

New World Resources N.V.

Market & Price Dynamics

An overview of NWR's markets and price/demand dynamics

November 2009

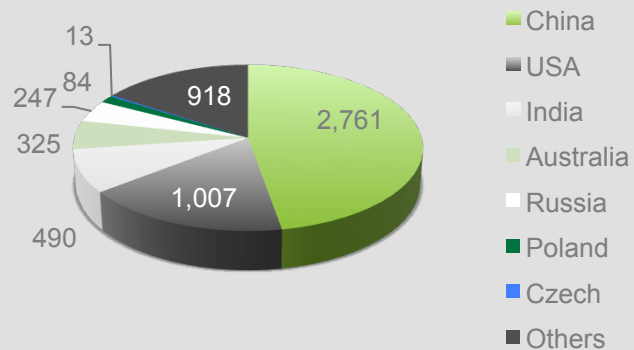


The global market

- China, the U.S., India, Australia and Russia are the main producers of hard coal, accounting for 83% of the world total
- The global thermal coal market is primarily regional due to relatively lower prices and higher proportional transportation costs, whereas the coking coal and coke markets are more international
- The majority of traded hard coal is between Australia and the large Asian economies with yearly benchmark prices established here

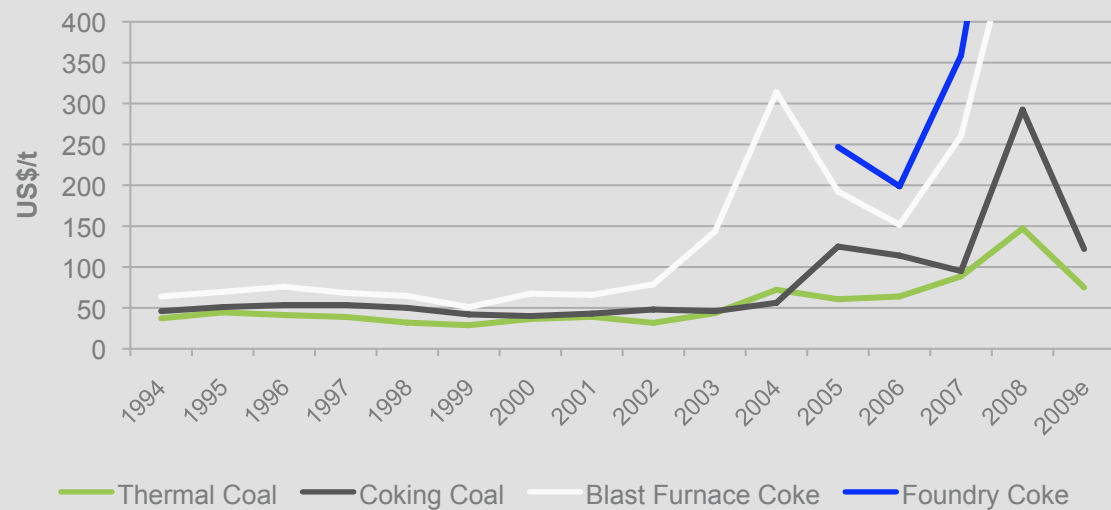
World Hard Coal Production 2008, mt

Total = 5,845mt



Source: International Energy Agency

International Benchmark Prices

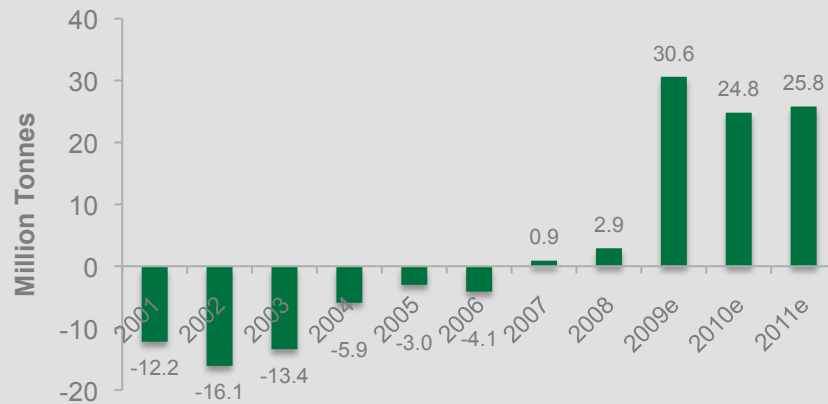


Source: Resource Net, McCloskey, NWR analysis

China's emergence in world markets, a 'game changer'

- China is now producing roughly half of the world's steel and its corresponding surge in demand for coking coal and coke is permanently changing the dynamics of the global seaborne markets
- China became a net importer of coking coal in 2009 with imports of ~ 35m tonnes expected, with most of this demand being met from Australia
- This surge in demand has led to spiking global spot prices for coking coal and coke

