THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

NWR.L - New World Resources Plc Capital Restructuring Proposal Conference Call

EVENT DATE/TIME: JUNE 05, 2014 / 1:00PM GMT

CORPORATE PARTICIPANTS

Nick Cox-Johnson *New World Resources Plc - Acting Head, Noteholder Relations*

Gareth Penny *New World Resources Plc - Executive Chairman of the Board*

Marek Jelinek *New World Resources Plc - Executive Director & CFO*

CONFERENCE CALL PARTICIPANTS

Peter Cuckovic *Jefferies & Company - Analyst*

Bram Buring *Wood & Company - Analyst*

Ross Carden *Polygon Investment Partners - Analyst*

Julien Raffelsbauer *BNP Paribas Limited - Analyst*

Petr Bartek *Erste Group Bank AG - Analyst*

Serge Lutens *Deutsche Bank - Analyst*

Dale Hogan *Jefferies & Company - Analyst*

Mehmet Yoruk *Dogan Sirketler Grubu Holding AS - Analyst*

Christian Hanson *INT Asset Management - Analyst*

Giuliana Nazzari *Ironshield Capital Partners LLP - Analyst*

Rob Slater *Silver Rock Financial - Analyst*

PRESENTATION

Nick Cox-Johnson - *New World Resources Plc - Acting Head, Noteholder Relations*

Thank you. Good afternoon and thank you for joining us on this conference call to discuss NWR's proposed consensual restructuring. By way of introduction, my name is Nick Cox-Johnson and I've been appointed as the acting head of Noteholder Relations for NWR NV. Any queries relating to this proposed capital restructuring should be directed to me and my contact details are on slide 11. And any queries relating directly to existing equity held in NWR Plc should continue to be directed to Radek Nemecek. And presenting on the call today is our Executive Chairman, Gareth Penny; our Chief Financial Officer, Marek Jelinek; and Martin Gudgeon from The Blackstone Group will also be on this call. And at the end of the presentation, we will open up the call to take questions from participants after around half an hour of session. And may I also take this opportunity to remind you that this event is being audio webcast live and will be available on our website shortly.

With that, now I invite Gareth to begin. Thank you.

Gareth Penny - *New World Resources Plc - Executive Chairman of the Board*

Nick, thank you very much. And good afternoon to everybody on the call and thank you for making the time to join us. It goes without saying that this has been a very, very difficult time for the coal industry and for the Company. And we shared with you not very long ago the results of the first quarter and our views on the market so that is not the purpose of this call and we will be focusing exclusively on the issue of restructuring and the progress that we have been making. What I am pleased to announce today is that the key terms of the restructuring of the Company's balance sheet have been agreed with the joint committee of ad hoc noteholders. This transaction is the result of intense consensual negotiations amongst all stakeholders and is a co-operative effort with all of the key stakeholders contributing to it.

The transaction is underpinned by a number of key objectives. Firstly, providing the Company with a sustainable capital structure while balancing the objectives and interests of all stakeholders. Secondly, a develeraged and sustainable Company balance sheet and liquidity position to weather the current challenges and to position us better for potential upturn. Thirdly, new capital to facilitate the transaction and to bolster Company liquidity. Fourthly, to provide value to all stakeholder classes and an opportunity for all stakeholders to continue to participate in the business. And fifthly and importantly, sharing of the potential upside amongst all stakeholders.

In summary, the Board and I believe that the transaction balances all of these objectives and is in the best interest of the Company and all its stakeholders. Accordingly, we urge all of you bondholders on this call to support the proposed transaction and to sign lock-up agreements as soon as possible. Noteholders executing lock-up agreements by the June 25 will be entitled to an early bird consent fee of 25 basis points on the face value of their bonds. So with those few words, I'm now going to handover to Marek to take us through the presentation and then as Nick has said, we will deal with the Q&As, and I'll make a few final remarks at the end.

Marek, thank you and over to you.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Thank you very much, Gareth, and thank you all for taking the time and joining us this afternoon. I'd like to walk you through the key terms and features of the proposed transaction starting for those of you who are following the slides on the web starting on page 4. So, the first key element of this is a very substantial deleveraging of the Company. Our current gross debt is at EUR825 million and under this transaction goes down to EUR500 million with a new EUR35 million super senior credit facility, which is designed to enhance the Company's liquidity and is an integral part of the transaction and will be fully drawn at closing with the resulting total gross debt at closing being EUR535 million.

