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The first step is the most important

Indifference towards the environment in which we, our employees and our customers live, work and undertake their business cannot be, and is not, an option for us. A modern company must demonstrate its relationship with its environment and the people living within it every day. Such an approach is the only way to make sure others take the company seriously. Moreover, as a publicly traded company, listed on the London, Prague and Warsaw stock exchanges, we must be open and transparent.

In order to demonstrate that we abide by our promises, we have decided to rigorously monitor each step we take in the spirit of the principles of responsibility and sustainability. Our Sustainability Report covering 2011 was completed shortly before this issue of Open Mine went to press. In the Report, you will find information on our approach to people working in our company as well as to the community in which we belong. You will also learn how we transform our words on environmentally friendly operations into deeds.

And there is more. For the first time this year, we have decided to take our efforts one step further: we have publicly set specific measurable objectives that we wish to achieve in the coming years for each of the areas reported on. Our company has pledged to pursue sustainable development and make our contribution to delivering a transparent corporate environment in each region and country in which we operate.

Of course, it would have been easier to have no objectives and so avoid the risk of failure. But we wish to present the sustainability of our business not in a marketing fashion but in an objective one, primarily in countries where such an open and objective approach has yet to take root. That is why we have chosen to use the Global Reporting Initiative (GRI), the most widely used international reporting framework for measuring sustainable development, which guarantees objectivity and comparability for all.

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Head of Corporate Communication and CSR of NWR
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NWR first quarter results: on track to meet full year targets

NWR’s first quarter 2012 results published in May were in line with our expectations and we are on track to meet our full year production and sales targets. Our injury frequency rate continued to improve during the quarter, decreasing by 4 per cent to 7.17, which is the best result in the Company’s history.

Performance
Revenues were EUR 347 million, down 10 per cent, mainly due to planned lower production and sales volumes. EBITDA was EUR 54 million during the first quarter. Net profit was EUR 6 million, up 80 per cent, cash flow from operations was EUR 80 million and our net debt during the quarter further decreased. We produced 2.4Mt of coal and externally sold 2.3 Mt. Our coke production was 175kt with external sales of 155kt.

We place great importance on achieving good levels of remuneration for our mining employees and in April we successfully concluded negotiations with the trade unions, which resulted in a 3 per cent increase in basic wages for OKD’s employees. This ensures a positive outcome for our mining employees whilst keeping our costs under control.

Coal mix
Improving the coal mix is one of NWR’s operational priorities. Previous quarters have seen a decline in the proportion of coking coal in the product mix but the first quarter this trend was reversed and we saw strong coking coal volumes. For the medium term, we are also undertaking expansion initiatives in the Karvina region aimed at improving the product mix by accessing more than 30 million tonnes of coking coal via our existing operations by 2016-2017.

Debiensko project
Construction works on our Debiensko growth project in Poland progressed to plan during the first quarter. However, due to changed water management conditions and inflationary pressures in Poland, we have decided to carry out a thorough review of the project’s key parameters before advancing the CAPEX programme and we have therefore capped our CAPEX spending for 2012 at EUR 5 million.
Our balance sheet is robust. Net debt continues to decrease, reaching EUR 385 million at 31 March 2012, and we have no significant debt maturities ahead of us until 2015. However, we remain alert to continuing challenges, and therefore continue to focus on prudently managing and constantly evaluating our operations, capital expenditure and funding.

Market environment
The outlook for the Eurozone economies and financial markets in general remains muted. However, steel production in our region has been on an upward trend since the beginning of the year. Steel mills in our customer markets are currently running at utilisation rates of between 80-90 per cent with steel production up 7 per cent in the first quarter on the previous quarter.

In addition China, India and other rapidly developing emerging economies will continue to require huge imports of steel-making materials. So despite anticipated weaker growth rates in developed economies we believe that continued growth in emerging markets will provide a floor to international coking coal prices.

Conclusion
NWR reiterated its full year 2012 targets of coal production between 10.8Mt and 11Mt and external sales between 10.25Mt and 10.5Mt. The external sales split is expected to be approximately 48 per cent coking coal and 52 per cent thermal coal in 2012, an improved mix when compared to 2011. Additionally, we expect to produce 700kt and sell 600kt of coke in FY 2012. We are also on track to achieve our target of flat mining unit costs in Czech Koruna for the full year.

Despite the volatile environment, most analysts view the outlook for NWR for the rest of the year favorably. An increasing number of analysts now expect coking coal prices to start to rise in the second half of 2012; and one analyst noted: ‘We expect slow improvement in the Company’s production mix to be continued while on the pricing front we believe coking coal pricing should bottom out in mid this year.’

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OKD wins ‘Materials Award’ from voestalpine AG

voestalpine AG (‘voestalpine’) this year recognised its suppliers and business partners with awards in three categories: Partnership, Performance and Materials. OKD received an award in the Materials category, which was presented to OKD CEO Klaus-Dieter Beck during the Supplier and Service Partners Conference in Linz, Austria.

‘voestalpine has been a longstanding business partner of ours. We have maintained good relations for more than 60 years, all the time supplying coal to Austria. We greatly value this award from our prominent customer. For us, it is confirmation that we have been performing well over the long term,’ said Klaus-Dieter Beck. ‘And it is very important for us to know that voestalpine is to invest in a PCI technology project in Linz that could enable us to expand our business cooperation,’ added Mr. Beck.

