 further documents in order to obtain the extension; is  
2 that correct?

3 A. Yes, certainly. And we had concluded other contracts  
4 with the forest administration.

5 Q. And you knew what documents were necessary?

6 A. Yes, indeed.

7 THE PRESIDENT: Mr Pekar, I wouldn't like to interrupt you  
8 in the middle of a line of questioning. So since it is  
9 6.25, maybe you choose the best way to land, even if  
10 it's five minutes later than 6.30.

11 MR PEKAR: Thank you very much, Mr Chairman.

12 The last paragraph says:

13 "We are sending you this letter with your  
14 information regarding our intentions with respect to the  
15 above-mentioned matter."

16 So you recognise here that this is not a formal  
17 request for anything?

18 A. It's not a formal request, but we have submitted the  
19 request afterwards. But I first needed to process the  
20 extension for the removal from the forest land permit,  
21 and I had to annex it to my application for the District  
22 Environmental Office. So I was just informing them in  
23 advance.

24 Q. Let's go to the following tab, 31, which is R-280. This  
25 is another request for extension that you sent on

18:25

1 October 2nd 2003; is that correct?

2 A. Yes.

3 Q. So I take it from there that the shareholders' desire to  
4 start building in 2002 did not materialise; is that  
5 correct?

6 A. Well, yes, the mining activities were interrupted.

7 Q. Sir, I believe that this is the same surface structures  
8 that we were discussing in the previous document --

9 A. Exactly those.

10 Q. -- which did not depend on the authorisation for mining  
11 activity; correct?

12 A. This is the same amount of structures. The only  
13 difference is that Rima Muran did not complete one --  
14 they didn't build one construction at all. This was the  
15 water treatment plant. At the end it was constructed by  
16 Siderit.

17 Q. If you go to the part of the letter which starts,  
18 "Reasons of the request to set a new deadline", you  
19 state there:

20 "As a result of suspension of the mining  
21 activity ... as well as the change of owners in the  
22 company Rozmin, and the related financial problems, the  
23 deadline for completion of structures could have not  
24 been met."

25 So again you refer to some financial problems. Now



18:27

1 we are in October 2003.

2 A. Well, I can only confirm. If I have written this, it  
3 was perhaps the truth.

4 Q. So there were financial problems in October 2003?

5 A. It's difficult to assess to what extent. But I kept  
6 saying that eventually they have been solved.

7 Q. And again, if we look at the penultimate paragraph of  
8 this document, you state:

9 "We are submitting the request to you in advance --  
10 for the time being without submitting evidence of the  
11 relevant decisions of the above-mentioned proceedings,  
12 or submitting other documents so that after your  
13 handling and delivery of them, you could decide  
14 regarding our request as soon as possible."

15 So again, this is not a formal request, just  
16 an information that you will be requesting something in  
17 the future?

18 A. Well, it is an application. We are submitting  
19 an application.

20 Q. You are right, apologies. But again, for the time being  
21 without submitting evidence or submitting other  
22 documents?

23 A. Well, there are annexes.

24 Q. I see those. But still in the text you say that  
25 probably it's not all that you needed to submit?

18:28

1 A. Perhaps I was again hinting at the fact that certain  
2 institutions listed below have not issued their positive  
3 approval at that point in time. This was the same in  
4 case of the POPE plan, because for a long period we have  
5 been fighting with some of the organisations, we have  
6 been waiting for their permits in order to receive the  
7 final permit.

8 MR PEKAR: Thank you very much, Mr Rozloznik. Mr Chairman,  
9 I think that would be a safe landing for the first half  
10 of my cross-examination.

11 THE PRESIDENT: First half? You mean two equal halves?

12 MR PEKAR: As a lawyer I firmly believe in bigger halves and  
13 smaller halves, and this one was the bigger one.

14 THE PRESIDENT: Thank you.

15 So, Dr Rozloznik, it is 6.30 exactly, so we have to  
16 stop now. But you are still a witness under  
17 cross-examination, so you have to come back tomorrow at  
18 9.00, and of course not talk about this case to anyone  
19 until you appear again in this room tomorrow. Thank  
20 you.

21 DR ROZLOZNIK: Thank you very much. I will take this into  
22 consideration and I shall do as you have instructed me.

23 THE PRESIDENT: Thank you.

24 Anything before we leave? No. So thank you, see  
25 you tomorrow.

18:30

1 (6.30 pm)

2 (The hearing adjourned until 9.00 am the following day)

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