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EDITED TRANSCRIPT

NWR.L - Q2 2014 New World Resources Plc Earnings Call

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CORPORATE PARTICIPANTS

Radek Nemecek *New World Resources Plc - IR*

Gareth Penny *New World Resources Plc - Executive Chairman*

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

CONFERENCE CALL PARTICIPANTS

Peter Djokovic *Jefferies - Analyst*

Bram Buring *Wood & Company - Analyst*

PRESENTATION

Operator

Good day, and welcome to New World Resources H1 2014 results conference call. At this time, I would like to turn the conference over to Radek Nemecek, Head of Shareholder Relations.

Radek Nemecek ***- New World Resources Plc - IR***

Good morning, and thank you for joining us on this conference call to discuss our half-year results. We are joined today by our Executive Chairman, Mr. Gareth Penny, and our Chief Financial Officer, Mr. Marek Jelinek.

At the end of the presentation, we will open up the call to take your questions, and we have again reserved about 30 minutes for the Q&A session. Let me remind you that this call is being recorded and it will be available on our website.

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

Gareth Penny ***- New World Resources Plc - Executive Chairman***

Radek, thank you; and good morning, everyone, and welcome to our results presentation. I will start by giving you an overview of our performance for the six months of this year, and then Marek will take us through the financials.

Marek and I will then conclude by outlining our outlook for the current year, and also updating you on the latest developments with regard to the balance sheet restructuring process.

And then finally, we'll say a few words about the strategic targets for the second half of this year.

If I can then ask you to move to slide 5, the financial summary. Trading conditions for the first half of the year have continued to be depressed, with coking coal prices suffering from further weakness, declining by about 15% to end up at EUR87 a tonne for the six-month period.

The principal driver behind this decline has been the continued sluggish recovery in the eurozone economies that in turn feed through to demand from steel manufacturers, who are the largest consumer of coking coal.

This situation has been compounded by a problem of persisting global excess of supply, as producers of coking coal have sought to increase their output in the face of these weakened prices in order to cover their higher level of fixed costs.

It is this weakness in coking coal prices, along with the fall in volumes sold, principally thermal coal following a relatively mild winter, that has led to a 20% drop in revenue, as you see on the slide, to EUR346 million.

Despite this fall in revenues, we reported a positive EBITDA of EUR19 million for the period compared to a loss of EUR49 million for the same period last year. Alongside an improvement in the sales mix, this move into underlying profitability is testament to our efforts to drive down costs and streamline the business in line with our strategic goals.

Cash mining unit costs were down 24% at EUR64 a tonne, or 19% on a constant currency basis, on production that was 5% higher. This is in line with our goal of reaching a recurring run rate in the mid EUR60 per tonne, including Paskov by the end of this year.

In tandem, SG&A expenses were reduced by 27% compared to the equivalent period last year, with CapEx also down by EUR61 million at EUR24 million for the first half.

These significant achievements are the direct consequence of all the hard work and determination on our part to streamline the business as far as possible in order to be able to withstand external pricing pressures and to capitalize on the opportunities that arise when conditions do improve.

After the deduction of financing costs and other items such as D&A, we recorded an underlying loss of EUR57 million for the period, equivalent to a basic loss of EUR0.22 per A share, a major improvement on the EUR56 (sic - see slide 8, "EUR0.56") underlying loss per A share recorded in the first half of last year.

We ended the year with cash of EUR122 million, with net debt increasing to EUR668 million (sic - see slide 5, "EUR688 million") versus EUR625 million at the beginning of this year.

Alongside these efforts to streamline the operational side of the business, as you well know, we've been working very hard on the financial side with a proposed restructuring of our balance sheet. We will talk about this process in more detail in a little while, but just for now to say that it has been progressing well, with completion expected in October of this year.

If I ask you then to turn to slide 6 for the operational summary. Before I go into the production and sales levels, I would like to highlight our health and safety performance.

I'm pleased to report that on health and safety, this overall has continued to improve, with the lost time injury frequency rate down a further 3% to 7.16 lost time injuries per million hours worked in the six months compared to 7.41 in 2013 as a whole.

We continue to remain amongst the safest deep underground mines in Europe, and are on track to reach an LTIFR target of 5 by 2015.