In 2011, voestalpine accounted for approximately 19% of NWR’s coking coal sales.

voestalpine is based in Linz, Austria, and has production and sales companies in more than 60 countries around the world. voestalpine comprises four divisions (Steel, Special Steel, Railway Systems, and Metal Forming). In 2010-11, the Group generated sales of EUR 10.95 billion and employed almost 46,000 people worldwide.
Günter Verheugen: mining has a future in Europe

Günter Verheugen, the former European Commissioner for Enlargement, and a former Vice-President of the European Commission who simultaneously served as the Commissioner for Enterprise and Industry, remains a prominent figure in the social and political life of the European Union (EU), despite having left the top echelons of EU politics more than two years ago. During a recent visit to Prague he hosted a seminar on the outlook for common energy policies for both the ‘new’ and the ‘old’ member states.

‘Your region should try to act as a stakeholder that wants to make a contribution.’

In Prague you presented an exclusive preview of a new report on the CEE Energy Sector. How do you evaluate the report? I think the report will be a breakthrough for the discussion of future European energy production. There is a clear need to have a fresh view of European energy policy and to ask whether it is still in line with the needs of European societies and economies, having in mind that we have certain experiences now with the reaction of the rest of the world, that we have to learn lessons from the economic and financial crisis, and having learnt from the report that the new EU member states, the EU-11, are still far away from the average income of the other member states and that catching up will continue for decades. Energy consumption in the EU-11 must therefore be considered in a different way from energy consumption in other member states. So I think this report will be the beginning of a new and hopefully comprehensive debate.

For the purposes of the report, an EU-11 was defined in contrast to the traditional EU-15 bloc. What sense do you see in such divisions of Europe? When the present energy policy was designed in 2005 enlargement was already behind us, and behind me. I was European Commissioner for Enterprise and Industry and in charge of economic coordination and I tried to balance the very idealistic approach of the European institutions. They shared the objective to do something about climate change and they shared the idea that Europe should be the frontrunner. But nevertheless we need to take into account the competitiveness of our industry as the basis of the real economy in the European Union. And we need to take into account the unequal conditions in the old member states in what was at the time the EU-10, though it is now the EU-11. I was partly successful so I got the acknowledgement of carbon leakage. But I am not fully satisfied with the way the new member states are treated. I have to say that unfortunately the new member states did not align themselves, did not present their interests in a strong way, and still today it is true that the new member states are not able to identify their common interests and represent them.

The European Commission adopted the Energy Roadmap 2050 in December last year. Do you think it needs amending? The Energy Roadmap certainly goes in the right direction, but the details of course have still to be discussed. In my view, what are not sufficiently taken into account are the questions of indigenous resources and whether we are able to develop the technology that would allow us to exploit and use fossil fuels in an environmentally friendly way. I think this is one of the most
important questions. I fully agree that we have to reduce our dependency on energy imports. It would be wise to ask whether we have resources in our own territory that we could use. This question is to my surprise not addressed in the Energy Roadmap.

We have a situation in Poland where approximately 90% of electricity is produced from burning coal. So have we got to look at ‘Clean Coal’ policies rather than ‘No Coal’ policies?

Absolutely. Whether you like it or not this decarbonizing of our societies and economies is a must. We need to have new technologies because sooner or later these resources will be gone. But this does not mean we should not ask whether a technological solution is possible that would allow us to use the resources which are easily available now. In my view, clean coal technology, also clean shale gas technology, whatever that will be, is something where we should concentrate our efforts and I am very unhappy with the progress so far. I am even more unhappy with the resistance we find in some of member states, especially the country I know best, Germany, against carbon capture and storage (CCS). It is very difficult for me to understand. People are against power plants based on coal or gas, they are against wind farms in their backyards, they are against nuclear energy, they are against new grids, they are against CCS ... what kind of energy do they want?

Is CCS moving fast enough in terms of technology development?

No, progress is too slow. And by the way CCS is not only important for the EU and our very ambitious objectives — we know that hard coal will be the most important source of energy for decades to come in the rest of the world. The contribution Europe can make in reducing emissions and fighting climate change is extremely limited, so if you really want to make a contribution to reducing CO₂ emissions it would be much more effective to have this new technology and to sell this new technology around the world.

Is CCS really so expensive?

I am not discussing prices here, of course it is extremely expensive, but it is also not efficient [to not have these technologies]. The efficient way would be to have technology in place that allows us to use these fuels in an environmentally friendly way. I do not know whether we will be able to do that, but I think we are relatively close. So the chances are good, and my view is it would be worthwhile to concentrate our efforts on developing those technologies.

Should the EU-11 form a new, coordinated energy policy? Should they form a new grouping to do that?

Let me put it this way: it is not very popular in Brussels when member states form a new group, but nevertheless we have a very clear situation here. The new member states were not treated in a fair way, their special needs were not taken into account. But I would not blame the Commission, the Parliament or the Council. The new member states have to blame themselves. Their governments did not fight for their interests and did not try to organize the new member states as a voting bloc in the Council. So my advice would be that the EU-11 should try to coordinate their energy policy based on the report by Ernst & Young,
which, in my view, is a convincing piece of work. They should try to act together, but not as a pressure group against other institutions or other countries, but as a stakeholder, as a group of countries that wants to make a contribution. I mean if Germany and France are allowed to coordinate everything before Council meetings and then tell the rest of the world what has happened in Europe, I think we need not ask if the EU-11 are allowed to coordinate part of policy or not, they are. predictable, framework conditions, and unfortunately this is [currently] not the case.

What role do you see for shale gas in all of this?
Shale gas is – or might be – an interesting option. I know that shale gas has made the US independent for gas, ending its need for gas imports, and very soon America will be a gas exporter. Shale gas has also cut US gas prices, so it has helped the American economy. But I know that our American friends are, gently speaking, a bit less scrupulous when it comes to environmental concerns. Therefore I would not exclude environmental problems.