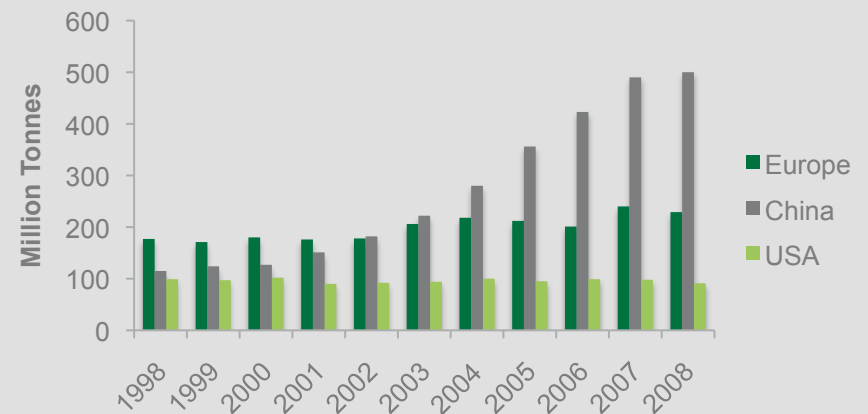
Chinese Net Coking Coal Imports



Source: AME

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Crude Steel Production over 10 years



Source: IISI

China's emergence in world markets, a 'game changer'

- The downturn in steel demand has seen many coke batteries permanently closed around the world
- Any return to normal demand could see a severely squeezed market for coke resulting in a spike in prices
- In an attempt to keep costs low in their domestic steel industry, the Chinese government has enforced export restrictions on coke from the country, further inflating global prices