As you can see on slide 6, our coal production for the six months is 4.5 million tonnes, with external sales of 4 million tonnes. The resultant 14% increase in coal revenues to 858,000 tonnes was largely due to a rise in thermal coal following a relatively mild winter season which adversely impacted coal-fired power stations' demand for this product.

Higher priced coking coal made up around 63% of the total sales mix compared to 49% last year, so positively impacting our profitability and putting us firmly on track to reach our 60% target for the year as a whole.

As I mentioned earlier, mining unit costs were down 24% at EUR64 a tonne, a significant driver of which has been the reduction in the headcount, including contractors. Furthermore, we managed to contain CapEx, with capital costs for the continuing operations down 71% to EUR24 million. Our target for CapEx for the full year of less than EUR100 million remains in place.

Steel producers are the key drivers of demand for coking coal, and looking at the chart on the right, it is encouraging that the production of steel is up 4% year on year. However, note of caution that this recovery is still fragile, with the global capacity utilization only at about 78%, albeit stable. This makes it even more imperative that we do everything within our control to mitigate these external circumstances as best we can. I'm pleased to say that we have done -- that we are doing this, and with some real and tangible results.

Now may I pass over to Marek who is going to take us through some more detailed financials?

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

Thank you, Gareth. Good morning, everyone, and thank you for taking the time this morning. Gareth has talked about the revenue development at the beginning of his presentation, so I'll address the cost situation.

Over the past six months, total cost of sales have fallen by 36%, which outweighs the 20% fall in revenues. And in combination with the 27% drop in administrative expenses, the underlying profitability has very significantly improved.

From an EBITDA loss of EUR49 million in the six months, first six months of 2013, we have turned this to an EBITDA profit of EUR19 million for the same period this year. We feel this is a very solid achievement and it's a clear testament to our determination to contain costs and optimize the existing operations.

We recorded an impairment charge of EUR307 million last year which related to the write-down of our coal assets, and this was not repeated this year. Excluding this impairment to enable a like-for-like comparison, the underlying loss per A share of EUR0.22 is a significant improvement on last year's EUR0.56 of underlying loss.

You can see a continued decline in our CapEx levels, which was this year, this first half, of EUR24 million, which compares to EUR85 million for the same period in 2013. And that represents a just above 70% decrease in CapEx. We continue to target CapEx spend for the calendar year 2014 of less than EUR100 million. So you will an increase in CapEx in the second half of the year.

Moving on to more detail on the pricing situation on slide 9. Coking coal prices remain under pressure as a consequence of higher supplies on the market combined with subdued demand from especially European steel manufacturers. This has translated into further declines in the average price, which was down 15% for the first six months this year, and it translated into EUR87 a tonne. And it was also down 16% for the second quarter alone.

Notwithstanding that, and just to be clear, I'm not calling the bottom of the market here, but we have negotiated an average price of EUR85 a tonne for the third quarter, which is clearly a modest but still an increase.

Thermal coal prices also remain under pressure. This is a combination of increased supplies coming onto the market as this commodity continues to be squeezed out of the US energy mix due to in part the growing influence of shale gas, and also a relatively mild winter this past winter.

Our thermal coal prices were 4% up year on year at EUR58 a tonne. And as people who follow us probably know, our production for the full calendar year 2014 has been locked in at an average blended price of EUR54 a tonne.

Now moving on to slide 10 to discuss the key drivers behind EBITDA development. As you can see, the negative impacts are mainly the coking coal prices, as well as coal volumes. But the main proponent of the turn into a positive EBITDA has been the reduction in cost of sales, which again is a consequence of our focus on optimizing our operations.

Also, the increase in proportion of total sales made up of the higher priced coking coal at the expense of thermal has been a contributing factor. Those of you looking at the slides, you can see the coal mix impact, and that is the EUR28 million of higher coking coal proportion in the mix.

These three drivers have been more than able to offset the further fall in coking coal prices and lower sales volumes of thermal coal.

Let's move on to take a closer look at the components of the mining business on slide 11. You can see that revenues from coking coal were down 6% year on year, which is a result of a 15% decline in the price, which is to some degree offset by a 10% increase in volumes.

Sales from thermal coal were down 40%, mainly driven by a 41% drop in volumes, which was partially offset by a 4% increase in the average price.

