FINAL TRANSCRIPT

Thomson StreetEvents℠

NWR.L - Q1 2011 New World Resources NV Earnings Conference Call

Event Date/Time: May. 18. 2011 / 9:00AM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Marek Jelinek
New World Resources Corporation - Executive Director, CFO

CONFERENCE CALL PARTICIPANTS

Michael Boam
BlueBay Capital - Analyst

Jason Fairclough
Bank Of America Merrill Lynch - Analyst

Tam s Pletser
ING Bank - Analyst

Thomas O'Hara
Citigroup - Analyst

Roger Bell
JPMorgan - Analyst

John Dominic
Wood and Company - Analyst

Klaus Kueng
Raiffeisen - Analyst

Peter Csaszar
KBC Securities - Analyst

PRESENTATION

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thank you very much, good morning, everybody, and welcome to our First Quarter 2011 Results conference call. I'd like to start by looking at some operating and financial highlights, followed by review of our -- a more detailed view on our financial performance and I'd like to round off by walking you through our guidance for the rest of the year. At the end of the presentation we'll open for questions and try to provide answers.

Let me start by giving you an update of the key highlights for the first quarter this year. We continue to see a very strong demand for coal and coke in Central Europe with steel production, for example, up 7% year on year in our relevant markets.

We have seen the results of the strong environment and we have seen revenues increase 17% year on year to EUR385 million. We have seen a very strong growth in EBITDA, 42% to EUR82 million for the first quarter. Pre-tax profit at EUR11 million which is up from a loss of EUR14 million last year.

Earning per share of EUR0.01, again compared to a loss of EUR0.06 in the same period last year. Very strong operating cash flow which was achieved due to a combination of a strong pricing environment, as well as a favorable working capital development in the first quarter this year. We have, as a result, further deleveraged the company with net debt at the end of March just above EUR300 million.

Turning to the operational highlights for the first quarter of this year, our safety record further improved with the lost time injury frequency rate down another 3% year on year. Coal production in the first quarter was 6% lower relative to the same period of 2010 but external coal sales were flat year on year resulting in extremely low inventories at the end of March.

Coke production was down 20% relative to last year, which is a result of the consolidation of our coke production on a single site which has taken out a chunk of the fixed cost involved in producing coke. In both coal mining and production of coke we are very well on track to achieve the full year production targets which are 11 million tons of coal and 800,000 tons of coke, unchanged from what we communicated at the beginning of this year.

A note on the Debiensko development project, we continue to prepare the mining sites to be ready for breaking ground in the second half of this year and we are planning to make the final go decision on the project in our board meeting in mid-June and we expect that the CapEx this year will reach EUR55 million in Debiensko.

Finally on the sort of operational and strategic highlights I'm very pleased with the progress of our reincorporation into the United Kingdom. I would like to thank all our shareholders that supported the move. You may have seen us announcing 97% acceptance level on first closing, which I think is a great outcome and I'd like to think that it documents the support that our shareholders have given this move.

So as of now we are now a UK company and I think it is reasonable to expect that we will join one of the FTSE indices after the upcoming June review of their composition. Just a quick update on the steel environment in our region. For those of you who are looking at the presentation, the bar chart on the left hand side of the slide demonstrates or shows steel production, actual steel production in our actual markets, being Czech Republic, Poland, Germany, Austria and Slovakia.

You can see that in the first quarter the region's steel production was up 7% relative to the previous year and the latest monthly number that's available is for March this year and March steel production, again, in our region was up to 10% relative to February this year. So strong steel-making environment which translates into strong demand for our product.

A quick look at the resulting pricing environment. The price of coking coal has more than doubled from the lows of 2009, while the price of coke more than tripled in the same period, again, reflecting a significant improvement in the economic conditions in our relevant markets.

We have strongly benefited from our decision to align our coking coal pricing back in 2010 with the Japanese Fiscal Year pricing which was the standard for the industry then. Our decision to move to quarterly pricing this year again allowed us to follow international pricing trends with the second quarter pricing of coking coal average at EUR215 a ton which is 35% improvement over our average coking coal price in the first quarter this year.

What this means is if you apply our coking coal mix to international contract prices for hard coking coal and semi-soft coking coal you will see that we, in fact, in both the first quarter this year and as well as the second quarter this year we have been able to charge a premium over the benchmark prices. And we believe this is largely due to the positive regional dynamics.

