

Strategic Overview

Presentation to Equity Research Analysts



Moscow, 2 March 2007

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- Raspadskaya – Highlights
- Strategic Overview
- Market and Sales
- Financial Overview
- Corporate Governance

1. Raspadskaya – Snapshot



Key Facts

- JORC reserves - 782 mn tons
- Coal production – 100% coking coal
 - 10.6 mn tons in 2006
- 3 production sites
 - 2 mines (5 faces)
 - 1 open-pit
 - 1 mine under construction
- 80% of sales to Russian steel producers and coking chemical plants in 2006
- 2005 Sales US\$541 mn
- EBITDA US\$322 mn
- EBITDA margin 59%

Key Financials (Pro-forma)

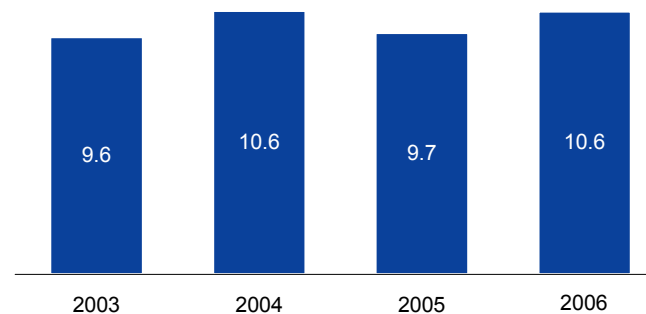
US\$m

	2004	2005
Revenue	\$421	\$541
<i>Growth</i>		29%
EBITDA	\$259	\$322
<i>Margin</i>	62%	59%
Net Income	\$128	\$166
<i>Margin</i>	30%	31%