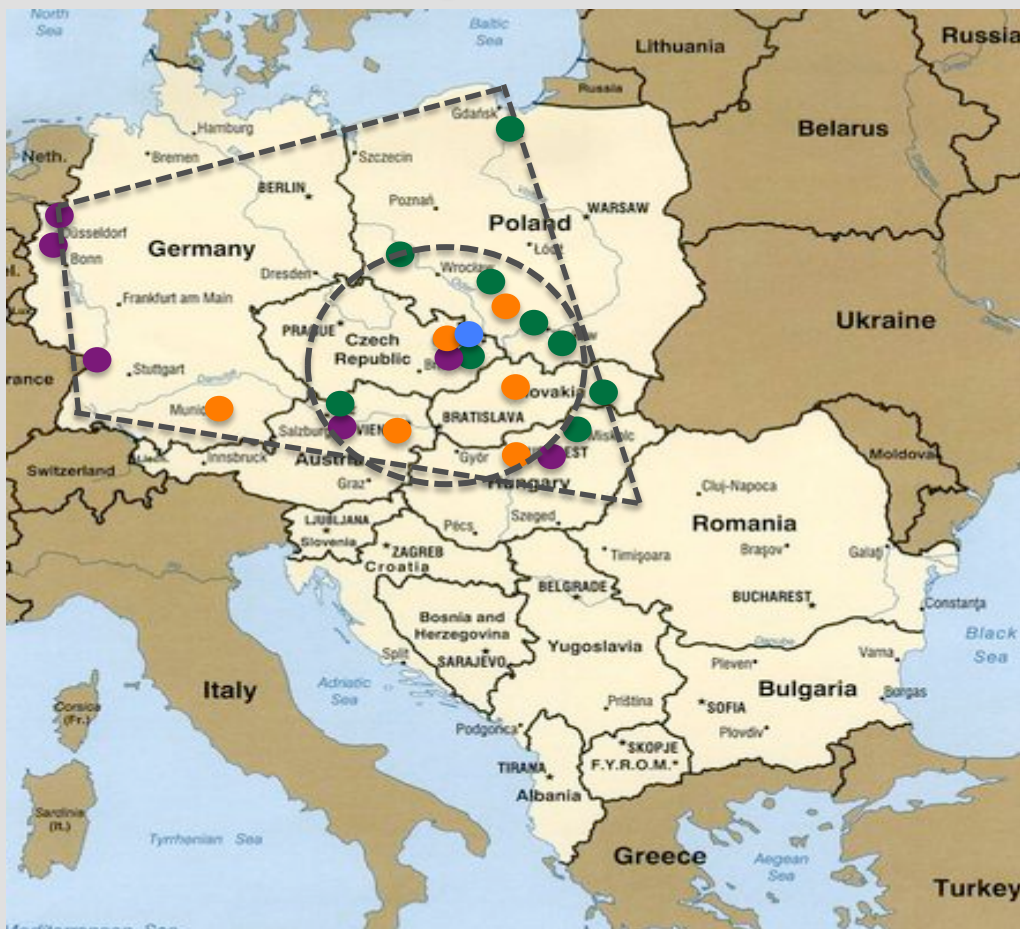
Chinese Coke Exports



Source: IISI

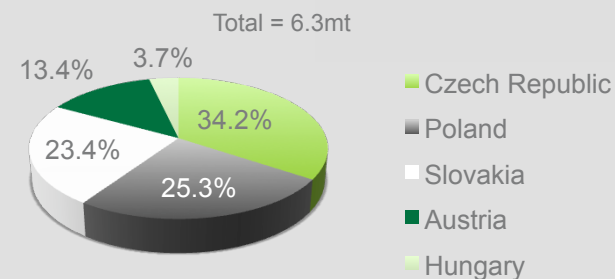
NWR's regional market

- NWR
- Coking coal customers
- Coke customers
- Thermal coal customers

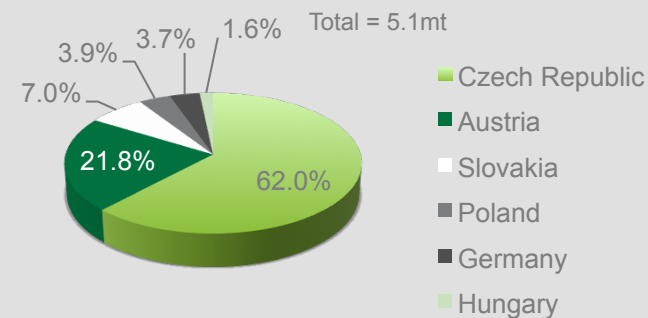


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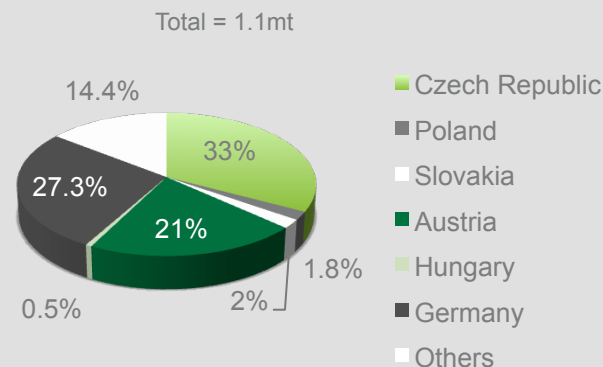
NWR Coking coal sales 2008



NWR Thermal coal sales 2008



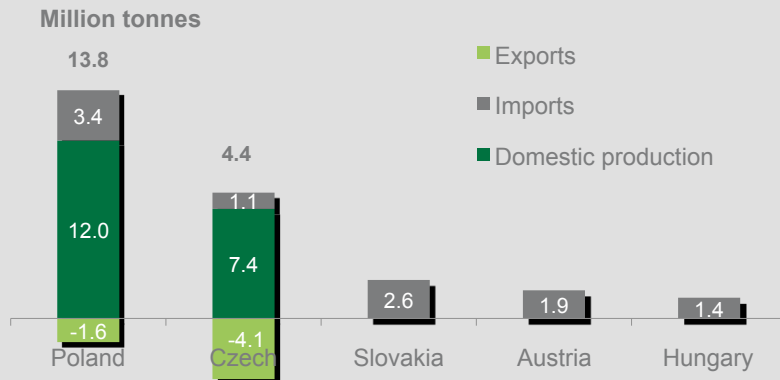
NWR Coke Sales 2008



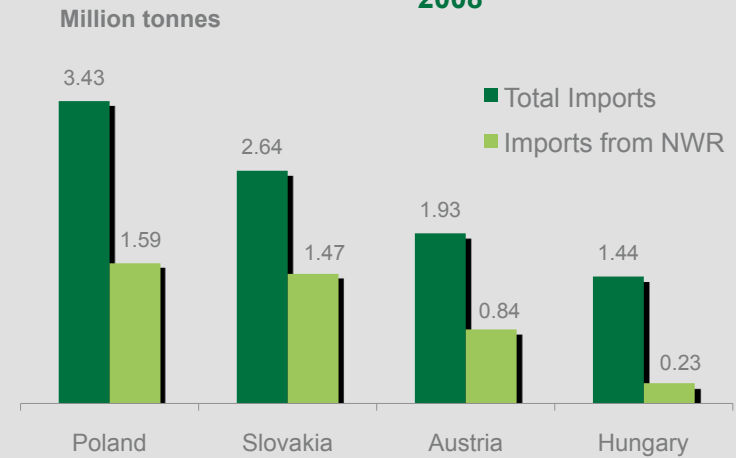
Source: Internal NWR Data

NWR sales compared to total imports per country

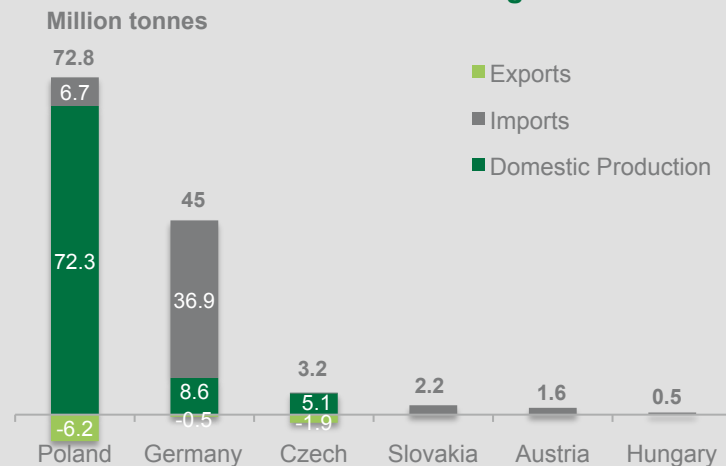
Total Coking Coal Usage 2008



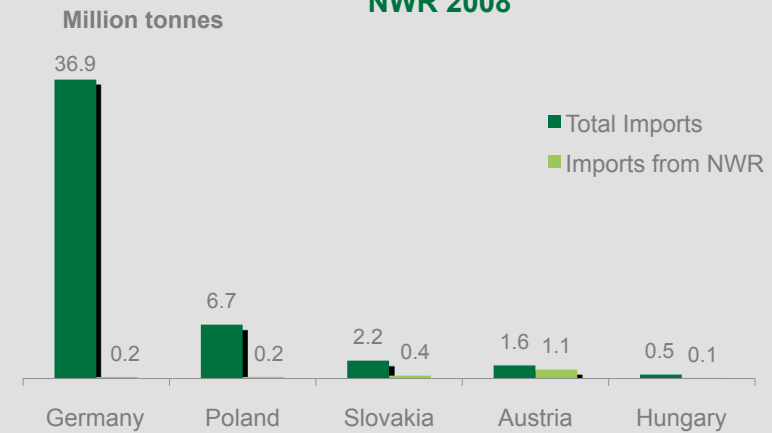
Total Coking Coal Imports Compared to Imports from NWR 2008