And they have so much more space as well...
Of course, clearly that is the reason why they are more generous in this field. This is something we cannot afford because we have no space, that’s clear. So despite the American success in this field, here in Europe there might be a serious environmental problem. Therefore, I strongly support the idea of creating a European technology platform that would explore what is necessary for exploitation or extraction of that gas in an environmentally friendly way. We must concentrate on how to extract it and whether that can be done in a way that is acceptable for our societies. I don’t yet know whether it can, but I do not fully understand the view already held by a lot of members of the European Parliament and of some national Parliaments, and of some regional politicians and NGOs that under no circumstances can we do it. They are saying this without knowing whether it is feasible or not. Shale gas could help us a lot. Since time is running, we should soon start to explore that.

We presume that having an EU-11 would help with the huge investment that is going to be required in energy transition. We need huge investments in the energy sector, not only in CEE, but everywhere. Energy investments are always long-term. In the energy sector it is typical for the return on the investment to be calculated in decades and not in years. So what the sector needs are stable, predictable framework conditions, and unfortunately this is [currently] not the case.

How do you assess the importance of having a coordinated energy policy regarding economic development in the EU–11? Could growth be held back without it?
It is crucial. What we have learnt from the crisis is that in reality the problem is with the real economy. It is misleading that finance ministers seem [to think its] only about budget figures. This is not true, it is about the competitiveness of the real economy and there will be no European competitiveness and we will not have a strong industrial base of our own if we cannot solve the energy problem. We should understand what the crisis told us — those countries with a strong industrial base are much better equipped to weather the storm than those which do not have a strong industrial base. Something that I always said as a Commissioner for Industry is now confirmed: we need an industrial policy that allows European industries to stay put. And we cannot afford an energy policy that would lead to the deindustrialization
of Europe. Solving environmental problems by getting rid of our industries does not help. It increases unemployment in our countries and it increases industrial pollution in other parts of the world.

And that would particularly apply to coal in the Czech Republic and Poland?
Absolutely.

It is said that 90% of emissions around the world are not in Europe, so if Europe tackles its CO2 problem, but the rest of the world does not deal with the problem...
I share the view that if Europe is not the frontrunner, others will not follow. Perhaps we have been a little bit over-confident that our good example would stimulate others to follow suit. Being the frontrunner means having first-mover advantage in new technologies. What I can tell you from my own experience is that the emerging economies, especially China and India and Brazil, have a tremendous interest in technologies that would help them to increase energy efficiency. This is something that is most important for them. So I think they would be an important market for us, but we cannot penetrate such a market if we do not use such technologies ourselves. For the time being, I do not think there is a need for us to review our ambitious targets, but we have to keep in mind that the problem of carbon leakage is a serious one, and you have to take measures against it.

Your roots are in the Rhineland, a German region with a strong mining tradition. How has the mining industry in your region changed?
My hometown is near Cologne in Germany and it was at the centre of German lignite open mining. Mining in my home town finished more than 40 years ago and two-thirds of the town is now forests and lakes, and it is much more beautiful than before, nobody denies that. There was a total structural change to the land but that was possible because there was a strong economic base as a result of mining. Open mining is a problem as long as it exists, that I know, but in the long run open mining need not be a problem for the environment, on the contrary...

What is your perspective on deep mining in the Central European region: Czech Republic, Poland, Germany?
It does not have a great future in Germany but in certain Central European countries it has and I would find it ridiculous if we were to close down our own mines to buy coal from other parts of the world.

But China is importing coal as well...
I still believe that mining has a future in Europe, but as we have already discussed, in combination with clean coal technologies. I think that without those technologies there will be no acceptance of mining.

You visited many countries while Commissioner for Enlargement. How do you see those countries performing as EU members?
Economically, by and large, I am quite satisfied. But I never had the illusion that the process of transformation would be completed soon, that the convergence of economies and societies would be achieved in a couple of years. These are problems for generations, and looked at in this way I can say that the progress that has been made is quite important. Politically, Poland is the positive surprise; I think I was the only one who always believed in Poland, saying it would a strong and reliable partner. Looking at some other countries, I am really worried that political culture is still under-developed, – but allow me not to give names here. I am certainly a little surprised to see how much time we need to complete political transformation. But in general, history has already proven that the decision to have the great accession was right and I am more convinced than ever that I was right in pushing it, in speeding up the whole process. Let me tell you, if it was not done before the year 2005 we would not have managed because since 2005 we have had the crisis and the EU in crisis mode would not have been able to do it.

Citizen of the Czech Republic consumes on average in his/her lifetime:

- Lignite and hard coal 352 t
- Building materials 313 t
- Ores 48 t
- Clay, China clay 6.7 t
- Oil 60 t
- Salt 7.4 t

Source: Czech Statistical Office

If you could have the time again as the Commissioner for Enlargement, would you do some things differently?
Yes. Always if you could repeat something you did 10 years earlier with the knowledge that you have now, it would be ridiculous to say that you would not, but it is a hypothetical question. We did what we did with the best of our knowledge and I did things with a good conscience. But certainly, I would have negotiated energy policy in a different way if I had known everything that I know today, but I didn’t, and nobody did.

Interviewers: Vladimír Bystrov, Will Conroy
Deepening ČSA 2 shaft at Karviná Mine proceeding at full speed

The end of last year saw OKD initiate an ambitious investment project for the company’s future: preparatory works for the deepening of ČSA 2 shaft at Karviná Mine. The excavation works proper will start in September, with completion expected by December 2015.

The 7.5 metre diameter shaft will be sunk by 312 metres to give a total depth of 1,270 metres from the pit bank. Sinking the shaft will facilitate the opening of a 12th level to access approximately 20 million tonnes of coking coal within the existing mining area. The project will improve ventilation, climatic conditions within the mine and transport infrastructure, and as a result the current sub-level mining at the 11th level will be eliminated.

First deepening works in more than 10 years
The tender for the project attracted three bids from potential suppliers, with Poland’s KOPEX-PBSZ named the winner. The estimated total project cost is approximately CZK 885 million.