Source: Raspadskaya

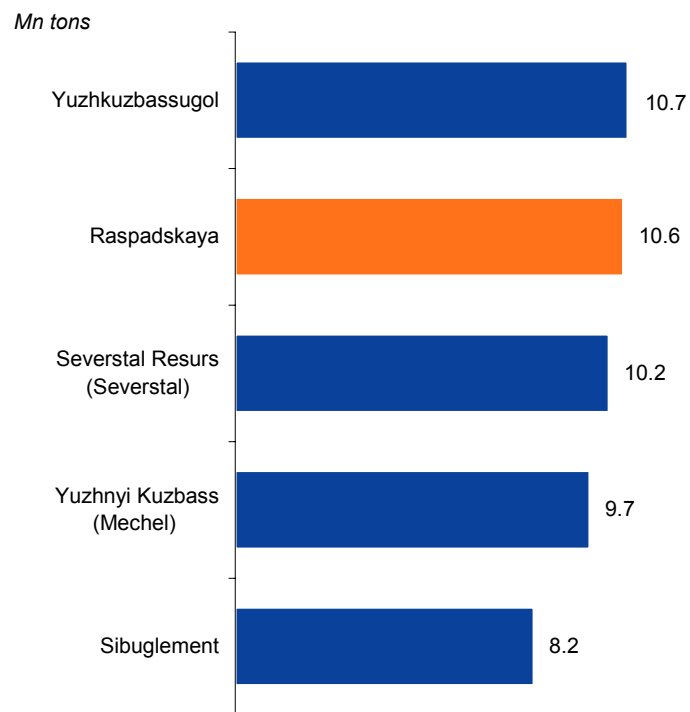
Coal Production

Mn tons



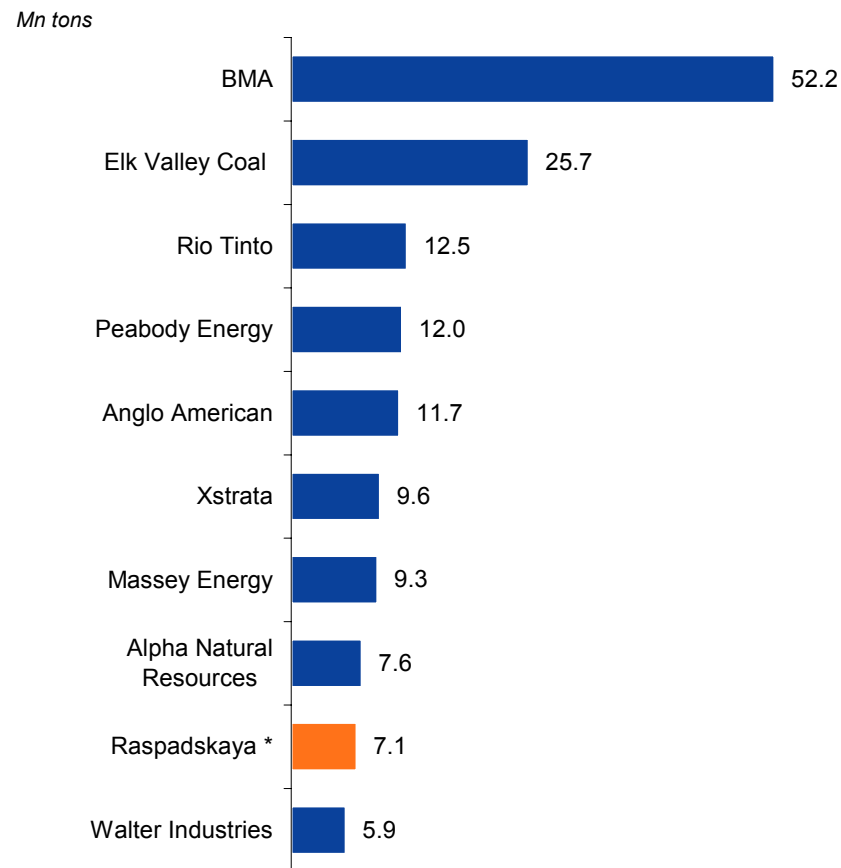
Source: Raspadskaya

Largest Russian coking coal producers (2006)



Source: Rosinformugol, companies' data

Largest world companies producing coking coal concentrate (2005)



* Recalculated into concentrate
Source: Companies' data

▶ **Second largest coking coal producer in Russia and top-ten coking coal producer globally**



Russian leading coking coal producer

- Largest high quality coking coal reserves in Russia
- Second largest producer of coking coal in Russia
- One of the 10 largest producers of coking coal in the world

Efficiency

- Low cash cost of concentrate production – US\$25 per ton
- Labor productivity on par with global peers – over 15,000 tppy in 2005
- Modern highly productive equipment
- Compact integrated operating complex (5 longwalls, 2 highwalls)

Professional management

- Optimal and highly efficient production
- Continued focus on safety procedures
- Experienced management – proved by efficient operation track record

Strong financial performance

- EBITDA margin – c. 60% in 2004 and 2005
- ROCE in 2005 – 31%
- About 50% of the 2004-2010 capex program has been already completed

Growth potential

- Target production volume growth: up to 17 mtpa by 2010
- Strengthening of positions in domestic market: K grade introduction and LT contracts
- Growth of market share in Ukraine and Eastern Europe
- Access to rapidly growing Asian markets
- Potential to increase reserves and resources



2. Strategic Overview



Increase scale

- Sustain average organic growth rate of 10%
- Grow reserves through new licenses and resource reclassification
- Grow through selective, value-enhancing M&A

Strengthen / increase market position

- Continue to be a supplier of choice through reliability and product consistency
- Secure long-term contracts with existing customers
- Capitalize on scarcity of K-grade coal and increase quality of coal concentrate
- Increase market share in Ukraine and Eastern Europe, enter Asian markets