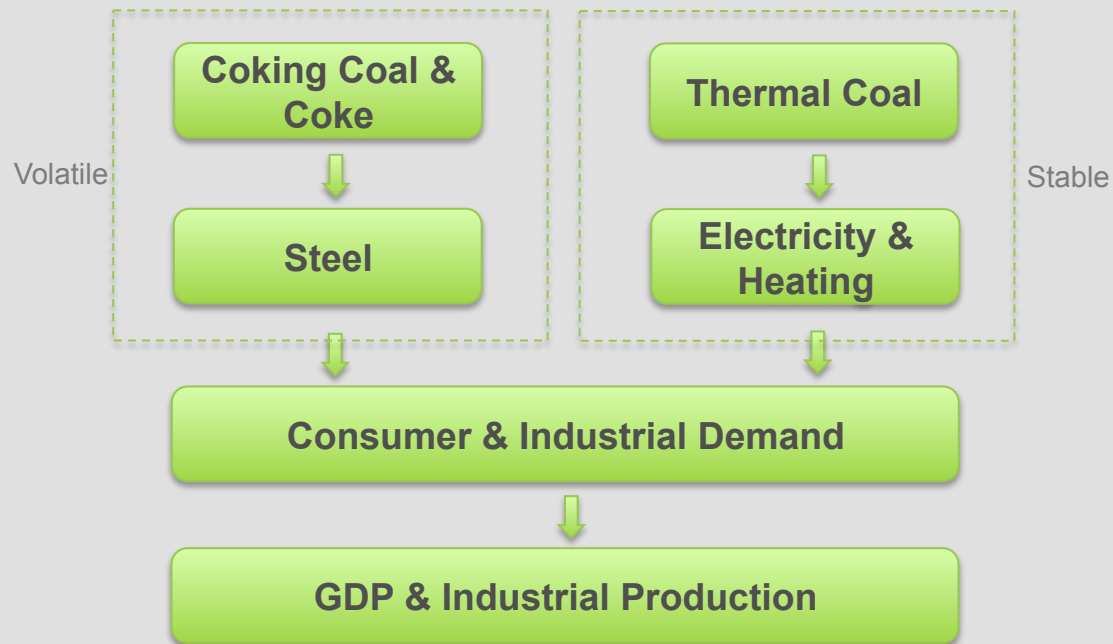
Total Thermal Coal Usage 2008



Total Thermal Coal Imports Compared to Imports from NWR 2008



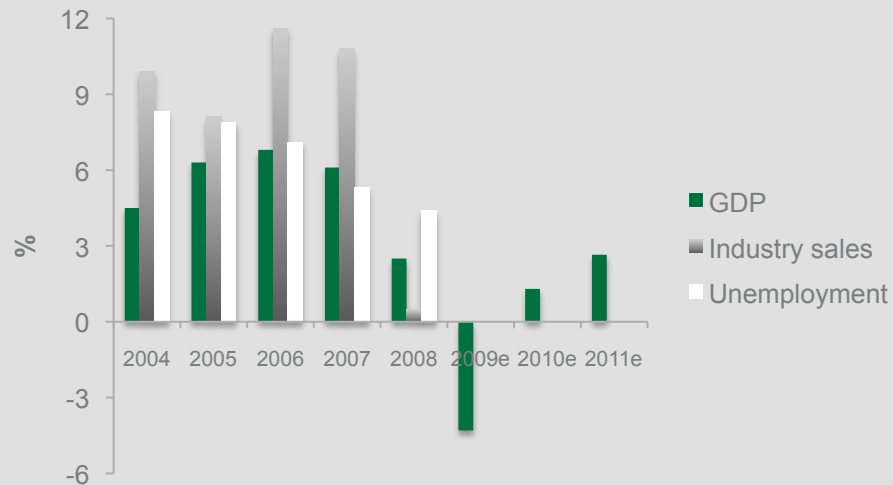
Demand dynamics in NWR's market



- The correlation between fluctuations in real GDP and electricity consumption has historically been low in the EU-27 so thermal coal demand and prices will be relatively stable compared to coking coal and coke demand
- Steel demand in the CEE region is very much reliant on demand from heavy industry such as auto markets and white goods producers as well as the global strategy of the major steel producers who tend to optimise/reduce their capacities in the CEE according to the global balance of steel

