

TERM SHEET

Black Sea Property AS – issuance of options



Issuer:	Black Sea Property AS (Ticker: BSP-ME /Merkur Market) (the " Company ").
Transaction:	<p>Issuance (the "Option Issue") of up to 150 options (each an "Option", jointly the "Options"), each individual Option giving a right (but not an obligation) to acquire one apartment at the Aheloy Beach Resort in Aheloy, Bulgaria (the "Resort"). The Company will acquire equivalent options from its subsidiary EPO Aheloy OOD ("EPO Aheloy"), being the development company for the Resort, to ensure delivery of apartments upon exercise of the Options.</p> <p>The Option Issue will be directed towards the Company's shareholders and to certain third party investors upon approval by the Board of Directors.</p> <p>The Company will prior to the start of the Application Period provide further information about the Resort which will be referred to as <u>Appendix A</u> to this Term Sheet.</p>
Option Price:	EUR 7,500 per Option.
Use of proceeds:	The proceeds will be used for partial financing of completion of the Resort.
Application period: (subject to change)	<p>Start of application period: 30 January 2017 at 09:00 CET.</p> <p>End of application period: 10 February 2017 at 16.30 CET.</p> <p>The Company may at its own discretion extend or shorten the application period. If the application period is extended or shortened the other dates referred to herein might be changed accordingly.</p>
Conditions for completion:	The Option Issue is subject to; (i) all necessary corporate resolutions being passed; and (ii) an option agreement being entered into and consummated between the Company and EPO Aheloy to ensure delivery of the apartments.
Allocation and payment (may be subject to change)	<p>Notification of conditional allocation: The investors will receive a notification of conditional allocation (the "Allocation Letter") on or about 13 February 2017.</p> <p>Payment Date: 10 Business days after the notification of conditional allocation, expected on or about 27 February 2017. Payment shall be made to a bank account indicated by the Company in the Allocation Letter.</p>
Allocation of apartments	Together with the Allocation Letter, the investors will receive an overview of in which building and on which floors the apartments that may be purchased through exercise of the Options are located. The final allocation of apartments will be made upon exercise of the Options at a first come, first serve basis (or alternatively through drawing of lots if the allocation cannot be decided on a first come, first serve basis).
Exercise Period	The Options may be exercised for a period of 13 months following completion of Building M, N and P at the Resort (including all necessary governmental permits being obtained).

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	<p>The Company expects that the exercise period will commence on 30 April 2018 and end on 31 May 2019. The Company will inform about the start of the exercise period in due course.</p> <p>If the exercise period has not started prior to 30 April 2020, the investors may claim a refund of the subscription price for the Option(s).</p> <p>The exercise period may be extended for each investor with up to 12 months through payment of an additional EUR 1,000 per Option (payable at the Payment Date, as defined above). This amount of EUR 1,000 is non-refundable and may not be deducted from the purchase price for the apartment.</p> <p>Further information about the construction of the Resort will be given by the Company in due course.</p>
Price to be paid upon exercise of Option	<p>If an Option is exercised, the investor will be entitled to purchase one apartment (in accordance with the allocation described above) at the Resort at a price of EUR 450 per square meter from EPO Aheloy (Total Purchase Price).</p> <p>The subscription price for the Option (EUR 7,500) will be deducted from the Total Purchase Price for the apartment. Save for any applicable capital gain taxes, the Total Purchase Price per square meter includes all additional costs such as notary fees, stamp duties, agency fees and local taxes payable upon purchase of an apartment.</p>
Delivery of apartments	<p>Delivery of the apartments will be made within 1 month after exercise of the Options.</p> <p>The apartments will be furnished upon delivery.</p>
Mandatory lease of apartments	<p>Following delivery of the apartments, each investor will be required to lease out their apartments to EPO Aheloy for a period of 12 weeks each year for five years from delivery of the apartment. During such lease term, EPO Aheloy shall have the right to sublet the apartments to visitors of the Resort. Each investor will as a lease payment be entitled to a net annual rental income corresponding to minimum 3% of the Total Purchase Price for the apartment. Such guaranteed rental income is subject to the investor making the apartment(s) available in 10 weeks in the period 1 June to 31 August.</p> <p>Costs such as management fee, local property fees and similar fees will be covered by EPO Aheloy. Please note that any applicable capital gain tax or similar shall be borne by the investor.</p>
Transferability	<p>The Options will be freely transferable, but will not be listed on any regulated market nor on the Merkur Market.</p>

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Documentation:

The Option Issue documentation comprises of this term sheet dated 20 January 2017 and the presentation of the Resort (to be published prior to the start of the Application Period).

Financial information and other relevant information about the Company are available through www.newsweb.com.

IMPORTANT INFORMATION

This term sheet is for information purposes only and shall not constitute an offer to buy, sell, issue, or subscribe for, or the solicitation of an offer to buy, sell, issue, or subscribe for any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering document or prospectus has been or will be submitted to be approved by any regulatory authority in relation to the Option Issue.

Each applicant understands and agrees that the Company has not made any representation to it, express or implied, with respect to the merits of the Option Issue, the subscription of the Options allocated to it, the condition, financial or otherwise, of the Company, or any other matter relating thereto, and nothing herein shall be construed as a recommendation to subscribe to the Options and no responsibility is or will be accepted by the Company or by any of their respective affiliates or agents as to, or in relation to, the accuracy or completeness of this term sheet or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefore is expressly disclaimed.