Inventories rose 14% to 860,000 tonnes, which is in line with the decline of thermal coal sales.

Cash mining unit costs, as we discussed earlier, were down 24% against a backdrop of a 5% increase in production levels.

Moving on to slide 12 for our financial position. Net debt as at June 30 was at EUR688 million, which includes EUR122 million of cash. And the chart on top shows the main drivers behind the development in net debt in the first six months of the year.

The bottom right-hand chart shows the maturity profile of the existing debt. Clearly, subject to the successful completion of the ongoing restructuring, this will change dramatically and we will address that in a few moments.

But for now, I'd like to hand over to Gareth to talk about the outlook for the remainder of 2014.

Gareth Penny - ***New World Resources Plc - Executive Chairman***

Thank you, Marek. And if we go to slide 14, before we update you on where we are with the capital restructuring, I wanted to remind everyone on our near-term pricing which we announced to the market on July 11.

The price for coking coal for the third quarter has been agreed, as Marek has said, at EUR85 a tonne, a 1% increase on the second quarter pricing of EUR84 tonne, while the 12-month forward contract to sell 80% of our thermal coal at an agreed average price of EUR54 a tonne remains in place.

As regards our other targets for the full year -- well, our targets for the full year I should say -- they remain unchanged, and to summarize, they are both coal production and sales volume in the range of 9 million tonnes to 9.5 million tonnes; 55% to 60% coking coal target in the sales mix; a run rate of mid-EUR60 per tonne for cash mining unit costs, including the Paskov mine; less than EUR100 million of CapEx; and a further improvement in lost time injuries towards the 2015 target of below 5.

So let's turn over to slide 15, and Marek and I will talk to where we are on the capital restructuring.

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

Thank you, Gareth. As you perhaps know, we have been engaged in discussions to identify a capital structure that will strengthen our balance sheet through both a reduction of debt as well as significant reduction in the debt servicing costs, and position the Company to benefit all stakeholders once there's a market upturn.

We have been engaged in this since January of this year. I think people can appreciate that this has been a long and difficult process, in part because there are many different sets of stakeholders whose interests are often diverging.

Nevertheless, at the beginning of June, we announced the key terms of the proposed consensual restructuring plan which goes through a settlement called a Scheme of Arrangement here in the UK. Subsequently, about a month later on July 2, we agreed a slight revision to the terms, and we also announced a proposed alternative restructuring plan which is a part of a contingency planning for the event that the proposed consensual plan, for whatever reason, does not get implemented.

The terms of the consensual plan involve the current noteholders through their existing instruments for cash and debt instruments. It involves a reduction in the total leverage down to EUR500 million, and an inflow of new liquidity into the business of EUR95 million, which also includes a senior -- a super senior credit facility to be provided by the existing noteholders. This capital injection has been fully committed by a group of existing noteholders and our majority shareholder.

The consensual restructuring plan has been very well received with shareholder approval granted yesterday at a general meeting, and what's called lock-up agreements which we received by value from 85% of the senior secured noteholders, and just above 66% of the unsecured noteholders.

The threshold that's required for approval in value in each class is 75% of those present and voting, and we are confident that we will gain the requisite majorities at the creditor meetings that are scheduled for August 29, which is Friday next week; and the full completion of the restructuring is expected in the month of October this year.

The alternative restructuring in the event that the consensual plan is not approved; so the alternative restructuring is an insolvency, which could lead certain categories of stakeholders with minimal or even no recoveries. So I would like to strongly urge everyone to support this proposed consensual restructuring, as it is in the best interests of all existing stakeholders.

Meanwhile, however, we will continue to conduct our business as usual, and we remain focused on implementing the previously announced efficiency and cost optimization measures which Gareth will talk about on the next slide.

Gareth Penny *- New World Resources Plc - Executive Chairman*

Marek, thank you. And just before I do so, really just to underline a few of the points that Marek has made.

We have worked extraordinarily hard over the past seven months. As Marek has said, this has been a long and complicated process with many, many stakeholders involved. We have now got to the point where next Friday 29, there is a meeting of the two classes of bondholders. As we've said, we have 85% of the 2018s and just over 66% of the 2021s, who have indicated support.

