



Stockton Mine 2016 Q1 Production/Sales etc.

	Q1 2015	Q1 2016
Run of Mine Production	136,981	45,954
Clean Coal Production	45,669	32,235
Total Coal Sales	44,356	64,348
Clean Coal Sales	34,916	38,288
Run of Mine Stockpile	59,939	107,559
Clean Coal Stockpile	18,185	25,217

Coal Sales for Q1 2016 were 64,348 tons compared to 34,960 tons for Q1 2015. This increase is mostly due to the sale of ROM coal which only commenced at the end of March 2015 (only 44 tons ROM coal sold in Q1 2015). Clean coal sales were, however, still up on last year, a particularly good achievement considering the market conditions; 38,288 tons of clean coal was sold in Q1 2016 compared with 34,916 tons for Q1 last year.

Run of Mine (Raw Coal or ROM) production (45,954 tons) was substantially down on Q1 2015 (136,981 tons) but this is solely due to the cyclical nature of the mining operations. In late December 2014 we reached the bottom of the basin and extracted most of the coal from here during the early part of Q1 2015. We reached the bottom of the basin again in late November of 2015 and completely excavated all the coal from this by the end of December with a record run of mine production of 272,715 tons for Q4 2015. As we now excavate the next cut we recover only relatively small quantities of coal from the thinner upper seams hence the low run of mine production and this will continue but at a slightly increased level through to August when we reach the bottom of the basin again and can recover the almost solid Mammoth seam which is 42 feet thick in the next cut. We consequently do, however, have a very healthy run of mine stockpile which provides us with a secure feedstock for the washing plant and run of mine coal sales until we reach the bottom of the basin again in August.

Clean Coal Production/Stockpile. Due to an unusually mild early winter in North Eastern USA, winter home heating sales were very poor in

Q4 2015. Resisting the temptation to reduce sales prices, we built up a good stockpile of 25,217 tons of run of clean coal by the end of Q1, enabling us to temporarily reduce our washing plant down to single rather than double shifts, saving on costs without prejudicing our capability to supply the market. Clean coal production was therefore down on the equivalent period last year with 32,235 tons in Q1 2016 (45,689 tons in Q1 2015).

All of the producers in the region have been hit by the weaker home heating market caused by the unusually warm winter. A number of smaller producers tried to combat this by aggressively lowering their prices to gain ground in the industrial markets. Our tactic has been to hold our ground as much as possible, focusing on saving money by reducing costs with the pit working 4 days rather than 5 and the wash plant shifts reduced as indicated above. We now have a good stockpile of both ROM and processed anthracite moving forward, even with the relatively strong sales performance.

Pit and wash plant shifts will be adjusted going forward in line with sales volumes and maintaining healthy ROM and clean coal stockpiles in order to quickly react to increasing sales.

VW 20/04/16