In terms of the reinstated claims of the existing noteholders, they will receive a new senior note, which is a straight senior bond of EUR300 million of nominal value. They will also be sharing the upside from an improved performance of the Company as we continue in our process of operational reorganization as well as any upside from a market upturn in terms of prices of coking coal and thermal coal. The two instruments that provide for that upside are EUR150 million convertible note and up to EUR35 million of contingent value rights. Those are payable in cash and that payout depends on the development of coking coal prices going forward. Another very important element of this proposed transaction is the ability to conserve cash and improve the Company's liquidity.

Those of you have been following us know that liquidity has been the key focus over the last several quarters and will continue to be so. To that end, both of the new notes; both the senior note as well as the convertible; have the availability to switch into coupon paid in kind. On the senior note, there is an agreed mechanism which is subject to available liquidity and that determines whether or not the coupon is paid in cash or in kind whereas on the convertible note, that decision is at the Company's discretion. So, the principal objective here is to arrive at a capital structure that positions the Company to a successful deal with the current depressed coal market as well as providing a very strong basis for a market upturn.

Moving on to slide 6 of the presentation with the overview of reinstated noteholder claims. The allocation of the new instruments is as follows.

There's going to be a cash tender of a total EUR90 million. Of that, up to EUR60 million goes to the existing holders of the existing 2018 notes and EUR30 million goes to the existing holders of the existing unsecured notes. This will be done in a tender and a reverse Dutch auction and the exact details and mechanics of that auction will follow in due course. The EUR300 million new senior note will go to the existing holders of the 2018 senior notes, which is in line with their seniority in the current capital structure.

The convertible note, which is an instrument that offers the sharing of the upside in the Company's performance, will go to both existing classes of noteholders; EUR115 million will go to the holders of the 2018 notes and EUR35 million will go to the holders of the 2021 noteholders. Finally, the contingent value rights of up to EUR35 million goes solely to the existing holders of the 2021 notes.

Moving on to page 7 to talk about the new capital elements of this transaction. There is a very significant injection of new capital to this transaction, which is designed to do two things. One, to facilitate the execution of the consensual transaction and two, to bolster the Company's liquidity. I think it's important to note here that all key stakeholders are significantly contributing to this new capital piece.

So, up to EUR185 million of new capital is to be obtained from shareholders and noteholders. Of that, EUR160 million is already conditionally committed. BXR, the majority shareholder in New World Resources, is committing EUR75 million. I'd like to point out here that all existing shareholders will be offered the opportunity to participate in a rights issue and of course those shareholders that will choose not to participate will likely see a very significant dilution. Certain of the existing bondholders have committed to invest EUR50 million of new equity and again this capital raise will again be open to all existing bondholders. And finally, the Company is currently seeking a underwriter for the balance of the new capital, which is EUR25 million of new equity, that is currently not committed or underwritten.

Moving on to page 8 for a summary of the transaction. The key features are a deleveraging to the tune of EUR325 million with the resulting debt claims of EUR500 million. That EUR500 million is comprised of EUR300 million of new senior notes, EUR150 million of a new convertible note, and the existing ECA facility of EUR50 million. There is no change in the nominal value of the ECA facility. EUR185 million in new capital, EUR160 million of that is conditionally committed by shareholders and noteholders and there's a EUR35 million new super senior credit facility that will be again fully drawn at closing of the transaction. Up to EUR90 million of cash will also go to the existing noteholders. And so as a net result, the new balance sheet will have EUR535 million of a flexible and sustainable debt and at the same time, the Company will receive EUR95 million of additional liquidity at closing of the transaction.

Moving on to page 9 for a discussion of process and next steps. The implementation of this transaction is envisioned through a UK scheme of arrangement, which requires 75% of present and voting creditors in each class, i.e. both in the existing 2018s and the existing 2021s. There is an early bird consent fee of 25 basis points for those creditors that choose to lock-up before June 25. What this means is that on or around June 25, the Company will have a good insight into the likelihood of a successful closing of the transaction and will also be able at that point in time to switch to an alternative restructuring scenario. Absent enough support of existing creditors, it will switch into an alternative scenario, which is not going to have the features that I just described.

In terms of the conditions that need to be met to successfully close the transaction on page 10, we are looking successfully underwrite the additional EUR25 million of capital. We obviously are looking to receive approval of the required majorities of the 2018 and 2021 noteholders. The transaction requires approval from the relevant UK authorities, courts, and the Listing Authority. And finally, the amended terms of the ECA facility are presently negotiating these with the ECA lenders and again, this is a required condition for successful closing of the transaction.