We feel that this is the right -- this consensual deal is the right deal for all involved, that it's the right deal for the Company, and it's the fairest outcome I think for all the stakeholders. And again, as Marek has said, we would strongly urge everyone to get behind this consensual deal as we feel that this is the right way forward.

If we then finally move to slide 16 just to reiterate the longer-term outlook beyond this year, for the Company. So clearly, the focus is getting an appropriate balance sheet that secures our future. That is our immediate focus and something that we want to achieve by October.

You've seen the slide before, but I'll remind you that there are three major strategic initiatives that it illustrates. The first is to optimize the existing business; that's the blue circle. Dale Ekmark and his team at OKD have been doing an outstanding job. That's really why you see these costs coming dramatically down to the mid-EUR60 per tonne, which I think a while ago would have been unthinkable.

Those efforts continue, and the focus and the crispness of how we run that operation needs to bed down and we need to make sure that we continue to get that business where it needs to be.

The second initiative is increasing our coking coal sales into Europe, and we've said that we wanted to see whether there was a trading model which we could expand around our existing supply to build up our supplies into Central Europe. We have a relatively new head of sales and marketing in Peter Dormann, and his team have been very focused on how we build this business as we go forward.

And then lastly, we talked about becoming a one-stop shop for European steel customers, and the idea there is to become the supplier of choice. It really builds with both the optimization of the current business and the marketing side, but also as we look into the future, would involve new business development headed by Peter Carr.

So there are really three strategic initiatives. Clearly, given where we've been, front and center has been the optimization of the existing business, but as we move forward into next year and beyond, and particularly as the coal market begins to improve, so the others would receive more and more attention.

So I think those are the major points that we want to highlight, and I'm going to pass back now to Radek to field the questions.

Radek Nemecek - ***New World Resources Plc - IR***

Thank you, Gareth. Operator, we can now take the questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). [Peter Djokovic], Jefferies.

Peter Djokovic - ***Jefferies - Analyst***

First question on the cash mining unit costs which came in at EUR64 a tonne in the first half. They were at EUR66 in the first quarter, which would seem then that second quarter was probably closer to EUR62-ish. Could you confirm that that's the case?

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

Yes, that's right.

Peter Djokovic - ***Jefferies - Analyst***

That's right. So it's around EUR62. And should we expect it to stay at that kind of level, EUR62-ish for the rest of the year, or is there more to be taken out of Paskov in the second half of the year?

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

I think it's correct that you have Paskov in mind, because Paskov has an impact on all of this. We should be at the end of this year at a run rate -- excluding Paskov, at a run rate of about EUR60 per tonne; including Paskov at about EUR65.

Peter Djokovic - ***Jefferies - Analyst***

Okay. And, sorry. And the EUR64 that you've reported, that's including Peter Djokovic, right? Or excluding Paskov?

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

The numbers that we talk about and that are in the presentation, they're for the business as a whole, so they include --

Peter Djokovic - ***Jefferies - Analyst***

That's exactly what I meant. So the EUR65 seems very conservative given that you're around EUR62 already in the second quarter. That's just a statement, I guess, not a question.

And then in terms of government aid towards closing of Paskov over the next few years, how does the mechanism work, and when does it kick in? Has it already started? Have you drawn on that? Is it --? In what form is that support?

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

The status of that is that we have signed an agreement with the Government of the Czech Republic under which the Government covers approximately CZK600 million of costs associated with the shutdown of the mine at the end of 2017. That CZK600 million is social costs of the shutdown, i.e., the costs associated with the inevitable laying off of employees at Paskov.

Peter Djokovic - ***Jefferies - Analyst***

Okay. So it's not cash costs really. It's pensions and social support, benefits, etc.

Gareth Penny - ***New World Resources Plc - Executive Chairman***

And, Peter, it's not -- it's Gareth. It's not going to have any impact obviously in the interim, because it's not as though government will pay us during this process. And I think the other point that we need to make is that this is not a done deal yet because it's now winging its way through Brussels and there's a process to get the approval of the Commission. So this is still work in progress.

Peter Djokovic - ***Jefferies - Analyst***

Understood. Thank you.