Macro economics of region

Czech Macro Indicators



Source: Bloomberg, Czech Statistics Office

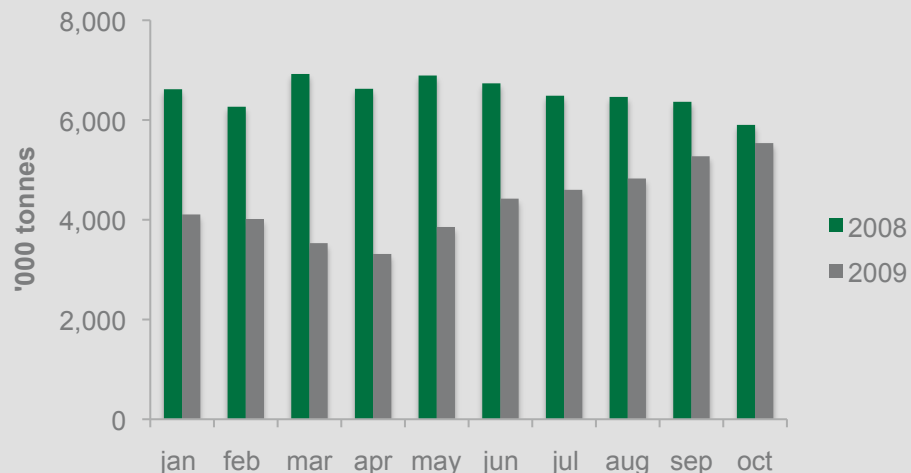
GDP in Customer Markets



- The Czech Republic, as part of an emerging economic region, has seen higher than average growth in the EU in the last number of years and is expected to recover from the recession with stronger growth than more developed European economies
- NWR's customer markets have been hit hard by the economic downturn but current forecasts predict a return to growth in Q4 09 and for the full year 2010

Crude steel production trends

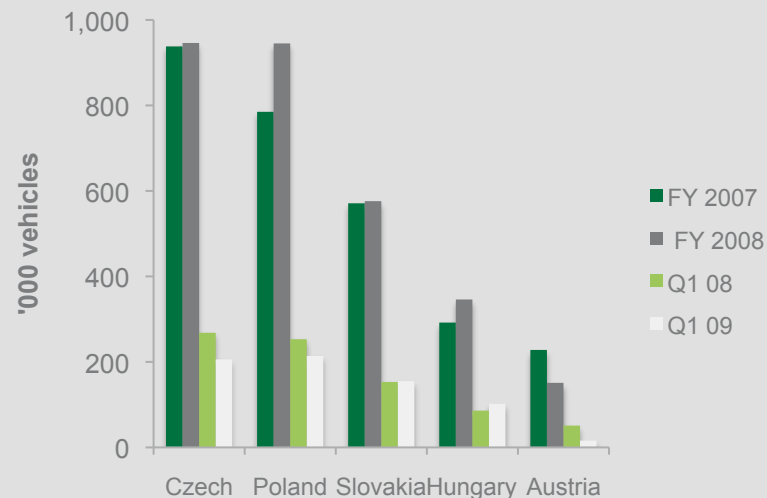
Steel Production in NWR's Customer Markets



Source: International Iron and Steel Institute

Countries included: Czech Republic, Slovakia, Poland Germany, Austria

Motor Vehicle Production in Region



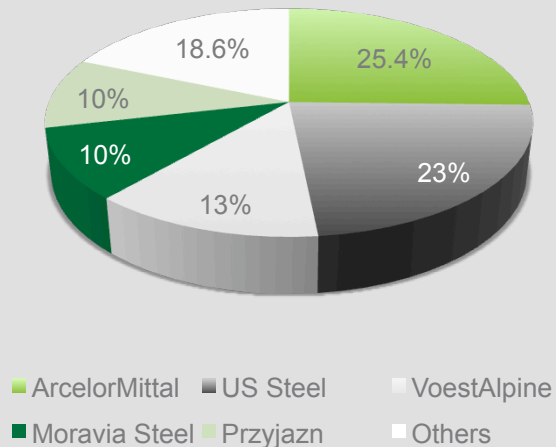
Source: ACEA

- Steel production in October in NWR's markets is up 67% since the bottom of the recession in April but still down 6% on 2008
- The world steel association expects the EU-27 apparent steel use to fall by 32.6% for the full year 2009 with a recovery in growth of 12.5% in 2010
- Motor vehicle production in the region has been boosted by various government sponsored scrappage schemes

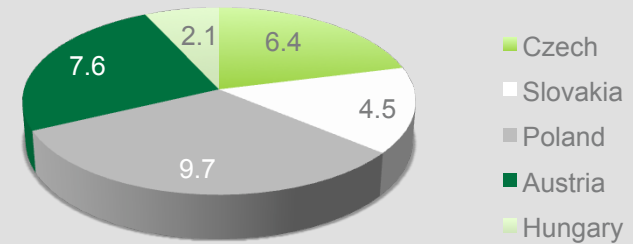
Coking coal

NWR Coking Coal Customers 2008

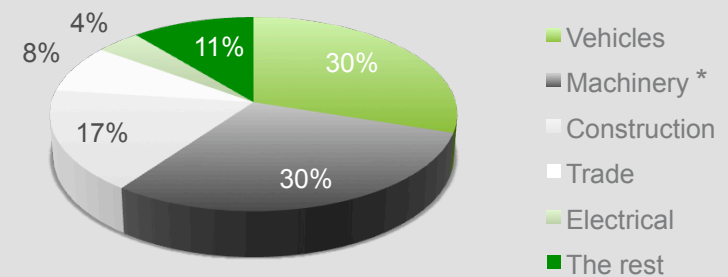
% of tonnes sold



Steel production in 2008, mt



CEE steel consumption by sector



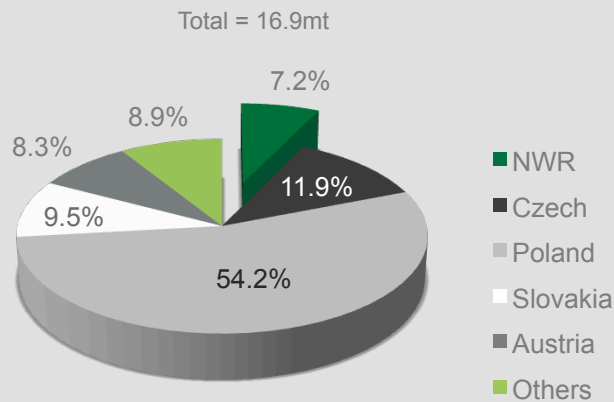
Source: NWR Estimates, Czech Steel Federation, IISI