Now as Gareth said at the beginning, we believe that this proposed transaction provides a robust basis for a very successful future of New World Resources. It is a necessary condition for us to implement our long-term strategy of significantly increasing our market share in the Central European coking coal market. And we urge all the stakeholders to support the transaction and we would request that noteholders do sign the lock-up agreements in support of this transaction as soon as possible. And again, there is an early bird consent fee available to those bondholders that lock-up before June 25.

So, I think that's the summary of the key terms and I'd like to hand over to Nick to manage the Q&A session.

Nick Cox-Johnson - *New World Resources Plc - Acting Head, Noteholder Relations*

Great. Thank you, Marek. Well, with that, I would like to open up the call now to questions. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) Dale Hogan, Jefferies.

Peter Cuckovic - *Jefferies & Company - Analyst*

It's actually Peter Cuckovic. This seems like a well-balanced proposal from our perspective, but clearly it hinges on significant additional support from noteholders, especially from the subordinated noteholders given the 24% threshold achieved through the Company. Could you go through plan B if you don't obtain 75% from this group by the 28? Could you go through plan B in a little bit more detail?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Thank you for the question. We are very much focused on implementing this proposed transaction and clearly you're right, the need to receive the required support from both classes of creditors. If that does not materialize, then the Company will have no choice, but to move into an alternative scenario with a view of achieving a orderly resolution of the current situation.

Peter Cuckovic - *Jefferies & Company - Analyst*

Okay. And just on the ECA contribution to the restructuring that you described on page 5, could you give us a little bit more detail how much you expect? I mean you said clearly on an NPV basis that their contribution will be equivalent to that from the senior notes. How do you plan to achieve that? Clearly that's not through the same mechanism as you're doing here for the seniors.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Correct, the ECA lenders are outside of this mechanism. We are presently negotiating the amended terms of the facility. We are confident that we will achieve that agreement. But this negotiation is very live so I think it's quite premature to talk about specific terms.

Peter Cuckovic - *Jefferies & Company - Analyst*

Okay. That's great. And my third question would be the terms of the share placing versus the terms of the rights issue, I presume obviously those are not going to be made public until July. But do you expect those to be exactly the same, mirror each other at this point?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

We will update the market in due course on the exact terms, but as you understand that's not something that we can discuss.

Peter Cuckovic - *Jefferies & Company - Analyst*

Understood. Thank you very much.

Operator

Bram Buring, Wood.

Bram Buring - *Wood & Company - Analyst*

First of all, do you foresee the possibility of achieving any new credit lines from external banks in addition to the super senior credit line that you're going to get from bondholders? And second question is with regards to this additional liquidity, we're looking at EUR95 million in additional liquidity and in your first quarter reports, you said you have a cash burn rate of around EUR30 million to EUR35 million a quarter. So, should I understand it correctly that this new liquidity will give you essentially an initial three quarters of survivability so let's say to the end of 2015?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Thanks for the questions. In terms of any new facilities, this transaction is designed to do two things; address immediate short-term liquidity issues and position the Company at a sustainable path in the long term. The EUR35 million super senior credit facility, which is an integral part of this, is important in terms of maintaining the liquidity situation of the Company. In due course, but certainly post closing, we will be looking at new liquidity facilities. In this respect, I think it's also important to note that both the new instruments, both the senior and the convert, have the ability to pay interest in kind as opposed to in cash, which is an important feature of this restructuring as it allows to if necessary essentially turn off the cash interest costs. So, I think that is important. This is really sort of an answer to your second question. This does address the liquidity situation and certainly one of our objectives was to arrive at an agreement with all stakeholders that implies that we will not be having this same process in a year's time.

Bram Buring - *Wood & Company - Analyst*

Okay. Is the EUR30 million to EUR35 million per quarter cash burn figure, is that still fairly accurate?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

It clearly depends on the coal prices. You will have seen what I think is an enormous progress we are doing on the elements of the business that we can control. You know that we are actually much ahead of our cost management plans, we have brought CapEx significantly down, and production is on track. So, really this restructuring that's the topic of this call is only one part of a two-part process that's going on at the moment. And the second part of it is the work that the team at OKD is doing and they are very, very successfully implementing operational strategies that will turn the cash flow situation around.