‘The last sinking of an operational shaft in the Ostrava-Karviná Mining District took place at ČSM Mine between 1997 and 2001, when two downcast air shafts at the North and South plants were deepened by about 200 metres. In Central Europe, Poland’s JSW is currently excavating a shaft, which runs from the surface of its Zofiówka Mine,’ noted Jan Matula, OKD’s Technical Director/Chief Engineering Officer.

The deepest coal mine in Central Europe is KWK Budryk in Ormontovice, Poland, which is being deepened to 1,290 metres by 2013. The ČSA 2 shaft will thus come a credible second, trailing by just 20 metres.

Full speed ahead for preparatory works
In simple terms, the project consists of two parts: the abovementioned preparatory works and the excavation proper. At the 11th underground level, the preparatory stage will involve the construction of a protective pentice structure, the adjustment of the mining depot and the equipping of a chamber to house the winding engine used in the excavation. The spoil management’s surface transport, which removes excavated rock, will be reconstructed.

It will be necessary to erect a wall in the pit to separate both winding

Fact file: ČSA 2 shaft deepening
- A project executed by OKD’s Karviná Mine
- Sinking of the shaft bottom by 312 metres
- Resulting total pit depth will be 1,270 metres
- Estimated costs of CZK 885 million (EUR 36.9 million)
- Providing access to approximately 20 million tonnes of mostly coking coal
- Completion expected by the end of 2015
systems. One of the systems will continue to transport miners, material and machinery to the 11th level, while the other system will terminate at the 10th level to make room for the new excavation.

Preparation for the opening of the 12th level

The deepening itself will be performed by blasting, with the walls of the shaft secured by cast concrete and steel reinforcement supports. The blasted rock will be taken by kibbles (iron hoisting buckets) via clamshell loaders and reloaded on the 11th level into high-capacity trucks that will transport the material to skip No. 3.

The excavated parts will subsequently be equipped with piping, wiring, mining equipment signals and voice communication links. Simultaneously, ČSA shaft winding equipment will be placed on the 12th level.

The planned development of the 12th level will also include the excavation of three slopes between the adjacent levels that will bring initial air into the new areas following the linking of them to the newly deepened shaft. The slopes will also be used for the removal of coal from new coal faces into the present system.

The fact that OKD is not idle where its future development is concerned is demonstrated by the excavation of a unique crosscut that will connect the ČSA plant and Darkov Mine (see Open Mine 1/2012), by the ČSA 2 shaft deepening project at Karviná Mine and by another ambitious project at the Lazy plant of Karvina Mine. ‘We are currently developing a project to deepen downcast air shaft No. 2 at the Lazy plant of Karvina, which will give us access to coal reserves in the Ostrava strata named Justin, Heřman and Mohutný,’ said Matula.

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Marek Síbrt graduated from the Faculty of Philosophy of the University of Ostrava. He has worked as a media analyst for InnoVatio and Media Tenor, being responsible for the communication audits of key accounts (České dráhy [Czech Railways], Vodafone, T-Mobile). For media industry clients (Česká televize [Czech Television], Český rozhlas [Czech Radio], TV Nova and STV [Slovak Television]), he has implemented projects concerned with the monitoring of adherence to quality journalism standards and legal regulations. Marek Síbrt has lectured in Media Communication and Sociology at several universities. At OKD, he works as a PR adviser and project manager.
Water efficiency and cost savings at Karviná Mine: a smart pumping trick!

Employee motivation is a key factor in increasing efficiency, achieving energy savings and, above all, improving occupational safety at NWR. Hence the Company’s Continuous Improvement programme, launched in 2009 to reward workable proposals put forward by employees.

The programme has been such a success that it is to be continued. ‘Proposals submitted by employees have saved millions of crowns for the Company. The programme has won the trust of our employees, increased the level of their engagement with their respective workplaces, and has shown that it’s beneficial for everyone to think about how their work can be safer, more efficient and less physically demanding,’ said Ivan Brodský, manager of the Continuous Improvement programme at OKD.

Beauty in simplicity
At OKD’s Karviná Mine a wonderfully simple idea has generated annual savings of almost a million crowns. A technologist at the mine’s preparation plant, Dušan Zmijka, proved the adage ‘beauty in simplicity’ with a proposal to improve water pumping efficiency that has significantly reduced energy consumption. What is the essence of his idea? The preparation plant has high water consumption. The utility water necessary for the operation of the ČSA plant is supplemented from the Doubrava 4 reservoir, by means of a floating pumping station. The pumping station operates nonstop, 24 hours a day, supplying water to the utility water tank. Another pump, QVC with a 100 kW motor, feeds water from the tank into the utility water manifold, which is also in nonstop operation. Mr Zmijka proposed connecting the pipe that feeds water from the Doubrava 4 reservoir directly to the preparation plant manifolds, and switching off the QVC pump, which was bypassed in the process. The necessary pressure in the manifold would be provided by the floating station pump.

‘Naturally, in winter, when there is a risk of the system freezing, we will revert to the regular mode of operation. Nevertheless, the QVC pump is expected to remain switched off for at least seven months a year, resulting in a reduction of electric power consumption to the tune of approximately CZK 980,000. There is nothing to prevent us from keeping the pump off for longer and switching it on when there freezing temperatures are forecast,’ Mr Zmijka explained.

Continuous Improvement at OKD in 2011

614 workable proposals submitted by employees
CZK 130 million in cost savings
38% of the proposals were concerned with improving occupational health and safety
CZK 170 million in cost savings thanks to the performances of 57 optimisation teams consisting of more than 600 employees
1,793 employees involved in the project (10% of the total number of core and contract employees)
ČSM Mine saves CZK 4 million a month thanks to the Continuous Improvement programme

Few outside of the mining industry are aware of the costs of the vital energy and commodity inputs required to extract ‘black gold’ from hundreds of metres below ground.