Coking coal remains a constrained commodity while we continue to see increased end demand from steel consuming sectors, very importantly the auto industry continues to perform very strongly in Central Europe. Coke prices which have always been priced quarterly have also grown significantly in the second quarter this year. The average coke price contracted for the second quarter is EUR400 a ton which is 19% above the previous quarter.

There is no change in the thermo coal segment. As some of you may know we have priced all our thermo coal for this calendar year on an annual basis. The prices are locked in until the end of 2011 at an average of EUR71 a ton which is a 13% increase relative to 2010.

Before I go to more detail on the financials let's just quickly look at the quarterly development in our performance over the last two years. As you can see, we consistently have seen a pattern of progressive improvements in the financial performance throughout the year with the first quarter typically being the weakest quarter in terms of, for example, EBITDA or net income.

We fully expect this pattern to materialize in 2011 as well. And with that in mind I think the 42% increase in EBITDA between the first quarter and the first quarter last year serves as a very encouraging basis for modeling our performance for the full year 2011.

Let's move on to some of the key financials. As I mentioned earlier, revenues from continuing operations came in at EUR385 million which is a 17% increase on the same period last year. This has led to a 42% in EBITDA for the first quarter this year to EUR82 million.

We generated almost EUR120 million of operating cash flow which includes positive changes in working capital that has improved quite dramatically relative to last year. And finally our net income came in at EUR3 million which compares with a net loss of EUR14 million in the same period last year. Let's move on to look at the individual performance by each of the three segments of our business starting with the coal segment.

Coking coal revenues are up 25% to EUR169 million which is a combination of a strong 62% increase in the average realized price, partly offset by a 23% decrease in volumes, sales volumes. Thermal coal revenues increased quite dramatically, 36% to EUR110 million which is an effect of compounding 11% increase in pricing and 23% increase in sales volumes.

The cash costs in the mining business are up 16% on a stable currency basis which is mainly due to the increasing depth of our operations combined with intensified underground development works and rising costs of some of the inputs such as steel and energy.

In addition, in the first quarter we have seen some plant maintenance of our mining equipment in two of our -- of our existing mines. As we intend to increase production throughout the year though, this will have a positive impact on the -- on the cash cost in the mining segment for the remainder of the year and our guidance of approximately 10% increase in cash costs remains unchanged.

All these factors combined into a strong improvement in the EBITDA for the coal segment which was up 62% year-over-year. Moving on to coke, coke revenues are up 13% in the first quarter this year, which I think is particularly impressive if you -- if you look at the fact that production was down 20% as a result of the -- of the shutdown of the [Sverma] facility last year.

And despite the 20% reduction in output, conversion costs of unit cash costs in the - in the coke segment were down 2% on a flat currency basis, that again reflecting the improvements in efficiency that have resulted from the concentration of all our coke production in a single coke-making facility. This all combines into a positive -- very positive trend in EBITDA in the coke segment and 90% increase to EUR7 million for the first quarter this year.

(inaudible - background noise) to a summary of the outlook for the rest of the year. Before I go through the -- through the individual pieces of guidance, I think in a quick summary, there's no -- we don't feel any need to change any of the -- any of the guidance that we have provided earlier this year, which is an expected coal production of 11 million tons and coke production of 800,000 tons. External coal sales are expected at 10.3 million tons of coal and 720,000 tons of coke.

In terms of the coal product mix, we expect coal sales to be split evenly between the coking coal and thermal coal. So you should see coking volumes increase as a proportion of the total throughout the year and leading to a rebalancing of the mix in 2012 back to the usual 60% coking coal, 40% thermal coal.

Turning to prices, as I already mentioned, 100% of our thermal coal is priced for the full calendar year at EUR71 a ton. The coking coal is going to be priced on a quarterly basis with this spending second quarter the average being at EUR215 a ton which is a 35% increase relative to -- relative to the first quarter this year and a 52% increase relative to the average coking coal price for the full year of 2010. Coke will also be priced on a quarterly basis this year, the average for this second quarter of 2011 if EUR400 a ton which is about 19% increase relative to the first quarter this year.

Moving on to cost, as I think I mentioned already our cost guidance remains unchanged and we expect unit cash costs in the mining segment to grow 10% this year on a constant currency basis while the coke conversion costs are expected to drop by 15% on a constant currency basis again as a result of the -- of the efficiency improvements driven by the concentration of coke production in a single location.