Gareth Penny - *New World Resources Plc - Executive Chairman of the Board*

But Marek, I think we need to say as well that obviously the cash burn in the first quarter included the servicing of existing debt and if we're successful with this restructuring, that would change.

Bram Buring - *Wood & Company - Analyst*

If I could just throw an additional question, will you pay the July coupon on the unsecured note?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

The payment of the July coupon. As a part of this agreement, the payment of the coupon is subject to a decision of the majority of the noteholders that are signed up to the transaction.

Bram Buring - *Wood & Company - Analyst*

Okay. Thank you.

Operator

(Operator Instructions) Ross Carden, Polygon.

Ross Carden - *Polygon Investment Partners - Analyst*

I've followed the Company for a long time and I think we've got a decent handle on the numbers and on the coal market. When I look at this, I'm struggling to understand how this is sustainable. If we look at Q1 and the cash burn or lack of cash generation and what's happened since then, announced coal prices are lower than coal prices in the market and have gone down again and since then you didn't really spend any CapEx in the quarter. And looking through the presentation and the announcement that you made there on CapEx, it just looks like we are setting up for another refi or restructuring the Company has down the line. So what I want to ask is can you help me understand how this is sustainable because I think you've already taken any costs you can and you've already been skimping on CapEx. So, how are you going to get a cash neutral position in this market? I'm just struggling to see how this thing hangs together. Thanks.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Thanks for the question. I think there are two parts to this. One is I think you said there is not much more costs that we can take out, I would forcefully disagree with that. We are ahead of our own plan in terms of cost cutting, but we still are not there. And you say you've followed the Company so you know that the plan is to get to EUR60 a tonne. Now it may sound to you like a small difference between EUR64 in the first quarter and EUR60, but it is actually a very big difference. Now again we are not only on track with that, but ahead of what we planned for this year, but there's still a lot of work to be done by the team on the ground. That's on the operational side.

And the second part of course is the financing, the cost of debt. We currently with the present capital structure need to provide for a debt service of around EUR70 million a year. And as you've seen, both of the new instruments do have in one case a mechanism and in the other case a discretionary decision making by the Company on paying or not paying the cash interest. So, we are very happy with the outcome of the negotiations. Obviously it wasn't easy, but we got to what we believe (technical difficulty); which is well balanced, provides adequate returns to all stakeholders, and indeed puts the Company on good course. That's how we view the situation.

Ross Carden - *Polygon Investment Partners - Analyst*

Just to follow up just so I understand things. The CapEx is going to be about EUR90 million per annum and then I'm saying okay if we bridge it from Q1 and I think cash generation was pretty much flat, call it it was around flat. Since then coal prices went down on the price that you announced for met and thermal and then in the market the prices have gone down again since so even if you just use the prices that you announced for Q2, so we are not debating coal, right. On that basis, you're burning a lot of cash and the implied costs that you have to take out would be essentially the total CapEx plus some more that you've guided and I think the number that you mentioned there goes from EUR64 to EUR60, that wouldn't cover it. So, that's why I'm struggling to see how this really sustainable in the long run because I get on the capital structure side, you're saying that PIK might give you some flexibility, but obviously then you have a cap structure that starts ballooning further out. On the operational side, is there anything that you can do do you think or is this really just you have to hope for higher coal prices?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

If I can just make a sort of brief look back, we started this process. And again, to an answer to Bram's question I think. There are two parts to what we are doing; one is on the operational level, the other is the balance sheet. We started the operational reorganization with a view of getting to a situation where at current coal prices, the Company before financing is viable and that is the overall goal and those are the parameters; the EUR60, the sub EUR100 million CapEx. There's a third element to it, which is improvement in the coal mix and you will have seen quite a strong improvement in the coking coal proportion in the mix in the first quarter. Again, that's the first part of it. And the second part of it inevitably is the capital structure. Our ability to deliver on our long-term strategy requires that both of these processes are successful, both the operational turnaround as well as the restructuring.

Ross Carden - *Polygon Investment Partners - Analyst*

That's helpful. Thank you. I'll hand over to somebody else. Thanks.

Operator

Julien Raffelsbauer, BNP Paribas.

Julien Raffelsbauer - *BNP Paribas Limited - Analyst*

On the cost side, just to be clear because you mentioned EUR66 per tonne. Are you saying that you could go lower than EUR66 or EUR66 is what you're going to achieve even taking into account some further cost cutting that you have in mind?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Thank you for the question. The target for the end of this year is to be at a run rate of EUR60 a tonne of cash costs.