A quick question on Ukraine. Obviously, a very topical subject these days and geopolitical situation there. Have you seen any impact on your end markets from a customer standpoint, supply standpoint, from recent events?

Gareth Penny - ***New World Resources Plc - Executive Chairman***

No, minimal.

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

Not really. If any, there would be possibly an impact, which we haven't seen yet, but there could possibly be an impact on thermal coal which is -- which does make its way from the East to Central Europe. I think it's very unlikely that we would see any impact on coking coal. There isn't really Ukrainian or Russian coking coal in Central Europe.

Peter Djokovic - ***Jefferies - Analyst***

Sure. And then on the thermal coal, if there is an impact, when are your annual conversations taking place? Is it around November for the 80% of forward volume for the next year?

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

No. It's late October/early November when it really comes together.

Peter Djokovic - ***Jefferies - Analyst***

Okay. So potentially some positive on the pricing there.

And then another question and then I'll let somebody else have a go. On ECA loans and obviously restructuring of those, one of the [CPs] for the restructuring agreement overall, when you do expect to hear --? When can we hear back on this? Is it after the creditor meeting, before creditor meeting? What is the timing in your view?

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

Well, we have been working very constructively with all of the ECA lenders and the [Hermes], the insurer, and the present timeline of approvals fits within the overall time of the restructuring.

Peter Djokovic - ***Jefferies - Analyst***

Understood. Thank you very much.

Operator

(Operator Instructions). Bram Buring, Wood & Company.

Bram Buring - ***Wood & Company - Analyst***

A few questions, please; just some nuts and bolts first. Could you tell me how much the coking coal was in your inventories at the end of the month?

Second question would be middlings. Your pricing implies that you're going to have middlings sales in the second half. Could you maybe specify which quarters we're going to see those in?

And then related to the Ukrainian question there, I know it's not a business that you're in any more, but would you expect any impact from the fighting in the Ukraine on the coke market?

And lastly, there was a call by the Foreign Minister in Poland, Sikorski, to ban Russian coal imports. How likely do you think it is that Brussels would pick up on this call?

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

Very little of the inventory balance is coking coal. Most of it is thermal. And actually, the vast majority of it is raw, unprocessed coal. I don't want to get into specific quality, middlings and other types.

With regards to the question on the coke business, you will appreciate that we don't really follow it as closely any more as we once used to, but I really think any impact of the political situation around Ukraine, if there is any, it will be on thermal coal, and I think that will be it.

Bram Buring - ***Wood & Company - Analyst***

Thank you.

And maybe if I just have one additional question there. With regards to the rights issue, can you confirm that there will be no trading of rights in Prague? And if this is the case, then how should shareholders in the Prague line that want to buy or sell rights, how should they proceed?

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

There will be -- that's correct, Bram. There will be no trading in Prague and -- but everybody who's interested is free to trade in on the London market.

Bram Buring - ***Wood & Company - Analyst***

Okay.

Operator

(Operator Instructions). As there are no further questions at this time, I would like to hand the call back over to your hosts for any additional closing remarks.

Radek Nemecek - ***New World Resources Plc - IR***

Thank you, operator. Thank you, everyone, for your participation, and have a nice day. Bye-bye.

Gareth Penny ***- New World Resources Plc - Executive Chairman***

Thank you, everybody.

Operator

Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.

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Operator

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Radek Nemecek ***- New World Resources Plc - IR***

Good morning, and thank you for joining us on this conference call to discuss our half-year results. We are joined today by our Executive Chairman, Mr. Gareth Penny, and our Chief Financial Officer, Mr. Marek Jelinek.

At the end of the presentation, we will open up the call to take your questions, and we have again reserved about 30 minutes for the Q&A session. Let me remind you that this call is being recorded and it will be available on our website.

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

Gareth Penny ***- New World Resources Plc - Executive Chairman***

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

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Notwithstanding that, and just to be clear, I'm not calling the bottom of the market here, but we have negotiated an average price of EUR85 a tonne for the third quarter, which is clearly a modest but still an increase.

Thermal coal prices also remain under pressure. This is a combination of increased supplies coming onto the market as this commodity continues to be squeezed out of the US energy mix due to in part the growing influence of shale gas, and also a relatively mild winter this past winter.