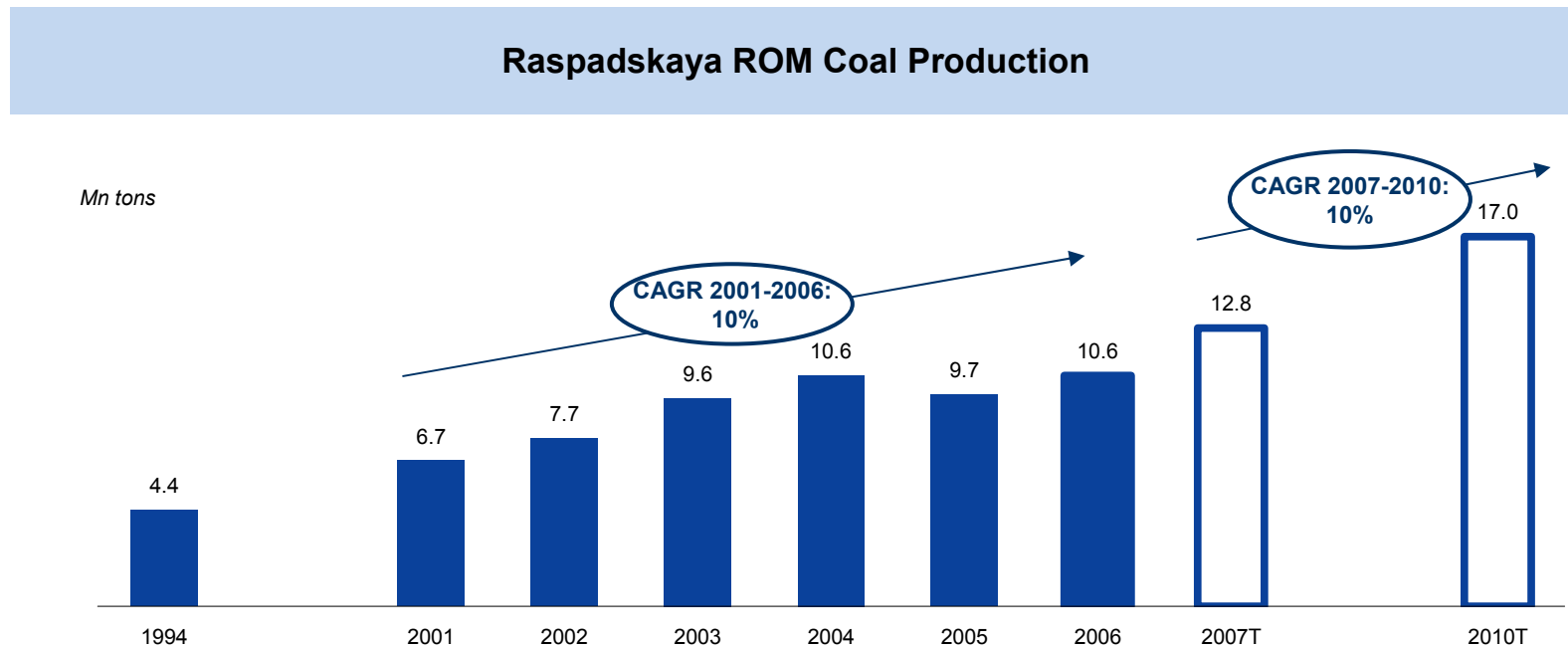
Maintain financial discipline

- Maintain cost leadership
- Focus on projects with high IRR
- Maintain prudent capital structure
- Consistently pay dividends to shareholders

Corporate governance and social responsibility

- Maintain corporate governance in accordance with the Western standards
- Recruit and retain highly qualified staff
- Pay relentless attention to HS&E and other sustainability issues

- Above-average coal production CAGR of 10% in 2001-2006
- Target mid-term growth rate of 10% CAGR in 2007-2010 aimed to sustain growth trajectory to date



Source: Raspadskaya, IMC report (with respect to target figures)

► **Strategic development programme targets achievable production growth rates in 2007-10**



OOO Raspadsky Ugol

Sales and marketing



ZAO Rospadskaya Coal Co.

Managing company

Production

Raspadskaya Mine

reserves: 451 mn tons
2006 production: 7.4 mn tons

OAO MUK-96

reserves: 203 mn tons
2006 production: 1.1 mn tons

ZAO Razrez Rospadsky

reserves: 27 mn tons
2006 production: 2.1 mn tons

ZAO Rospadskaya Koksovaya

reserves: 101 mn tons
under construction, expected launch – end of 2008

Preparation

ZAO Rospadskaya Preparation Plant

1 stage capacity:
7.5 mtpy nameplate, or
8.75 mtpy effective

2 stage capacity:
3.0 mtpy nameplate, or
3.5 mtpy effective
(under construction)