In recent years, the global economic downturn and rising energy prices have increased the pressure to improve production and cost efficiencies. One initiative contributing to these endeavours at OKD is the Continuous Improvement programme, which alone generated operational cost savings of CZK 300 million in 2011. More than 1,700 employees, some 10% of the overall number of employees, took part in the programme.

ČSM Mine’s ‘Mr Million’
To dub Jaromír Chmelík ‘Mr Million’ is no exaggeration. Chmelík is an engineering inspector of the overhanging rail at the ČSM Mine South plant. He was tasked by the plant management to coordinate and manage cost-savings in the compressed air consumption of the shaft.

The average price of a cubic metre of compressed air is a seemingly negligible CZK 0.34. Yet given the volume consumed, the daily costs reach CZK 816 for the XDA-100 Nora pump and as much as CZK 979 for the Ř 315 air fan. ‘The cost-saving measures we introduced last June have aimed at reducing the total volume of air consumed, and have primarily consisted of replacing compressed-air-powered appliances with electric ones,’ Chmelík explained.

Another measure that has proven its worth was the installation of automatic controls for compressed-air-powered water pumping units, with the initial costs rapidly transforming into long-term energy savings.

Astounding result
The fall in compressed air consumption stemming from the numerous technical and organisational measures supervised by Chmelík and his colleagues is astonishing. Prior to his efforts and before other improvements were made, total consumption of compressed air at the South plant of ČSM Mine reached, to give an example, more than 26 million cubic metres in May 2011, at a cost of CZK 8.9 million. ‘Thanks to our measures, we have succeeded in reducing the monthly consumption of compressed air at the South plant to an average of 14.7 million cubic metres, at a cost of just under CZK 5 million,’ said Chmelík.

Doing the simple maths, the steps taken by Chmelík and his colleagues are saving ČSM Mine almost CZK 4 million a month on compressed air.

The reduction in OKD operational costs reached CZK 300 million in 2011

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Underground monitoring improves miners’ safety

At OKD, miners’ safety is the first priority. That is why the company devotes considerable attention to safety issues and why it works to ensure continuous improvements in occupational health and safety.

The company’s efforts bring clear results, as evidenced by the year-on-year decrease in the incidence of injuries in OKD mines. For example, the internationally recognised injury frequency indicator, the Lost Time Injury Frequency Rate (LTIFR), which expresses the number of injuries causing at least three days of absence per million hours worked, in 2011 dropped for the first time below 8, to a value of 7.82. In 2009, 346 injuries were reported in OKD’s mines, in 2010, 271 injuries were reported, and last year the number fell to 248. The LTIFR value has decreased by half since 2007. Nevertheless, the company is aware that it must not slacken in its efforts; a zero injury rate is always the aim.

Monitoring people underground
Among a comprehensive set of measures implemented last year was a system to monitor the number of miners underground.

‘The Czech Mining Authority, in an effort to increase the safety of coal mining in areas of active geology, requested the deployment of a monitoring system able to monitor the entry of people into specific areas. The solution developed by our company in collaboration with an external supplier enables accurate monitoring of the number of miners in a specified area, allows us to set the maximum number of people permissible at any one time, and emits warning signals if the limits are exceeded or there is entry into a restricted area. This system has since 2011 been deployed across all longwalls classified as third-degree stress areas,’ said Leo Bayer, OKD’s Chief Operating Officer.

By deploying the system at longwalls in third-degree stress areas, it becomes safer to mine. In the case of a tremor, the system would verify that all miners have left the affected area, and the system can check where remaining miners are located.

Currently, there are twelve of these security sets installed across OKD’s mines and they are continuously transferred from exploited longwalls to newly developed ones.
The system remains operational under high concentrations of methane or if powers

How does the system work and how is its operation assured? In simple terms, it can be described as follows: individual miners are identified by means of UHF tags installed in their lamps and powered by the lamp’s battery. The UHF tag contains a unique number and information about its holder. It also contains a backup power source, which keeps the UHF tag working if the lamp battery runs out. Sensors located along the monitored pathways record miners’ movements and store the information in a database. As a result, inspection service employees can continuously supervise the movement of people, the number of miners in individual shifts, and any instance of an entry into a restricted area.

The system is designed as M1-category equipment, which means that it can work even under adverse conditions such as high methane concentration (1.5%) or general power failure. Backup copies are continuously made of all acquired data, which are stored for future reference. The system was developed in 2010 in collaboration with ZAM servis, s.r.o.

Expansion of system planned

The company is now developing a central communication system that will lead to further improvements in the safety of coal extraction from stress-prone strata. ‘This will expand the possibilities of the current system by enabling basic communication between miners underground and a central control desk. It can therefore be seen as the logical follow up to our system for monitoring miners throughout longwalls classified as third-degree stress areas,’ said Bayer.

Last year, ZAM servis presented a solution that will enable communication between surface employees and miners hundreds of metres underground by installing a multicable fitted with miniature transceivers spaced at 40 metres, and modified UHF tags for the miners’ lamp batteries. Miners underground will be notified of an incoming message by the flashing of their personal lamp, or a LED light on the lamp’s battery. A pushbutton will be installed on the battery to acknowledge the reception of the message and/or to reply with a predefined message.

‘The control desk staff will be able to warn miners of any potential hazard or ask to them to leave the area. Equally, the system will enable miners to issue a warning of a critical situation or request that such a situation is dealt with. The system will also be able to determine with a comparably high degree of accuracy the position of a particular miner,’ Bayer explained.

The basic development of the system has already been completed and a test operation of a standalone pager multicable and a corresponding software suite took place underground during the first half of this year. It will now be followed with tests of the complete system. A decision on the further application of the technology should be taken in September 2012, following an analysis of test data.