In terms of CapEx, we expect EUR200 million to EUR250 million of CapEx to be spent in the existing operations with approximately EUR50 million on top of that to be spent in the -- in the -- in the Debiensko project. And finally, we do expect -- I think I mentioned earlier -- we do expect our performance to accelerate throughout the year as the production accelerates and, of course, as the -- as the strong pricing environment kicks in starting in the -- in the second quarter. That was the summary of the key highlights of the first quarter performance. And I'll be happy to try and answer your questions now. Operator, can we open for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

We will take our first question [today] from Michael Boam from BlueBay. Please go ahead.

Michael Boam - *BlueBay Capital - Analyst*

Hi. I just wanted a little bit more clarity around your comments on potential M&A. Given the Bogdanka transaction didn't happen last year, can you sort of put some parameters around what it is that you're actually looking at. Clearly, there's a number of transactions that have occurred recently in the States that have been done at very high sort of multiples. So I'm just questioning whether or not now is the right time to actually be sort of chasing assets shall we say.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Hi, Michael. And thank you for the question. We are focused on our immediate market area, so Central Europe which if you look at the, you know, geological map if you will, that's Poland and potentially Ukraine. As you may know, Poland has one non-government-owned mining company which is Bogdanka; we walked away from the acquisitions -- from that acquisition last year.

I think the reasons for that were clear. And we are watching with interest the preparations or the run up to an IPO of JSW our closest comp and competitor in the region which might have interesting implications for both the central European coking coal market as well as the sort of M&A space in the region.

We -- I think we have demonstrated last year after we or by walking away from the Bogdanka situation even though we could have done the deal, but we could have done it at a -- at a price that we were not comfortable with. I think we have had a number of situations not just M&A but other sort of transaction situations where we stuck to our -- to our stubborn view on what the price should be.

And I would like to think that our discipline in the Bogdanka situation last year demonstrates that we are not going to do M&A just for the sake of having tombstones on our desks but for the sake of creating value and establishing what we long felt was missing in the market which is a -- which is a -- which is a regional central European coal champion. That's what we are after. There's no, you know specific M&A situation that I can -- that I can talk of right now but again, the focus is our immediate region and the focus is obviously accretive acquisitions.

Michael Boam - *BlueBay Capital - Analyst*

Okay. And then, just in terms of the sort of coking coal sales volumes, how quickly do you think they'll trend back towards -- I mean, I appreciate that last year was an exceptional year but to sort of more balanced levels compared to a thermal coal.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

We expect for the full year -- for the full year 2011 to have a split of 50% coking, 50% thermal. And -- but that's the average for the year.

Michael Boam - *BlueBay Capital - Analyst*

Yes, yes.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

In the fourth quarter, we already have a majority of coking coal and starting in 2012 we will go back to the 60% coking, 40% thermal split.

Michael Boam - *BlueBay Capital - Analyst*

Okay. Thank you very much for your time.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thank you, Michael.

Operator

From Bank of America, Merrill Lynch we would now take our next question from Jason Fairclough. Please go ahead.

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

Hi, Marek, just a couple of questions if I may. In page six, you talked about regional steel production and last year we saw a seasonal peak in that steel production around May. I'm just wondering, you know, should we expect a similar sort of seasonal peak this year? And I guess on the back of that, you know, how is that going to tie in with the timing on the next quarterly price settlements both for coking coal and for coke? And then second, just on Debiensko, I mean, EUR50 million sounds like a lot of money on a small project with still in -- which is still in feasibility study. Could you give us a little bit more color there?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Right.

THOMSON REUTERS

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

Sorry, EUR50 million.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thanks for the question, Jason. On the -- on the steel production, yes, there's a historical pattern of a -- of a slower steel production in the summer. I don't -- I don't know whether that will be the case this year. I think it's reasonable to expect that. I think that the question is how much of a dip we will see in the summer. And judging by the -- by the (inaudible) performance of the steel consuming sectors, I think -- I think we should see a mild dip, but I cannot obviously translate that into -- into actual numbers.

With regards to Debiensko --

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

Sorry. And what about the settlements? So when would we actually expect to get a news on the -- on the next quarterly settlement? When would you make an announcement?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Well, we will make an announcement immediately after we have completed the -- the contracts. I think -- I think you should -- I think you should expect -- I think you should expect beginning of July to mid-July to hear from us on that.

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

Okay, thanks. And then on Debiensko?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

All right. On Debiensko, the -- the current status of the project is that, technically speaking, we are ready to break grounds right now -- tomorrow if we wanted to. We have a final court decision to be made in -- in mid-June. And we are completing some of the paperwork relating to the amendment of the -- of the existing license.