Services and infrastructure

OAO Tomusinskoye Cargo Handling Unit

Railway transportation

OAO Olzherasskoye Shaft-Sinking Unit

Underground mine construction

OOO Rospadskaya Joy

Preparation of the new longwall faces

OOO Puteets

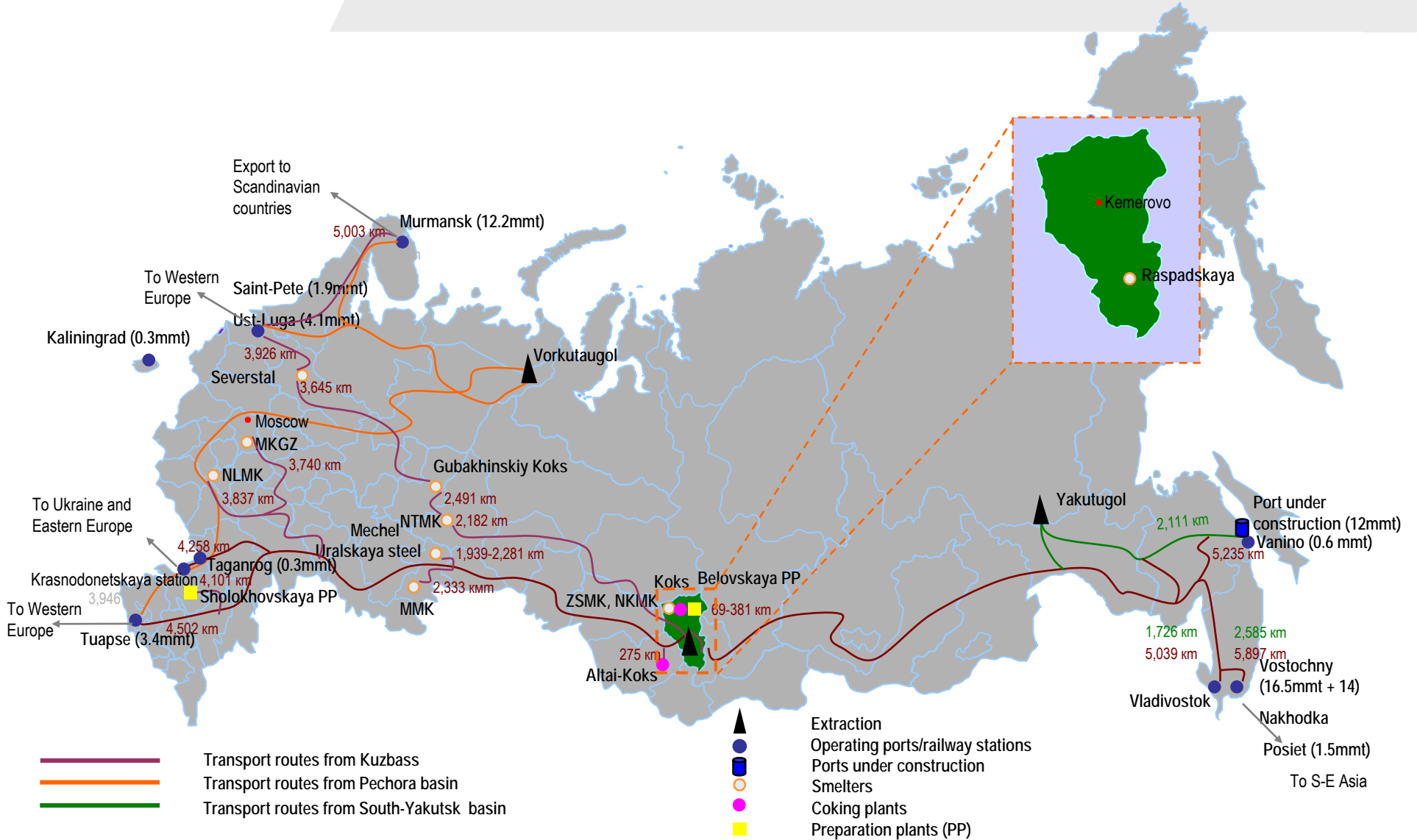
Maintenance railway

OOO Montazhnik Rospadskoy

Fabrication of roof bolting, metal lattices

Note: reserves include JORC proved and probable reserves, as of 30 June 2006

Raspadskaya is a vertically integrated company with centralized management and sales



Note: 2006 port tonnage for coal and coal products only

Source: Rospadskaya, System «Railway tariff», Argus Russian Coal, The McCloskey Group

- Proved and probable reserves amount to 782 mn tons as of 30 June 2006
 - Total resources ~ 1.5 bn tons
- Favorable mining and geological conditions
 - Forceful continuous seams (from 1.5 to 5 m) with flat dip <math><10^\circ</math>
 - Seam gas content is within optimal working range
- Increase in the reserve base through acquisition of licenses in Kemerovo region and resource-to-reserves reclassification