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The equipment secures the following without the need for active contributions from miners:

- Accurate, continuous monitoring of the number of miners in a defined area
- The possibility of presetting the maximum permissible number of miners in a defined area
- Alerts if the set number of miners is exceeded
- Alerts if miners enter a restricted area
OKD seeks to continue mining at Karviná Mine until 2035

OKD, a.s., the mining subsidiary of NWR, in March this year took the first step to initiate a legislative process aimed at extending mining operations at the ČSA plant of Karviná Mine until 2035. The move comprised the filing with the Ministry of the Environment of a ‘notification of intent to continue mining activities.’

Last year, OKD announced its intention to extract approximately 20 million tonnes of mostly coking coal, found for the most part beneath Karviná-Staré Město, plus additional coal of approximately 10 million tonnes, whose extraction would affect part of the town of Orlová, near Karviná, specifically a very small settlement of Výhoda. In addition to these two locations, the planned mining would also affect people on the outskirts of the municipalities of Doubrava and Dětmarovice in the Karviná region.

OKD submitted to the ministry a single set of documentation covering all of the above sites.

Demanding legislative process
‘The notification of intent is only the first of numerous steps in the process prescribed by the Czech legal system for commencing mining activities. During the legal limit of 30 days, the Ministry collected comments on the intent from municipalities, administrative bodies, civic associations and individual citizens, and called on OKD to prepare comprehensive documentation for the assessment of the possible impacts of mining activities on the environment [the environmental impact assessment (EIA) process], which must contain resolutions to all the comments received. Judging by previous experiences, the EIA process is likely to take approximately two years and any mining will not commence before 2016,’ explained Radim Tabášek, OKD Chief Mining District Development Officer.

Any prospective mining must also be preceded by the resolution of all conflicts of interests in accordance with Section 33 of the Mining Act. In practice, this means that OKD must negotiate agreements with all property owners in the neighbourhoods that would be affected by mining. The company has publicly declared its intention to negotiate individually.

Additional information on development projects is available on the NWR website.
Karviná developed plans for an industrial zone that was eventually created in the Karviná quarter of Staré Město. Businesses in this zone currently employ around 1,500 people. OKD has entered into ongoing negotiations with all the companies present in the zone, with the objective to find an acceptable solution for all parties.

Dealing openly with all parties
The company places great emphasis on conducting open and transparent negotiations with all relevant stakeholders. That is why public meetings have been organised with local residents who could be potentially affected by any future mining, with municipalities and with businesses based in the Karviná – Nové Pole industrial zone.

With the decline of mining and heavy industry in the region in the 1990s, with all the property owners in the concerned areas and to reach an acceptable compromise and accord with all parties involved in this delicate matter. Negotiations are under way in Karviná-Staré Město and the first agreements have already been concluded, while talks are expected to begin in other areas during the summer.

The company regularly informs the public of its plans and current developments. Trilingual websites have been created to aid in the dissemination of information (www.karvina-staremesto.cz and www.orlova-vyhoda.cz), and all residents living in the areas potentially affected by the planned mining have received letters explaining the current state of affairs and OKD’s future plans. An information leaflet has provided further information on the resolution of property claims related to the matter.

‘The mining intentions of OKD could have a major impact on employment in the Karviná region. With its workforce of nearly 18,000 people, made up of employees and contractors, the company is by far the largest employer in the Moravian-Silesian Region. For example, 12% of the employed residents of Karviná work for OKD, while the proportions are even higher among smaller municipalities in the region, exceeding 20% in some cases,’ Tabášek said, looking at another aspect of the issue.

OKD must meet all legislative requirements and conclude agreements with all property owners in the affected areas before it can apply to the relevant authority for a mining licence.

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Organisational structure: two mining sites, plants Lazy and ČSA
Established: 1 April 2008 with the merger of ČSA Mine and Lazy Mine
Production: 4.1 million tonnes a year (2011)
Reserves: 89 million tonnes (JORC reserves as of 1 Jan 2012)
Mining area: 32 km²
Number of employees: 4,800 (2011)

Important milestones
1776 – First mining in the Karviná region, under Count Larisch
1856 – The original ČSA Mine established
1951 – Establishment of the Aggregate Mine of the Czechoslovak Army comprising four of Count Larisch’s mines (Františka, Hlubina, Jindřich, Jan Karel)
1963 – Record number of employees working at the mine: 7,793
1995 – Amalgamation of the Czechoslovak Army Mine with Doubrava Mine
1997 – ČSA and Doubrava Mines joined by a crosscut
2006–2007 – Gradual dismantling of surface operations at Doubrava Mine, head frames demolished and pits Bettina II. and Doubrava filled in
1 April 2008 – Karviná Mine established with the merging of ČSA and Lazy Mines
Australia's coal industry

Australia is often referred to as the ‘lucky country’ due to its enviable climate and relaxed lifestyle. But the country can also count itself lucky to be sitting on top of vast quantities of highly sought after raw materials whilst being located close to some of the world’s fastest growing economies in Asia. The country extracts many minerals including copper, uranium, gold and rare earths but it is the steel making raw materials of iron ore and coal which account for its largest volume and value of commodity trade.

Australia’s recoverable resources of black coal amount to approximately 39Gt, some 6 per cent of the world’s total and at a production rate of 500Mt per year are adequate to support about 90 years of production. The states of Queensland (56 per cent) and New South Wales (40 per cent) contain the vast majority of the resources with the Sydney (35 per cent) and Bowen (34 per cent) basins containing most of the recoverable black coal. Australia also has about 25 per cent of the world’s recoverable brown coal resources with about 37Gt. The potential for further discoveries of coal resources in the country is significant and is probably over one trillion tonnes given that there are significant areas of these basins that are under explored. At the end of 2009, there were over 100 operating coal mines and more than 35 proposed new mines at various stages of development operated by most of the world’s largest mining companies including BHP Billiton, Rio Tinto and Anglo American.