Julien Raffelsbauer - *BNP Paribas Limited - Analyst*

And then on slide 21, you mentioned approximately EUR66 per tonne in 2014 and 2017.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

So, let me clarify that. You know that as a part of the operational reorganization in the Czech Republic, we had to make a painful decision to close one of our mines, that's the Paskov mine and so when I say EUR60 a tonne, that's without the Paskov mine. We have now reached an agreement with the government of the Czech Republic on state aid that will go into the closing of the mine. The state is going to cover a part of the shutdown cost. However, the trade off, if you will, is that we will continue operating the mine until the end of 2017 and so that increases optically the cash cost number. But on the remaining three mines, the run rate at the end of 2014 is going to be EUR60 per tonne.

Julien Raffelsbauer - *BNP Paribas Limited - Analyst*

EUR66 including Paskov. That's clear. And what happens after 2020 because in 2020 production will be half of what it is now, but as well CapEx will be a third so what's going to happen? What does it mean? Are you going to shutdown, there either will be a run-off the mines with very low CapEx, this CapEx would be enough to follow the minimum safety measures that you may have. What's happening from 2020?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

The base case life of mine plan as well as the base case business plan and financial model indeed assume a gradual reduction in output and this is driven very much by the coal market and so the Company at the time will be much, much more than it is today. But as you correctly say, it will also need to be spending comparably very, very low amounts of money on CapEx. But it will be a gradual decline in production all the way through 2020.

Julien Raffelsbauer - *BNP Paribas Limited - Analyst*

And this plan is assuming coal price that you will receive for met coal at EUR108 per tonne, Is that correct?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

The plan is based on the current third-party consensus forecast of both thermal and coking coal prices, which do assume a minor increase over time mainly of coking coal price. So you're right, you have the right number.

Julien Raffelsbauer - *BNP Paribas Limited - Analyst*

Okay. Last question. What will be the met coal price, let's talk about the benchmark? What level it should be for those mines to survive longer than the current life of mine plan?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

There isn't a simple answer to this. That's a very, very complex topic.

Julien Raffelsbauer - *BNP Paribas Limited - Analyst*

Okay. Alright. Thanks so much.

Operator

Petr Bartek, Erste Group.

Petr Bartek - *Erste Group Bank AG - Analyst*

First is you apparently meet the remaining bondholders now and you will get some feedback. So, I was just wondering how much flexibility you have in the restructuring proposal after the feedback, whether you can amend it or you would need to have agreement with the bondholder group again or how it would work. And second question would be looking at your reserves and resources, how much of resources you would realistically expect could be in the mid to long term turn back to reserves? Thank you.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Thank you for the questions. On the flexibility or renegotiation, I think practically speaking there is none. There is no flexibility, it's either this plan or an alternative scenario, which is not going to be pretty. On the reserves, that is again very much dependent on coal prices. But I'd like to caution, I sense talking to people that some people have this impression that there's sort of linear relationship between coal prices and coal reserves, that is not the case at all. What everyone needs to understand is that even if we had some sudden and massive recovery and prices significantly increase, for us to turn that price increase into coal production or increase in reserves, there is a very significant lag between such price increase and increase in production and it's not just about the time, it's also about the very heavy investment that would have to go into developing new locations in OKD.

Petr Bartek - *Erste Group Bank AG - Analyst*

Any impression; if there is, I don't know; potentially 10 million tonnes, which you could imagine that can be added, just theoretically speaking?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

I really can't put any numbers on it. And the principal really is if you make very optimistic assumptions about coal prices, you still need to factor in years of development and hundreds of millions of CapEx to turn such market upturn into saleable production.

Petr Bartek - *Erste Group Bank AG - Analyst*

Thank you.

Operator

(Operator Instructions) Serge Lutens, Deutsche Bank.

Serge Lutens - *Deutsche Bank - Analyst*

First of all on the subordinated notes or the unsecured notes, could you take us through the strike prices for the contingent value rights? I just read that over the course of six years, there are pre-defined levels at which they can be executed. Can you also talk about the mechanism in terms of them being converted into cash if we reach those thresholds?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Do you have the presentation available? On page 17, you can see the --. Do you have that in front of you or should I --?

Serge Lutens - *Deutsche Bank - Analyst*

I've got the online presentation, it stopped at 11 though. If there are slides further on on the presentation, that's fine. We can skip that question.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

It's in the presentation. There is a price line for every year.