*partly includes auto industry through heavy vehicles

- In the Czech Republic steel consumption is more heavily weighted towards automotive and machinery

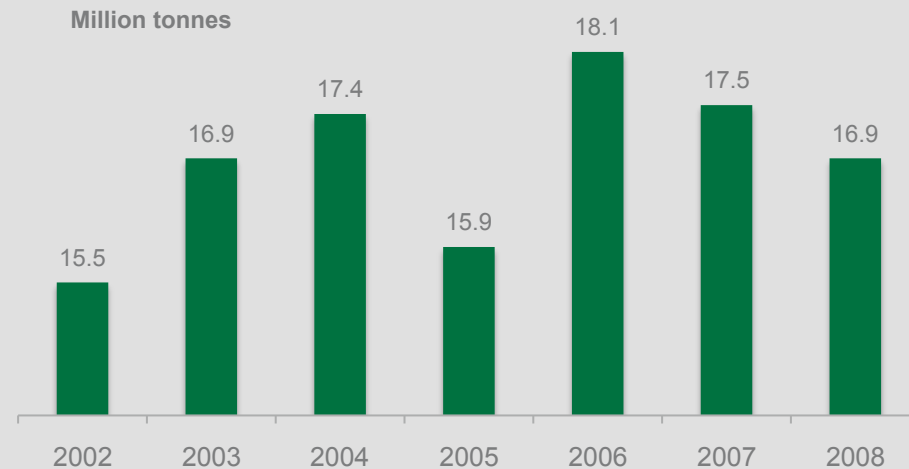
Coke

Coke Production in CEE 2008



Source: NWR Estimates

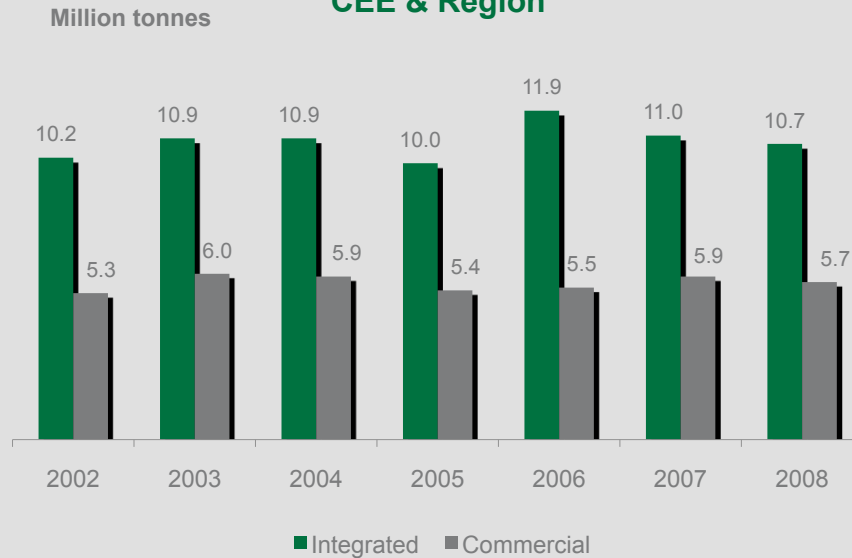
CEE Coke Production Trend



- Coke follows the same value chain as coking coal so is equally dependent on the steel manufacturers
- The coke supply/demand balance in the CEE region is much more volatile since there are few producers operating some very out dated batteries
- As a result of the economic crisis, up to 2 million tonnes of coke production have been permanently lost to date in the CEE due to the fall in demand which could create very tight supply conditions when demand recovers