Australia is currently the world’s fourth largest coal producer (behind China, the USA and India) and the largest exporter of hard coal, supplying about 130Mt of thermal coal and 140Mt of coking coal to international markets which represents some 27 per cent of world coal trade and well over half of the world coking coal trade. The country has been supplying resource scarce Japan and Korea since the 1950’s fueling the rapid industrialisation of these countries. For most of the second half of the twentieth century the trade of coal between Australia and these Asian countries represented the vast majority of international coal trade. This dominant position meant that yearly price agreements between

Coking Coal Exports

Source: AME
Australian producers and their Korean or Japanese customers would always be considered the benchmark price for all internationally traded coal. This position remained right up to the early 2000’s until the emergence of China and its ever increasing demand for all types of industrial commodities. Despite possessing large quantities of its own coal China still requires the higher qualities of coking coal found in Australia particularly as the steel mills in China build larger blast furnaces. With this new demand from China putting extra pressure on increasingly tight coal supply (particularly coking coal), Australian producers were able to reap the benefit of rapidly increasing prices. However the more liquid market that resulted has seen the traditional pricing mechanisms move towards quarterly and spot prices as the balance of power begins to shift more towards the Chinese steel producers.

Australia’s dominant position in coking coal supply is further demonstrated by the impact on international prices of any supply disruption in the country. At the beginning of 2011 severe flooding in the state of Queensland brought major disruption to many coal mining operations which quickly interrupted the supply of coking coal to the exporting ports. Almost immediately, international markets tightened up and prices rose to well over USD 300 per tonne. Similarly, labour disputes currently (as at April 2012) at some BHP Billiton mines is again threatening coking coal supplies and another possible rise in prices.

Another feature of Australian coal mining that puts it at a major advantage to mining operations in other countries is the proportion of mines that are above ground and located in remote, sparsely populated regions. Underground mining currently accounts for about 60 per cent of world coal production but around 80 per cent of Australia’s coal is produced from opencut mines. Companies can therefore use massive extraction machinery to dig the coal directly at the surface resulting in significantly reduced labour and operational expenses. The country also has well developed rail and export infrastructure. Such favourable conditions, geology and economics ensure that the major mining companies can make substantial profits from their mining activities in Australia and most of them are eager to expand their coal operations. However, seeing the big returns that mining companies are reporting, the Australian government has recently introduced extra taxes on their profits. Rapidly increasing labour and operational costs in Australia is another challenge currently whilst any slowdown in China could see their demand for coking coal fall very quickly.

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Integrity is central to our approach to business

As an international publicly-listed company, New World Resources is required to comply with a variety of rules and regulations across several jurisdictions, and this extends to complying with international best practice in combating bribery, corruption and fraud. With NWR Plc incorporated in England and listed on the London Stock Exchange, the Company is bound by the UK Bribery Act 2010.

It is also bound by laws in its countries of operation, such as the new Act on Criminal Liability of Corporations, which came into effect in the Czech Republic this year.

NWR has zero tolerance of bribery, corruption and fraud, and it proactively works to prevent and combat such behaviour. The Board of NWR in November 2011 adopted a new Business Integrity Policy that has been implemented across the whole NWR Group.

Even the withholding of information is considered a fraudulent act

The Policy’s starting point is the prohibition of all forms of bribery and fraud, the later defined as intentional deception or concealment made for personal or business advantage or to damage NWR or another entity or individual. All Group employees must comply with these two ground rules, which safeguard our professional and ethical behaviour and are essential for the sustainable growth of our business. To date, more than 350 people have received special training regarding the Policy.

In addition to the rules against bribery and fraud, the Policy contains provisions regulating gifts and hospitality both offered to and accepted by our employees. Gifts and hospitality could be a camouflaged form of bribery, so it is important to ensure that corporate gifts and hospitality do not influence, or are seen as influencing, NWR’s business decisions taken by staff or behaviour towards third parties. The Policy outlines two basic tools in this respect, the Test, and a Gift Register. To pass the Test, any gift or hospitality involve no cash, must be reasonable in value and consistent with market

350 employees of the company have received anti-corruption training
practice, must be appropriate to the occasion and for the seniority of those involved, and must be made without the aim of retaining or obtaining an advantage in the conduct of business, including influencing or capable of influencing a contractual or material transaction. If the gift passes the Test, then as a formality, it needs to be entered into the Gift Register, which is maintained by the designated person (in the case of OKD, the Company Secretary). If the gift fails to pass the Test, it must be declined. In very exceptional circumstances, where refusal of the gift would cause an offence to the donor or would be offensive given the circumstances, the gift may be accepted but needs to be disposed of afterwards, for example donating it to charity. The decision on the disposal is done by CEO of OKD, who needs to be involved as soon as possible when considering a gift that does not meet the criteria of the Test.

Do not underestimate the risks of associated persons

Last but not least, the UK Bribery Act 2010 includes the concept of Associated Persons, someone who performs services for or on behalf of a company or business and who can directly or indirectly represent or act on behalf of that business such as a lawyer. NWR can be held liable for crimes committed by Associated Persons ‘on its behalf’ and therefore special caution and procedures have been put in place when contracting them. First of all, any employee must assess whether in fact he or she is dealing with an Associated Person. If so, he or she is required to conduct due diligence and if a risk of bribery is identified then appropriate mitigation measures, such as a tougher contract, must be implemented. To assist with this procedure, NWR has prepared a simple checklist, which reminds our employees of the relevant points.

Together with the Policy, we have also prepared a Q&A document and scenarios that describe practical situations and how they need to be handled to comply with the Policy. All documents are available on the intranet or can be requested from the Company Secretary.