Our thermal coal prices were 4% up year on year at EUR58 a tonne. And as people who follow us probably know, our production for the full calendar year 2014 has been locked in at an average blended price of EUR54 a tonne.

Now moving on to slide 10 to discuss the key drivers behind EBITDA development. As you can see, the negative impacts are mainly the coking coal prices, as well as coal volumes. But the main proponent of the turn into a positive EBITDA has been the reduction in cost of sales, which again is a consequence of our focus on optimizing our operations.

Also, the increase in proportion of total sales made up of the higher priced coking coal at the expense of thermal has been a contributing factor. Those of you looking at the slides, you can see the coal mix impact, and that is the EUR28 million of higher coking coal proportion in the mix.

These three drivers have been more than able to offset the further fall in coking coal prices and lower sales volumes of thermal coal.

Let's move on to take a closer look at the components of the mining business on slide 11. You can see that revenues from coking coal were down 6% year on year, which is a result of a 15% decline in the price, which is to some degree offset by a 10% increase in volumes.

Sales from thermal coal were down 40%, mainly driven by a 41% drop in volumes, which was partially offset by a 4% increase in the average price.

Inventories rose 14% to 860,000 tonnes, which is in line with the decline of thermal coal sales.

Cash mining unit costs, as we discussed earlier, were down 24% against a backdrop of a 5% increase in production levels.

Moving on to slide 12 for our financial position. Net debt as at June 30 was at EUR688 million, which includes EUR122 million of cash. And the chart on top shows the main drivers behind the development in net debt in the first six months of the year.

The bottom right-hand chart shows the maturity profile of the existing debt. Clearly, subject to the successful completion of the ongoing restructuring, this will change dramatically and we will address that in a few moments.

But for now, I'd like to hand over to Gareth to talk about the outlook for the remainder of 2014.

Gareth Penny - ***New World Resources Plc - Executive Chairman***

Thank you, Marek. And if we go to slide 14, before we update you on where we are with the capital restructuring, I wanted to remind everyone on our near-term pricing which we announced to the market on July 11.

The price for coking coal for the third quarter has been agreed, as Marek has said, at EUR85 a tonne, a 1% increase on the second quarter pricing of EUR84 tonne, while the 12-month forward contract to sell 80% of our thermal coal at an agreed average price of EUR54 a tonne remains in place.

As regards our other targets for the full year -- well, our targets for the full year I should say -- they remain unchanged, and to summarize, they are both coal production and sales volume in the range of 9 million tonnes to 9.5 million tonnes; 55% to 60% coking coal target in the sales mix; a run rate of mid-EUR60 per tonne for cash mining unit costs, including the Paskov mine; less than EUR100 million of CapEx; and a further improvement in lost time injuries towards the 2015 target of below 5.

So let's turn over to slide 15, and Marek and I will talk to where we are on the capital restructuring.

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

Thank you, Gareth. As you perhaps know, we have been engaged in discussions to identify a capital structure that will strengthen our balance sheet through both a reduction of debt as well as significant reduction in the debt servicing costs, and position the Company to benefit all stakeholders once there's a market upturn.

We have been engaged in this since January of this year. I think people can appreciate that this has been a long and difficult process, in part because there are many different sets of stakeholders whose interests are often diverging.

Nevertheless, at the beginning of June, we announced the key terms of the proposed consensual restructuring plan which goes through a settlement called a Scheme of Arrangement here in the UK. Subsequently, about a month later on July 2, we agreed a slight revision to the terms, and we also announced a proposed alternative restructuring plan which is a part of a contingency planning for the event that the proposed consensual plan, for whatever reason, does not get implemented.

The terms of the consensual plan involve the current noteholders through their existing instruments for cash and debt instruments. It involves a reduction in the total leverage down to EUR500 million, and an inflow of new liquidity into the business of EUR95 million, which also includes a senior -- a super senior credit facility to be provided by the existing noteholders. This capital injection has been fully committed by a group of existing noteholders and our majority shareholder.

The consensual restructuring plan has been very well received with shareholder approval granted yesterday at a general meeting, and what's called lock-up agreements which we received by value from 85% of the senior secured noteholders, and just above 66% of the unsecured noteholders.