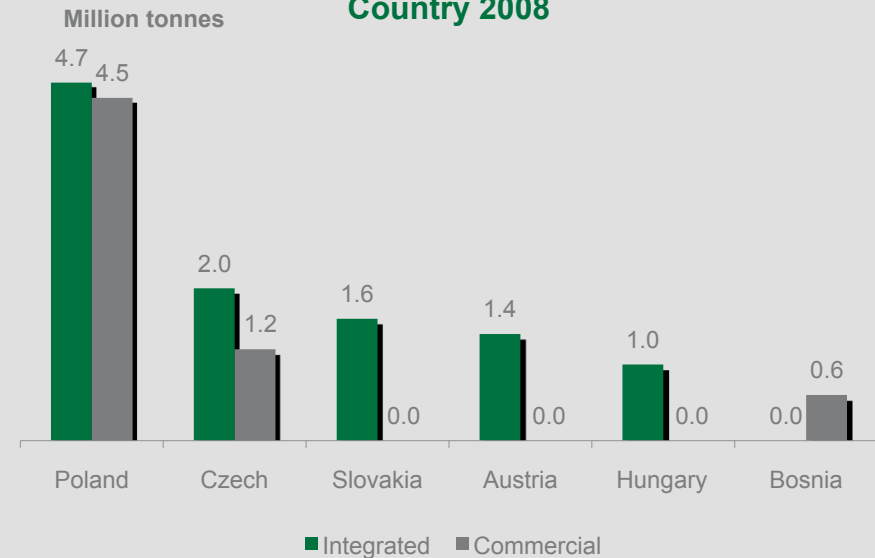
Coke

Integrated V's Commercial Coke Production in CEE & Region



Source: NWR Estimates

Integrated V's Commercial Coke Production by Country 2008



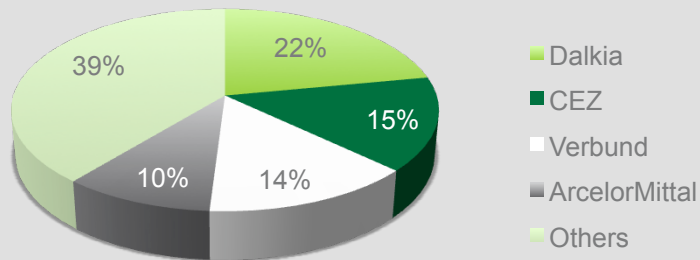
Countries: Czech Republic, Poland, Slovakia, Hungary, Bosnia, Austria

- Historically there has always been more coke production in the CEE and the surrounding region by the integrated steel mills such as ArcelorMittal compared to the commercial plants such as NWR

Thermal coal customers

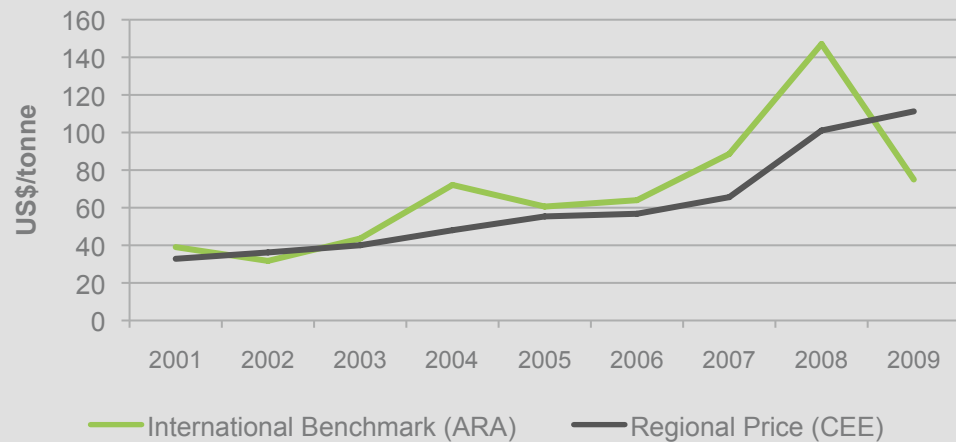
NWR Thermal Customers 2008

% of tonnes sold



Source: NWR analysis

CEE Regional Thermal Coal Price V's Benchmark



Source: McCloskey, NWR analysis

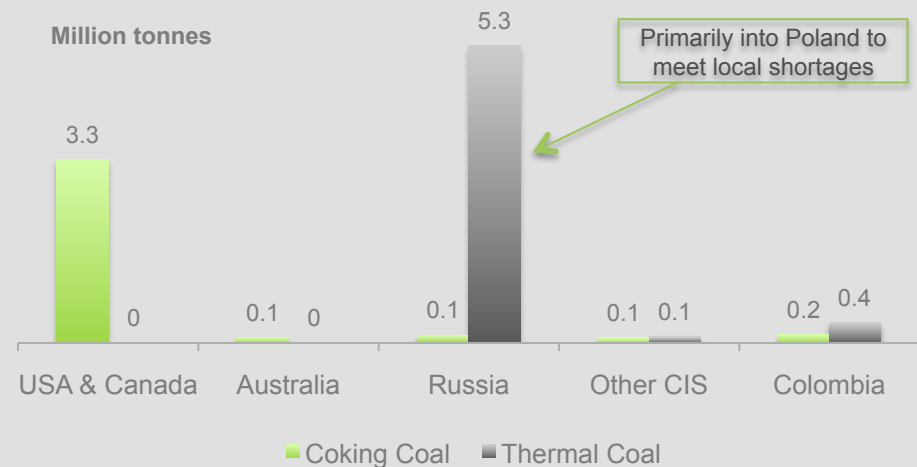
- The majority of NWR's thermal coal sales are to power utilities in the region
- Long term demand trends have remained stable and are much less volatile compared to coking coal and coke demand
- Due to lower prices for thermal coal and equal transportation costs as coking coal and coke, imports of this commodity will be less likely

Competition

- Polish miners are NWR's closest and only real competitors
- Landlocked and isolated nature of the region means very little competition from seaborne market or from Russia/CIS
- Prohibitive cost of rail freight and logistical difficulties means the economics do not make sense to bring coal into the region from the major European ports (e.g. ARA to Ostrava ~ €54/t)
- Most coking coal imports that do come into the region are required for the quality mix