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

Okay. So there's -- there's no environmental road block? There's no more regional state approvals needed to happen to go ahead with that project? It's ready to go?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Yes, it's -- it's ready to go. And that -- that is why we are running kind of a parallel process that, you know, for example, we are -- we are -- we are buying some strategic blocks of land already. We are hiring people even though the final, final go-ahead is -- is yet to come.

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

So if we look at the likelihood, this is 80% likely this goes ahead as is, as planned?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

I -- that will be my view, but it's a -- it's a -- it's a collective decision.

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

Okay. And just in terms of the -- the latest guidance on the expected CapEx for that and the latest scope, I mean, that's what you last presented to the -- to the market of the full-year results hasn't changed?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Yes, there's -- there's nothing much to update you on. Once -- once we -- I would expect that once we have the final decision, we will also put out an announcement which will detail all the -- all the numbers and -- and the assumptions.

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

Okay, all right. Thank you.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thank you, Jason.

Operator

We will now take a question from Tam s Pletser from ING Bank.

Please go ahead.

Tam s Pletser - *ING Bank - Analyst*

Marek, I got two questions -- first is on the JSW strike. Did it -- or has it affected the regional coking coal or coke market? Did it have any -- any impact on your sales or on the market? And my second question is regarding your cost side. You mentioned the cost targets in a -- in a fixed rate. Could you remind me what is the company's sensitivity to the FX changes especially the Czech Koruna/Euro change, both on the cost side and on the -- on the review side?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Hi, Thomas. Thank you for the -- for -- for the questions. On the -- on the strike, I don't think there was any immediate impact, you know, measurable impact on the market in terms of pricing for example. But, clearly, it's one of the factors that -- that are pushing -- that are pushing coking coal prices upwards. But -- but I cannot -- I cannot give you a number of in terms, you know, how much -- how much coking coal is missing in the market or what is the impact on the price.

In terms of the FX sensitivity, we have -- we -- we have a policy of hedging the cash flow exposure. We are, you know -- the way we look at the exposures is -- is we account for revenues, expenses, both operational and financial, and CapEx, and the resulting FX exposure is then hedged to the -- to the tune of 70%. So we -- we put in place hedging instruments that cover 70% of the expected -- of the expected FX exposure.

THOMSON REUTERS

In the first quarter -- I think that you were asking about the sensitivity -- in the first quarter, on average, operating costs increased by 6% as a result of the -- of the appreciation of the local currency. This is, of course, the average because, you know, every -- every cost item has a -- has a different split of -- of currencies. but it would be -- it would be about 6% on average.

Again, on average, about 85% of the OpEx is -- is denominated in the local currency, while about half of the revenues is -- is denominated in the local currency.

Tam s Pletser - *ING Bank - Analyst*

Okay. Okay. I think it's -- it's pretty clear. Thank you so much.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thank you.

Tam s Pletser - *ING Bank - Analyst*

Can you -- can you tell us any -- any of your thoughts about the third quarter pricing outlook? Or is too early to talk about these issues?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Well, it's -- it's too early in the sense that -- that we don't have, you know, a real negotiation going on about the third quarter right now. So, you know, I guess the only indications that we hare are probably the same that -- that you looked at in terms of the global market development.

I think there was a recent -- there was a -- I don't whether it's a rumor or announcement about -- about $315 a ton that [Anglo] was supposed to -- to settle for, which would represent something like I think 4% -- a 4% reduction in the hard coking coal price, which I think would be -- would be a good outcome.

But I again, you know, please don't take that as guidance for our -- for our third quarter. We will -- we will update you when -- when we have clarity on that.

Tam s Pletser - *ING Bank - Analyst*

Okay. That's clear. Thank you very much.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thank you.

Operator

Our next question today comes from Thomas O'Hara from Citi.

Please go ahead.

Thomas O'Hara - *Citigroup - Analyst*

Thanks. Hi, Marek. Just a question about the maintenance CapEx -- in the full year results, you guided to EUR200 million to EUR225 million per annum. I noticed it was not just up slightly to EUR200 million to EUR250 million.

Is there any reason for a slight increase? And could you just sort of remind us again on what comprises that -- that increasing CapEx?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Yes. There's about -- so there's no -- there is no, you know, significance to the range that we talked about today. We haven't -- we haven't reevaluated our CapEx plans -- our CapEx plans for the year. About one half of the -- of the range is sort of normal technological renewal and -- and general maintenance of the existing assets. The other half is increased development activities aimed at making sure that we are able to stick to the optimal mix of coal qualities -- meaning 60% coking coal and 40% thermal.