The threshold that's required for approval in value in each class is 75% of those present and voting, and we are confident that we will gain the requisite majorities at the creditor meetings that are scheduled for August 29, which is Friday next week; and the full completion of the restructuring is expected in the month of October this year.

The alternative restructuring in the event that the consensual plan is not approved; so the alternative restructuring is an insolvency, which could lead certain categories of stakeholders with minimal or even no recoveries. So I would like to strongly urge everyone to support this proposed consensual restructuring, as it is in the best interests of all existing stakeholders.

Meanwhile, however, we will continue to conduct our business as usual, and we remain focused on implementing the previously announced efficiency and cost optimization measures which Gareth will talk about on the next slide.

Gareth Penny - ***New World Resources Plc - Executive Chairman***

Marek, thank you. And just before I do so, really just to underline a few of the points that Marek has made.

We have worked extraordinarily hard over the past seven months. As Marek has said, this has been a long and complicated process with many, many stakeholders involved. We have now got to the point where next Friday 29, there is a meeting of the two classes of bondholders. As we've said, we have 85% of the 2018s and just over 66% of the 2021s, who have indicated support.

We feel that this is the right -- this consensual deal is the right deal for all involved, that it's the right deal for the Company, and it's the fairest outcome I think for all the stakeholders. And again, as Marek has said, we would strongly urge everyone to get behind this consensual deal as we feel that this is the right way forward.

If we then finally move to slide 16 just to reiterate the longer-term outlook beyond this year, for the Company. So clearly, the focus is getting an appropriate balance sheet that secures our future. That is our immediate focus and something that we want to achieve by October.

You've seen the slide before, but I'll remind you that there are three major strategic initiatives that it illustrates. The first is to optimize the existing business; that's the blue circle. Dale Ekmark and his team at OKD have been doing an outstanding job. That's really why you see these costs coming dramatically down to the mid-EUR60 per tonne, which I think a while ago would have been unthinkable.

Those efforts continue, and the focus and the crispness of how we run that operation needs to bed down and we need to make sure that we continue to get that business where it needs to be.

The second initiative is increasing our coking coal sales into Europe, and we've said that we wanted to see whether there was a trading model which we could expand around our existing supply to build up our supplies into Central Europe. We have a relatively new head of sales and marketing in Peter Dormann, and his team have been very focused on how we build this business as we go forward.

And then lastly, we talked about becoming a one-stop shop for European steel customers, and the idea there is to become the supplier of choice. It really builds with both the optimization of the current business and the marketing side, but also as we look into the future, would involve new business development headed by Peter Carr.

So there are really three strategic initiatives. Clearly, given where we've been, front and center has been the optimization of the existing business, but as we move forward into next year and beyond, and particularly as the coal market begins to improve, so the others would receive more and more attention.

So I think those are the major points that we want to highlight, and I'm going to pass back now to Radek to field the questions.

Radek Nemecek *- New World Resources Plc - IR*

Thank you, Gareth. Operator, we can now take the questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). [Peter Djokovic], Jefferies.

Peter Djokovic *- Jefferies - Analyst*

First question on the cash mining unit costs which came in at EUR64 a tonne in the first half. They were at EUR66 in the first quarter, which would seem then that second quarter was probably closer to EUR62-ish. Could you confirm that that's the case?

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

Yes, that's right.

Peter Djokovic *- Jefferies - Analyst*

That's right. So it's around EUR62. And should we expect it to stay at that kind of level, EUR62-ish for the rest of the year, or is there more to be taken out of Paskov in the second half of the year?

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

I think it's correct that you have Paskov in mind, because Paskov has an impact on all of this. We should be at the end of this year at a run rate -- excluding Paskov, at a run rate of about EUR60 per tonne; including Paskov at about EUR65.

Peter Djokovic *- Jefferies - Analyst*

Okay. And, sorry. And the EUR64 that you've reported, that's including Peter Djokovic, right? Or excluding Paskov?

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

The numbers that we talk about and that are in the presentation, they're for the business as a whole, so they include --

Peter Djokovic *- Jefferies - Analyst*

That's exactly what I meant. So the EUR65 seems very conservative given that you're around EUR62 already in the second quarter. That's just a statement, I guess, not a question.

And then in terms of government aid towards closing of Paskov over the next few years, how does the mechanism work, and when does it kick in? Has it already started? Have you drawn on that? Is it --? In what form is that support?