Serge Lutens - *Deutsche Bank - Analyst*

Okay. I just wanted to go back to the question on the coupon payment on the unsecured bonds. So that coupon is due on July 15 and there's a 30-day grace period. Your response to that, it would be the decision of the majority noteholders as to whether to pay or not, was that correct?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

It's a decision of those noteholders that are locked up, yes.

Serge Lutens - *Deutsche Bank - Analyst*

Okay. But right now you have around 29% of the unsecured locked up so theoretically if we get to that stage and the interest has been paid, 25% of them go to the trustee and call a default on those notes potentially?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

I don't want to speculate on what's going to happen in six weeks or so. The agreement that we reached on Sunday is very clear on that. It's a decision of a majority of those bondholders that are locked up to this agreement.

Serge Lutens - *Deutsche Bank - Analyst*

Just to be clear, Deutsche Bank is a senior secured noteholder, but I just wanted to get more color on your unsecured. Has there been any legal analysis done as to what happens to the scheme of arrangement if one class of security goes into already having called an event of default?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

I don't want to get into a lengthy legal discussion on this. Neither of us I think is a lawyer, but I can assure you that (inaudible).

Serge Lutens - *Deutsche Bank - Analyst*

Okay. I'll take those questions offline, but I just think that's something that should be pointed out. Thank very much for the call.

Operator

Dale Hogan, Jefferies.

Dale Hogan - *Jefferies & Company - Analyst*

Just a couple of follow-up questions if I may. On the cash cost of mining, you mentioned that you are looking to be at EUR60 a tonne at the end of this year excluding Paskov. Yet after Paskov is closed and that is from 2017, you expect to average EUR63 on those very same mines. I was just wondering what the delta is between the increased costs on the remaining mines.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

The EUR60 run rate at the end of this year is a function of two numbers, one is the cash cost and the other is production. Production as we discussed in response to a previous question, production --.

Dale Hogan - *Jefferies & Company - Analyst*

Is going to reduce, absolutely. Okay. So it's really keeping EUR60, keeping the cash costs really literally on an output adjusted basis the same.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Right.

Dale Hogan - *Jefferies & Company - Analyst*

Okay. Is there any room to reduce the EUR8 a tonne SG&A. That's an awful lot, it's like EUR70 million roughly of SG&A. Could you tell us like is there some room to reduce that? I mean you didn't put that in the plan here, but is there potential there?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

There is a potential, but I'm not going to give you a number here.

Dale Hogan - *Jefferies & Company - Analyst*

Okay. And also on the corporate overhead EUR10 million, I presume there's a potential, but you're not going to give me a number.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

That's right. And also that the current process is not exactly cheap.

Dale Hogan - *Jefferies & Company - Analyst*

Okay. I understand. Thank you very much.

Operator

Mehmet Yoruk, Dogan Holding.

Mehmet Yoruk - *Dogan Sirketler Grubu Holding AS - Analyst*

I would like to ask to the Company officials how do they feel about turnaround in the market under the given conditions that we have a slow economy in Europe, there is a shale gas production in United States which is affecting prices of thermal coal and so on. What would be the situation that we would be looking for for the Company to operate profitably in the coming years?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Thank you for the question. I think there's two parts to this, one is thermal coal and the other is coking coal. On thermal coal, I think your mentioning of the shale gas situation is very relevant. The thermal coal market is heavily depressed. There is also massive amounts of inventory in Central Europe at the moment and I'm afraid that NWR as well as its competitors are sort of in a race to the bottom trying to liquidate that inventory. So, we do not have high hopes for the thermal coal market upside. Thermal coal however is not really our main product. Because of the nature of the deposits that we are extracting, thermal coal is really a byproduct of the production of our key product, which is coking coal. In coking coal, the situation is very different. First, our relevant market Central Europe is structurally short coking coal.

And the irony of the situation is that even though the market is short, we are all; all meaning the local market participants principally the Polish industry and us; we are selling our product at a price which is determined outside of the local economy and so it does not reflect the shortage in the coking coal market. There are clearly some encouraging macro signs in both the European as well as the Central European economy. The Czech economy for example has posted a somewhat surprising growth figure for the first quarter. What's very important for us is the state of the automotive industry, which is a very important end customer for coking coal producers in Central Europe. That sector is doing very well at the moment. So in my mind the question is not will the coking coal market recover, it will. This is a irreplaceable resource, you cannot produce an automobile without coal, and so it's really just a question of timing. On that, I don't dare to make any predictions.