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Lucie Vávrová graduated from the Law Faculty of Masaryk University in Brno and is a fully qualified attorney, registered with the Czech Bar Association. She joined NWR as Company Secretary in September 2011 after having worked for almost a decade for major international law firms (Allen & Overy and Norton Rose). Before joining NWR, Lucie specialised in finance law, covering a broad range of capital market and loan transactions. Lucie is fluent in English, German, French and also speaks Russian and Dutch.
The OKD Foundation has distributed in excess of CZK 48 million

Helping people with disabilities into employment remains a priority. The managing board of the OKD Foundation will this year support 281 projects of non-profit organisations and municipalities. This year’s primary focus is to support seniors, children and people with disabilities.

The Foundation has dedicated most of its attention to supporting the integration of people with disabilities into work by allocating more than CZK 6 million to employers on the sheltered labour market. ‘We focused on this area for the first time last year, when numerous sheltered workshops faced serious problems due to decreased governmental subsidies and legislative changes. They managed to survive thanks to our support, and created dozens of new jobs for people with disabilities. Moreover, they make interesting and competitive products. We intend to continue this year too, since it is engagement in the labour market that enables people with disabilities to integrate better. I’m delighted to see good projects springing up in mining areas, such as the Bistro Esičko in Karviná,’ said Jiří Suchánek, Director of the OKD Foundation.

The Foundation's For Health programme is dedicated primarily to supporting medical and social services. It has supported the mobile hospice Ondrášek in Ostrava, a children’s home in Budišov nad Budišovkou, the charity Adra, social services provided by the Silesian Christian development organisation Diakonia and sheltered housing for people with disabilities, among others. The civic association Hefmánek, of Karviná, which supports young people as they leave children’s homes and enter independent life, received CZK 1 million crowns from the Foundation.

Under the For Joy programme, concerned with leisure-time and educational activities, the OKD Foundation supported 87 projects. Among them were the original cultural festival Karvinské léto nad hlubinou [Karviná Summer Above The Deep], the Festival of Snow in Morávka, the carriage driving competition in Komorní Lhotka in the Beskydy area, and theatre projects for the homeless.

The programme For the Future is devoted to supporting the environment in the region and caring for cultural monuments, with contributions towards several church repairs, the restoration of a tourist base at Prašivá, and the planting of trees. This programme also supported monitoring of large beasts of prey (e.g. lynx) in the Beskydy Mountains and the creation of a Bee Trail in the Ostrava Zoo.

The For Europe programme provided support to 14 organisations preparing applications for EU grants, in areas

The OKD Foundation was established in January 2008 by OKD, which donates one percent of its net profit to the Foundation every year. Since then, the Foundation has distributed more than CZK 230 million among approximately 1,300 projects beneficial to the public. Other donors include NWR, RPG RE, Green Gas, AWT and OKK Koksovny.
such as education, environmental protection and social services.

Each of the barrierless events is bound to be unique in its approach. The organisers of Colours of Ostrava have to tackle the demanding environment of the industrial premises at Lower Vítkovice, where the festival is to be held this year. There will also be barrierless taxis providing transport from the railway station to hotels. United Islands in Prague will be provided with a platform to enable people in wheelchairs to get from Charles Bridge to Kampa island. The organisers of Štěrkovna Open Music plan to bring handicapped people from the nearby rehabilitation facility in Hrabyně, who are otherwise unable to attend any cultural event. The Pilsen festival will include a performance by a band called The Tap Tap whose members include students with disabilities, and stilt walkers and giant marionettes under the auspices of the street theatre association ART Prometheus. There will also be a barrierless ‘bezBAR’ with wheelchair-users as waiters, and a Foundation tent which will be selling products from sheltered workshops from across the country.

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Srdcovka
Srdcovka is a new initiative of the OKD Foundation to support employees of OKD and other donor companies who undertake voluntary work in their free time for their communities. The initiative is named after that part of a mine’s hoisting cage that secures the rope – the ‘Srdcovka’ – a word derived from the Czech for ‘heart’. Voluntary work such as fire-fighter duties, pet shelters, sport events, or assisting with after-school hobby classes. Grants of up to CZK 50,000 are available to eligible projects.

Housing estate alive
Another new programme of the OKD Foundation, called ‘Sídliště žije’ (The Living Housing Estate initiative), is dedicated to encouraging inhabitants of housing estates to help reinvigorate public areas. This has had a resounding success across the Czech Republic. As many as 53 organisations from across the country, from Karviná and Ostrava through Prague to Chomutov and Ústí nad Labem, signed up for the programme with ideas on improving the quality of life in their local housing estates. The six best projects, which will be presented in Open Mine in coming issues.

Barrierless adventures
Thanks to the OKD Foundation, it will be easier than ever for people with disabilities to visit music festivals. The Foundation has joined forces with the organisers of four prestigious festivals to provide services for those in wheelchairs and other disadvantaged visitors to make sure they can enjoy the music and other entertainment without hindrance. The Foundation will also support sheltered workshops at the events. The festivals are Colours of Ostrava, United Islands in Prague, Živá ulice (Lively Street) in Pilsen and Štěrkovna in Hlučín.

Thanks to support from the Foundation, the TyfloCentrum in Karviná last year extended the operations of its centre employing blind masseurs. This year the organisation changed its name to UnikaCentrum and once again won a contribution from the Foundation.

As it did last year, the OKD Foundation will support the Ostrava-based Association for Early Care, which assists disabled children and their families across the Moravian-Silesian Region.
That’s What We Do.

Approximately 18,000 employees. More than 11 million tonnes of coal and almost 800,000 tonnes of coke produced every year. More than 2.5 TWh of electric power. Our hard coal may not be visible. But it is of service every day.