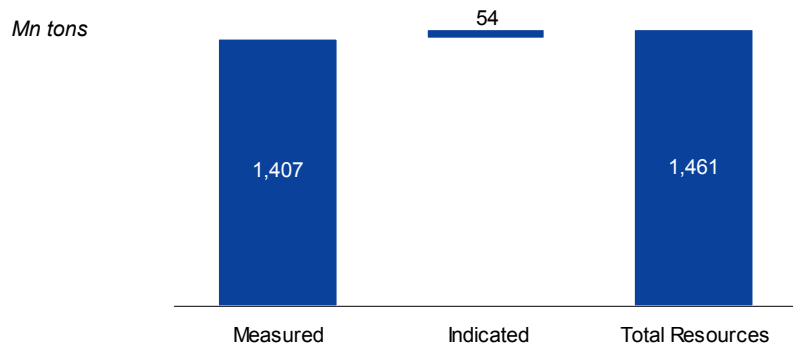
	Reserves according to International Standarts				Reserves according to Russian Standarts			Ranks of coal
	Proved Reserves	Probable Reserves	Total Reserves	Total Resources	ABC1	C2	ABC1+C2	
Raspadskaya	139	311	451	867	668	2	670	ZH, GZH
MUK-96	49	154	203	311	183	128	311	GZHO
Raspadskaya Koksovaya	0	101	101	243	177	65	243	K, KO
Razrez Rapsadsky	19	8	27	40	76	167	243	GZH, GZHO
Total	208	574	782	1,461	1,105	362	1,467	

Source: IMC report, Raspadskaya

Note: Reserves data does not include reserves acquired with the new site IX – XII in November 2006

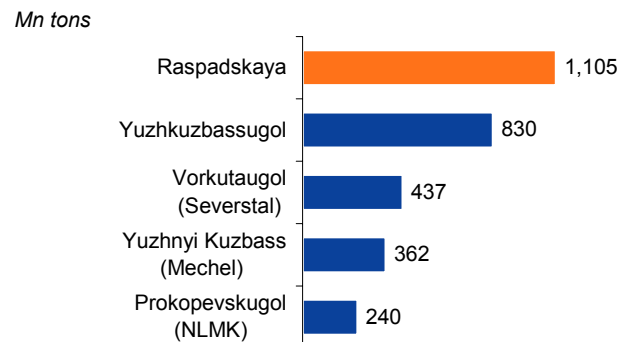
▶ **High quality of reserves allows to use productive equipment and achieve high recovery rates**

Raspadskaya JORC Resources



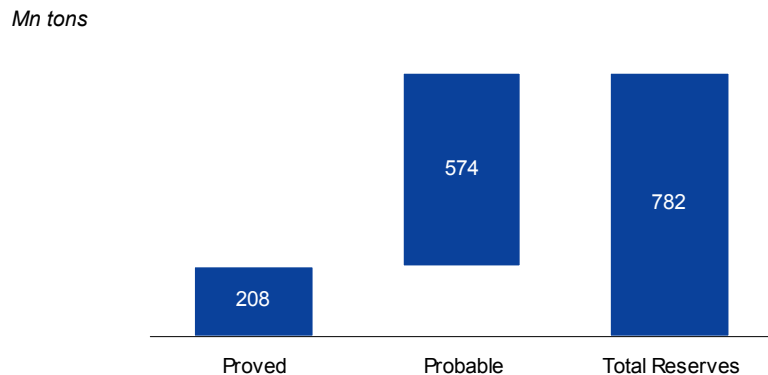
as of June 30, 2006
Source: IMC report

ABC1 Reserves (2005)



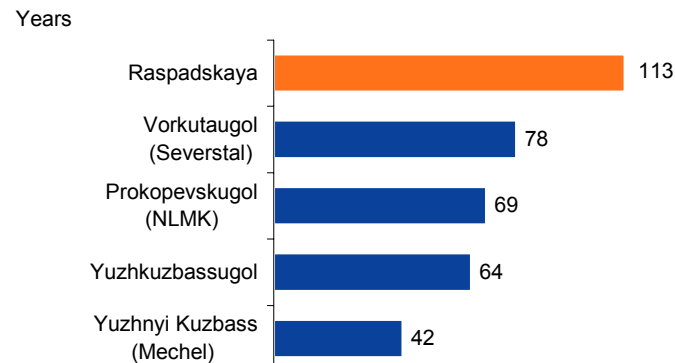
Source: Raspadskaya, Companies data

Raspadskaya JORC Reserves



As of June 30, 2006
Source: IMC report

ABC1 Reserves-to-Production Ratio (2005)