Mehmet Yoruk - *Dogan Sirketler Grubu Holding AS - Analyst*

Thank you.

Operator

Christian Hanson, INT.

Christian Hanson - *INT Asset Management - Analyst*

I have one question in regards to the lock-up. So if you don't sign on to the lock-up, are you then still able to vote on the proposal or how does that work?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Yes, you are able to vote on the proposal. If you do sign within the deadline, you will receive an early bird fee.

Christian Hanson - *INT Asset Management - Analyst*

Okay. Thank you. That clears it up.

Operator

[Giuliana Nazzari], Ironshield Capital.

Giuliana Nazzari - *Ironshield Capital Partners LLP - Analyst*

The first question I have is you have an estimation of life of mine and it seems that this is linked to the price of coal. You already mentioned that if prices increase, this is not necessarily going to increase the total [recover]. But if it happens the other way around if prices of coal fall further, what could be the impact? Why you guys are not using the market price in this exercise as opposed to let's say a price that's higher? If you could provide any sensitivity on that, it would be great. So, that would be my first question. Second question is if you would have any comments on the revenues and EBITDA projections that would be implied by this life of mine plan that you have. And the third one would be if you expect any changes in the asset retirement obligations or pension liabilities under the plan, if there is any way that you can wiggle out of that and if you could remind us how much that is? Thank you.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Thank you for the questions. On the life of mine plan and reserves and their dependence on coal prices, I tried to address that in an answer to an earlier question. Let me try again and also let me point you to page 24 of the presentation, which provides a kind of an example of how this works. You will see that there is not a simple linear relationship between coal price and the estimated life of mine or the reserve number for production. But please do refer to the page in the presentation, which has a lot more information on that. Sorry, now I forgot to note your second question, can you repeat that please?

Giuliana Nazzari - *Ironshield Capital Partners LLP - Analyst*

The question would be what would be the revenues and EBITDA implied by this life of mine plan?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

We don't provide guidance on revenues and EBITDA because it's so dramatically driven by coal prices.

Giuliana Nazzari - *Ironshield Capital Partners LLP - Analyst*

Okay. And the third question would be about asset retirement obligations and pension liabilities. What could happen in this plan if there's any way to reduce that and how much it is now?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Our key operating subsidiary OKD is a Czech company. It is incorporated under the laws of the Czech Republic and exists in a Czech pension system, which is fully funded by the state so we have zero pension obligation. The closure or shutdown liabilities are not really affected by this. It's just a question of when they materialize depending on the life of mine.

Giuliana Nazzari - *Ironshield Capital Partners LLP - Analyst*

Thank you.

Operator

Bram Buring, Wood.

Bram Buring - *Wood & Company - Analyst*

The EUR90 million in CapEx, is this pretty much fixed in stone given the Karvina extension or is there a possibility to bring this even lower? And second question, what happens if one class of the bondholder accepts the restructuring proposal and another for instance the unsecures rejects it, what's the situation then?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

On the CapEx, in the near term that number is not going to go much lower and you are right to think of Karvina in that context. In the long term, there is going to be a very significant reduction in CapEx as the world production [binds], but this is we are talking a number of years. On the hypothetical situation of only one class of noteholders supporting when we arrive at the deadline and also if we look at the number or the percentage of people who have locked up at the time and if we do not have the support that we need, we will switch to an alternative plan to this current proposal.

Bram Buring - *Wood & Company - Analyst*

So, the restructuring plan can be as it were spoiled by just one class of bondholder?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Yes. It does require 75% of present and voting in each class separately.

Bram Buring - *Wood & Company - Analyst*

Thanks. Just wanted to be clear on that.

Operator

Rob Slater, Silver Rock Financial.

Rob Slater - *Silver Rock Financial - Analyst*

A few questions about the projections that were given in conjunction with this announcement. Specifically, I wanted to talk a little bit about your latter year CapEx guidance. I'm wondering if it's really realistic in terms of how you run the business to spend so little in CapEx for so many years in the second half of the life of the plan. Could you talk to us a little bit more about how feasible that is?

And then secondly, to try to drill down into a little bit more the EUR151 million technical cost note towards the end of the press release. Could you dimension mention for us what's included in that and I'm wondering if also some of the Paskov mine closing costs are included in that EUR151 million as well?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

So, thank you for the questions. On the CapEx, to give you a simple straight answer, yes, it is realistic and you need to understand that there are really two parts in CapEx. One is maintenance CapEx and I think that is self-explanatory, but the other part is development CapEx and as the Company nears the end of its life, it essentially stops developing. That's what we are seeing now for example at Paskov even though the current agreement with the government requires that Paskov operates until 2017 so that means that there is some development CapEx being spent right now, but it's drastically reduced from a situation where you expect the mine to operate for a number of years. So, the absence of this development CapEx significantly reduces the overall number.