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

The status of that is that we have signed an agreement with the Government of the Czech Republic under which the Government covers approximately CZK600 million of costs associated with the shutdown of the mine at the end of 2017. That CZK600 million is social costs of the shutdown, i.e., the costs associated with the inevitable laying off of employees at Paskov.

Peter Djokovic *- Jefferies - Analyst*

Okay. So it's not cash costs really. It's pensions and social support, benefits, etc.

Gareth Penny *- New World Resources Plc - Executive Chairman*

And, Peter, it's not -- it's Gareth. It's not going to have any impact obviously in the interim, because it's not as though government will pay us during this process. And I think the other point that we need to make is that this is not a done deal yet because it's now winging its way through Brussels and there's a process to get the approval of the Commission. So this is still work in progress.

Peter Djokovic *- Jefferies - Analyst*

Understood. Thank you.

A quick question on Ukraine. Obviously, a very topical subject these days and geopolitical situation there. Have you seen any impact on your end markets from a customer standpoint, supply standpoint, from recent events?

Gareth Penny *- New World Resources Plc - Executive Chairman*

No, minimal.

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

Not really. If any, there would be possibly an impact, which we haven't seen yet, but there could possibly be an impact on thermal coal which is -- which does make its way from the East to Central Europe. I think it's very unlikely that we would see any impact on coking coal. There isn't really Ukrainian or Russian coking coal in Central Europe.

Peter Djokovic *- Jefferies - Analyst*

Sure. And then on the thermal coal, if there is an impact, when are your annual conversations taking place? Is it around November for the 80% of forward volume for the next year?

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

No. It's late October/early November when it really comes together.

Peter Djokovic *- Jefferies - Analyst*

Okay. So potentially some positive on the pricing there.

And then another question and then I'll let somebody else have a go. On ECA loans and obviously restructuring of those, one of the [CPs] for the restructuring agreement overall, when you do expect to hear --? When can we hear back on this? Is it after the creditor meeting, before creditor meeting? What is the timing in your view?

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

Well, we have been working very constructively with all of the ECA lenders and the [Hermes], the insurer, and the present timeline of approvals fits within the overall time of the restructuring.

Peter Djokovic - ***Jefferies - Analyst***

Understood. Thank you very much.

Operator

(Operator Instructions). Bram Buring, Wood & Company.

Bram Buring - ***Wood & Company - Analyst***

A few questions, please; just some nuts and bolts first. Could you tell me how much the coking coal was in your inventories at the end of the month?

Second question would be middlings. Your pricing implies that you're going to have middlings sales in the second half. Could you maybe specify which quarters we're going to see those in?

And then related to the Ukrainian question there, I know it's not a business that you're in any more, but would you expect any impact from the fighting in the Ukraine on the coke market?

And lastly, there was a call by the Foreign Minister in Poland, Sikorski, to ban Russian coal imports. How likely do you think it is that Brussels would pick up on this call?

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

Very little of the inventory balance is coking coal. Most of it is thermal. And actually, the vast majority of it is raw, unprocessed coal. I don't want to get into specific quality, middlings and other types.

With regards to the question on the coke business, you will appreciate that we don't really follow it as closely any more as we once used to, but I really think any impact of the political situation around Ukraine, if there is any, it will be on thermal coal, and I think that will be it.

Bram Buring - ***Wood & Company - Analyst***

Thank you.

And maybe if I just have one additional question there. With regards to the rights issue, can you confirm that there will be no trading of rights in Prague? And if this is the case, then how should shareholders in the Prague line that want to buy or sell rights, how should they proceed?

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

There will be -- that's correct, Bram. There will be no trading in Prague and -- but everybody who's interested is free to trade in on the London market.

Bram Buring - ***Wood & Company - Analyst***

Okay.

Operator

(Operator Instructions). As there are no further questions at this time, I would like to hand the call back over to your hosts for any additional closing remarks.

Radek Nemecek - ***New World Resources Plc - IR***

Thank you, operator. Thank you, everyone, for your participation, and have a nice day. Bye-bye.

Gareth Penny - ***New World Resources Plc - Executive Chairman***

Thank you, everybody.

Operator

Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.