Thomas O'Hara - *Citigroup - Analyst*

Okay. Thanks. And just one more follow-up question regarding I guess the thermal and coking mix at the moment. I know you've -- you've maintained your full-year guidance for a 50/50 split. Could just maybe give picture of how that will develop through the second and third and fourth quarter in terms of should we expect thermal coal sales volumes to still be higher than coking in the second quarter and, really, how that will progress?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

All right. Well, most of the -- well, first of all, I -- I don't want -- I don't want you to read too much into -- into, you know, a single quarter. A single quarter doesn't really mean much in -- in an operation of a company such as -- such as ours.

But that said, I think you should -- you should expect the bulk of the improvement in the -- in the -- in the qualities to come in the second half of the year and most of it in the fourth quarter similar to what we've seen last year.

Thomas O'Hara - *Citigroup - Analyst*

Okay. Thanks. Is this a geological issue? And is it -- are you preparing new long goals and --

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

It's -- you know, it's not really possible to sort of pinpoint one single issue. It's a -- it's a matter of -- of underground mine planning. It's a matter of geology. It's a matter of maintenance of technology, and there isn't really one single thing that -- that drives this.

Thomas O'Hara - *Citigroup - Analyst*

Okay. Thanks.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thank you.

Operator

We will now take our next question from Roger Bell from JPMorgan. Please go ahead.

Roger Bell - *JPMorgan - Analyst*

Hi, Marek. You mentioned the -- the guidance of a 15% decrease in conversion cost for the -- for the coke business, but you have a 2% decrease year-on-year in the first quarter. Can you give any sort of color on how you expect those costs to develop over the course of the year and how you're going to achieve the 15% guidance?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Roger, thanks for the question. This will be -- this year, I think similar to -- to the trends in the coal segment, one of the -- one of the things that we are dealing with and were dealing with at the beginning of the year where -- where cost involved -- still involved in the closure of the Sverma facility, but -- but as we -- as we get closer to the end of the year, you will see more and more of the -- of the decline in the -- in the unit cost, ending with the -- with the 15 -- 15% decline.

Roger Bell - *JPMorgan - Analyst*

Okay. So there is still some cost in the first quarter from Sverma?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Yes.

Roger Bell - *JPMorgan - Analyst*

Okay. Okay, fine.

Operator

Our next question today comes from [John Dominic] from [Wood and Company].

Please go ahead.

John Dominic - *Wood and Company - Analyst*

Hello. Good morning, gentlemen. This is (inaudible) from Wood and Company. May I have just a couple of questions first about the -- the reincorporation exercise and -- and the cost of it? Could you now quantify how much you paid for that and whether you already saw it in the first quarter results or whether it will be booked only into the second quarter?

And my second question concerns the (inaudible) mining plant. Do you see any risk that the Polish regulator could drag you from opening the ground by not giving it on time? Or -- or do we have visibility about getting it soon?

And if you could update us on how the (inaudible) change because I think that the officials are still stating that a 190 bulk of it is coking coal and the inclusion of the shallow should move it somewhat higher if I'm not mistaken. Thank you.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Hi. Thank you for the -- for the question. In terms of the reincorporation, I'm -- I'm not going to give you a specific number in terms of the cost right now.

Some of the -- some of the cost has indeed been incurred in the first quarter, but there are -- there's going to be follow up costs in the -- in the -- in the second quarter and -- and, potentially, even in the -- in the third quarter. So let's -- let's just, you know, get a final bill when -- when all the costs have come in.

In terms of the -- the Debiensko situation, you know, we -- we don't get the sense that -- that anybody, including any regulators, are trying to, you know, throw a wrench into it, we -- we think we are -- we are getting a normal professional approach by -- by everybody involved. And a little bit of bureaucracy is involved in the process and we just have to work with that.

About the reserves, you're right, we are -- we are still talking about the [JORK] number of 190 million tons. I don't have an updated JORK number for you right now. Our sense is that there's about 60 million additional -- additional coal in the [shoulder layers]. We will have to verify that with the -- with the JORK specialist.

John Dominic - *Wood and Company - Analyst*

Perfect. Okay. Thank you, all, for answers.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thank you.

Operator

(Operator Instructions)

Our next question comes from Klaus Kueng from Raiffeisen. Please go ahead.