As for the shutdown liabilities, they are really composed of three elements. One is the social costs or the retrenchment costs, the costs of downsizing the headcount as a result of the mine closure. The second element is what we call technical liquidation; either work involved in decommissioning the mine, filling the shaft, securing the area, taking out any equipment that's recoverable. And the final third part is cost associated with mine damages, which is really the effect of subsidence. We operate deep underground mines, such operations do have impact on the surface and so a part of those closure costs are associated with our obligation to remedy any damage that is caused to properties and infrastructure on the surface.

Rob Slater - *Silver Rock Financial - Analyst*

And maybe a quick follow-up question. Could you provide us with an update on the negotiations with the ECA lenders? How should we as bondholders think post this restructuring our debt will be aligned vis-a-vis the ECA debt?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

So first off, the negotiation is very much live and I really don't want to go into any details given that situation. I'd much rather do that face to face with the lenders. But the key principle is twofold. One, there is not going to be a reduction in the nominal value of the ECA debt. And two, there is going to be an amendment to the repayment schedule of the ECA facility so that when you look at it on a net present value basis the ECA lenders are contributing to the overall restructuring in that way.

Rob Slater - *Silver Rock Financial - Analyst*

Should we expect that the amortizations will conclude before the maturity of the new senior secured note?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

I really don't want to get into any details on that. Sorry, but this is an ongoing very, very live process.

Rob Slater - *Silver Rock Financial - Analyst*

Okay. Thanks again for the call today.

Operator

I would now like to turn the call back to the speaker for any additional or closing remarks.

Gareth Penny - *New World Resources Plc - Executive Chairman of the Board*

Right. Well, all of you on this call, just in wrapping up. I mean we've heard a great range of different questions from all of you. We've given I think a considerable amount of information in the various press releases, presentations that are on our website and so on. I mean clearly what I think and number of you have expressed is the great challenges that we face. I think as Marek has articulated, if we can get the core business to be sustainable at current and consensus prices going forward after CapEx, then putting this capital structure in place we think would allow us to see through this difficult period that lies ahead. But it clearly remains a deeply challenging process and it's going to require I think all the efforts of the Company and all the stakeholders.

If we therefore look at the transaction that's been put before you, we believe; the Board, myself, management, all of those involved with this process, the committee; that this transaction balances the key objectives that we've mentioned on the call and is in the best interests of the Company and all its stakeholders. I started by laying out the different objectives that we have from deleveraging the balance sheet and creating sustainability there, the need for new capital to facilitate the transaction and to bolster liquidity, giving value to all stakeholder classes and an opportunity to stakeholders to participate in the business, and sharing the potential upsides. And we truly believe that to the extent of this possible agreement that we have in front of you does that by trying to balance the needs of all the different stakeholders. What I therefore want to urge all of you is to support this proposal.

We need that support and as I think Marek has made it absolutely clear, we have to get the appropriate majority in both classes to support this transaction going forward. We think that a consensual deal of this nature is appropriate, we think it is the right way forward, we think that it gives the best value frankly for all different stakeholders of this business. And what we really would ask is that you come forward and get signed up to lock-up agreements as soon as possible. It is critical to us that we get this support by June 25. We want to make sure that during the month of June we are secure going forward to know that we have that support in terms of our planning and in terms of our process. And I think Marek has made it very clear that absent that support, we will have to look at alternatives and we simply don't believe that those are in anybody's interest.

There is an incentive to sign up by June 25, the 25 basis points that we've discussed. But frankly in terms of the bigger picture, it's just very important for us in terms of our own internal processes, in terms of planning for the future that we're able to do that. So, if I can urge all of you to support this transaction. We think that for shareholders, we think that for 2018s, we think that for 2021s, we think that for management, for employees, for the stakeholders in the Czech Republic, and so and so forth; this is the right deal. This is the only consensual deal, it has taken us months and months of hard work to hammer it out and we think that it fairly balances the situation for all. So, please can we ask for your supporting us and thank you very much for being on this call and for putting your questions to us. That brings the proceedings to an end today. Goodbye to everyone.