Imports into NWR's Region 2008



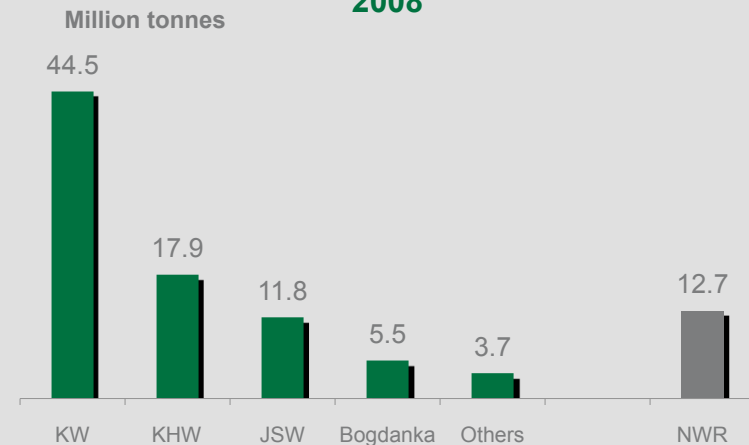
Source: International Energy Agency

Region: Czech, Poland, Slovakia, Austria, Hungary

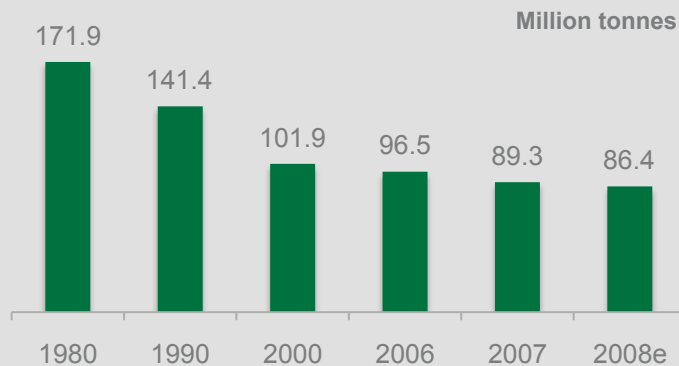
Polish miners are NWR's closest competitors

- In 2008 total hard coal production in Poland & Czech was 96.1mt with, approx. 20% being coking coal
- NWR represents 13% of this total production
- NWR is the only hard coal miner in Czech Republic while 4 companies in Poland produce approx 96% of their total production
- The majority of Polish coal mining companies are state owned and are considered inefficient and high cost. Production has been declining since the 1980's.

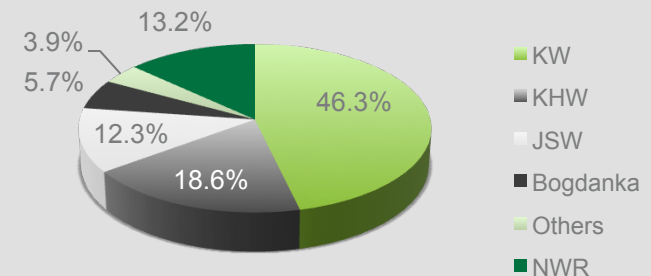
Total Polish Production by Company 2008



Total hard coal production in Poland



Source: International Energy Agency
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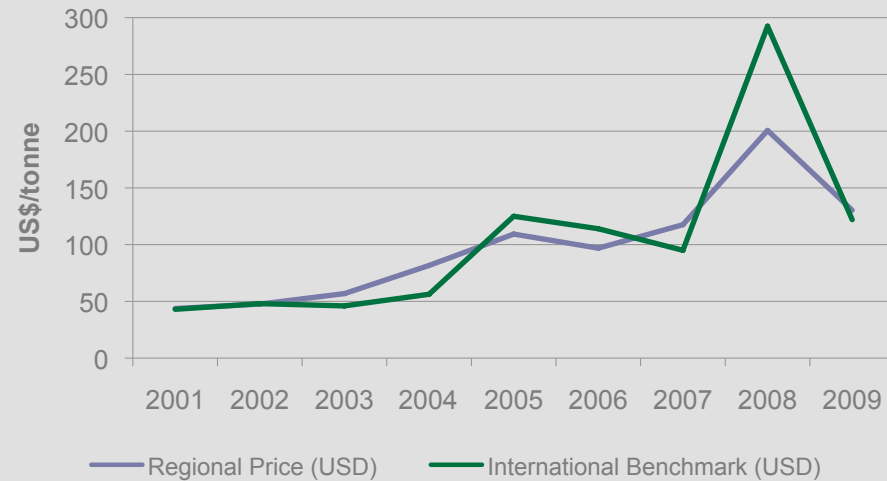


Source: Company reports & NWR estimates

Price dynamics in NWR's Market



CEE Regional Coking Coal Price V's Benchmark



Source: Resource Net

- NWR generally contracts coal prices with its customers for the full year with negotiations beginning in Q4 of the previous year. Coke prices are more commonly negotiated on shorter term contracts.
- Prices are negotiated as part of long term frameworks with customers
- Emphasising the isolated nature of the company's operations, the prices achieved have historically not fully correlated with the price trends in international markets

Conclusion

- NWR operates in a small/isolated coal market
- Customers are mainly based in the industrial belt of the Czech Republic and Poland with the company's proximity to these customers ensuring long standing and strong interdependence
- Protected from international seaborne competitors with the only significant competitive threat coming from Polish miners
- The industrial nature of the region means there is a strong interdependence between coking coal miners, steel producers and heavy good manufactures, particularly auto makers
- A well established thermal power infrastructure in the region ensures a steady and reliable customer base for thermal coal
- Pricing dynamics are primarily reliant on the supply/demand balance in the region which is driven by general economic and industrial production growth
- Due to it's relatively large size Poland tends to lead the price trend in the region for coal