Klaus Kueng - *Raiffeisen - Analyst*

Hi there. Just two -- two quick follow-up questions. In terms of your inventory levels, where will we stand today versus the end of the quarter, Q1 basically? And the other thing would be sort of your monthly output progression in the first quarter and where will we stand in April and May as well. Thanks.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thank you for the questions. In terms of the -- in terms of the inventories, they're -- they -- they haven't changed dramatically between -- between end of March and -- and end of April. Before -- before I go further on -- on this, you know, I -- I think I mentioned earlier that, you know, a quarter is way too short a period to -- to conclude anything about -- anything about our performance. So, you know, monthly production or monthly sales is just -- I mean, I don't think that's a -- excuse me -- I don't think that's a number that's even worth -- worth talking about.

Klaus Kueng - *Raiffeisen - Analyst*

Okay.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

You know, we -- we do expect acceleration in production towards the end of the year, but, at the same time, if you look at the, you know, past monthly pattern if you really want to do that, you will see for example that there's a bit of a lull in the -- in the summer as people take -- take vacations. Again, this is -- this is not something I'm worried about at all.

Klaus Kueng - *Raiffeisen - Analyst*

Okay.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

The -- the important thing is that there is a seasonal pattern in the first quarter being generally the slowest of the month -- sorry -- of the year and the last quarter, the fourth, generally being the strongest of them.

Klaus Kueng - *Raiffeisen - Analyst*

Okay. But in the short term, would you -- would you think that you will have to resort more to outside coking coal for your coke batteries rather than to -- to source it within the company?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

We always -- we always do both. We always source -- source coking coal from both our own mines and -- and third parties. And we would -- we would continue doing so I'm sure in the rest of the year.

Klaus Kueng - *Raiffeisen - Analyst*

Okay.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thanks.

Operator

Thank you. Our next question comes today from Peter Csaszar from KBC Securities. Please go ahead.

Peter Csaszar - *KBC Securities - Analyst*

Good morning, gentlemen. Just one follow-up question on the cost side -- you had a sort of shifting number of employees with the number of contractors increasing and own employees decreasing. I'm just wondering that is this because of the intensified mine development and this is the reason for the -- the absolute increase in personnel expenses year-on-year and quarter-on-quarter? Thanks.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thanks for the question. It is partly related to the -- to the development. Some of the developments are done by outside contractor crews. But -- but, mainly, this is about the flexibility that employing contractors allows us in terms of -- in terms of managing the -- the headcount if we have to.

So -- and also, frankly, it also has to do with the availability of highly qualified Polish labor as contractors in a -- in a situation where the -- where the Polish industry -- or I should say the (inaudible) industry is -- is -- does have a pool of qualified labor that's -- that's not necessarily available in the Czech Republic.

Peter Csaszar - *KBC Securities - Analyst*

Okay. Thanks.

Operator

(Operator Instructions)

We will now take a follow-up question from Jason Fairclough from Bank of America, Merrill Lynch.

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

Hi. Marek, I was just looking back in some of my notes on Debiensko, and I just wanted to clarify the -- the feasibility study or the concept, if you like, as it currently stands.

Is it the case now that if we look at those first volumes that are supposed to come out in 2015, 2016 that those will be predominantly thermo coal and then, over time, you'll mine your way down to coking coal? Could you just remind us what -- what the -- the concept is please?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Jason, that is -- that is generally the case, although our latest numbers -- and again, we will -- we will give you a full update once the final decision is made -- but our latest numbers would -- would indicate that even at the beginning, there is going to be a vast majority, 80%-plus of the production would be -- would be coking coal.

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

And that's comparable with your existing product, which is semi-hard product or a mixture of semi-hard and semi-soft?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

It's a -- it's a mixture of hard and semi-soft. It is -- it is -- you know, it is the same themes that we are mining on the -- on the Czech side of the border. So the quality should be roughly similar.

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

Okay. And, again, the first volume's realistically 2015?

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

I think so, yes.

Jason Fairclough - *Bank Of America Merrill Lynch - Analyst*

Okay. Many thanks.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Thank you.

Operator

As there are no further questions in the queue, that will conclude today's question-and-answer session. I would now like to turn the call back to the host for any additional or closing remarks.

Marek Jelinek - *New World Resources Corporation - Executive Director, CFO*

Ladies and gentlemen, thank you very much for -- for joining us for this first quarter results call. Our -- our investor relations team headed by Agnes Blanco will be available for any follow-up questions or comments that -- that you may have, so please feel free to get in touch with them. And I'm looking forward to speaking to you again on the -- on the next occasion. Thank you. Bye-bye.