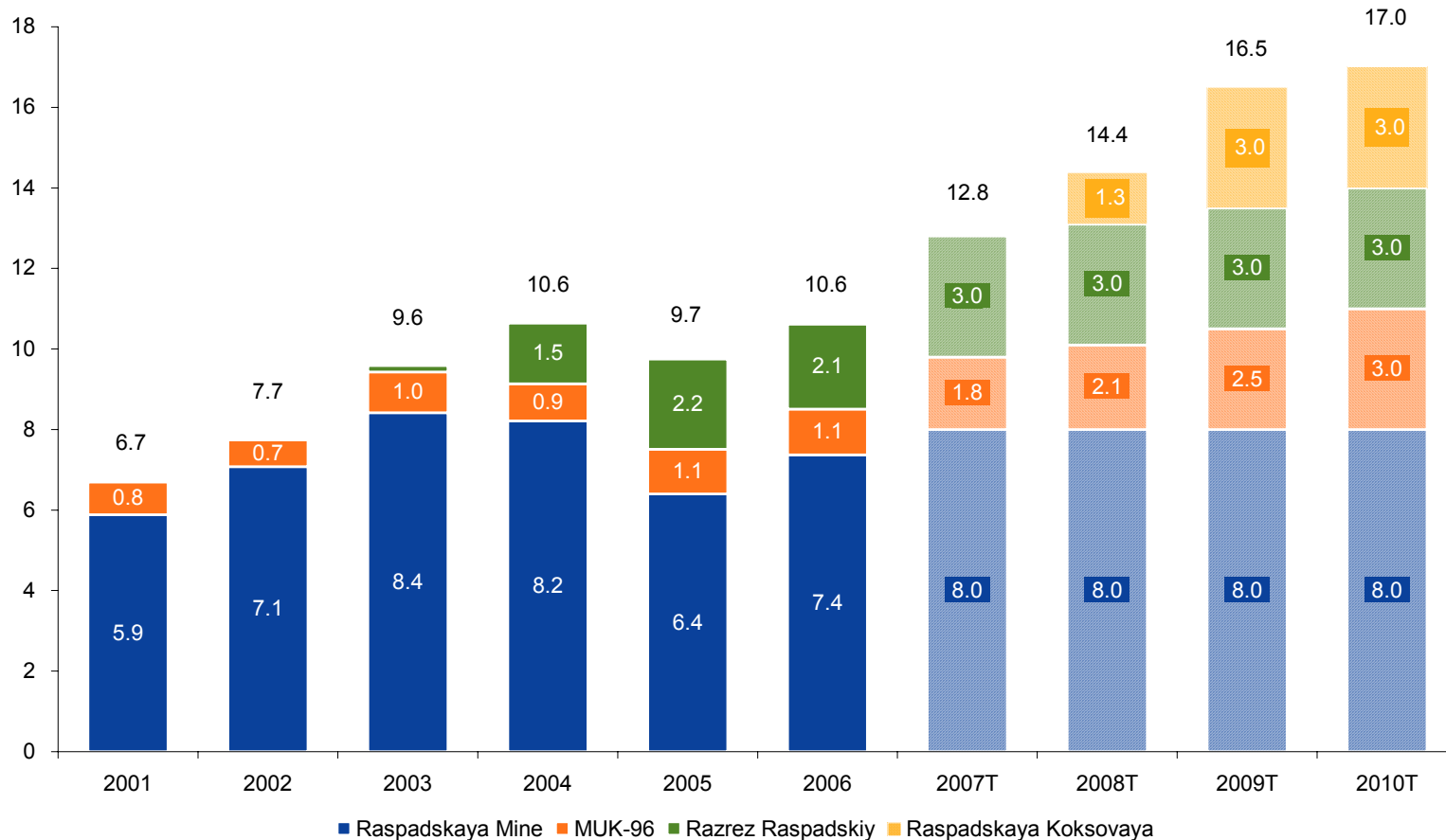


Note: Reserves-to-production ratio was calculated on the basis of 2005Y mining volumes of the largest coal producers in Russia. The diagram does not show indicators of Belon (155 years), whose mining volume totaled 1 mn tons in 2005
Source: Raspadskaya, companies data, Rosinformugol

No. 1 by reserves-to-production ratio among five largest Russian producers

- Average coal output growth at Raspadskaya in 2001-2006 was 10% in comparison with Russia's average of 1.6%
- Raspadskaya's share of total coking coal output in Russia has grown to 15% in 2006 from 10% in 2001

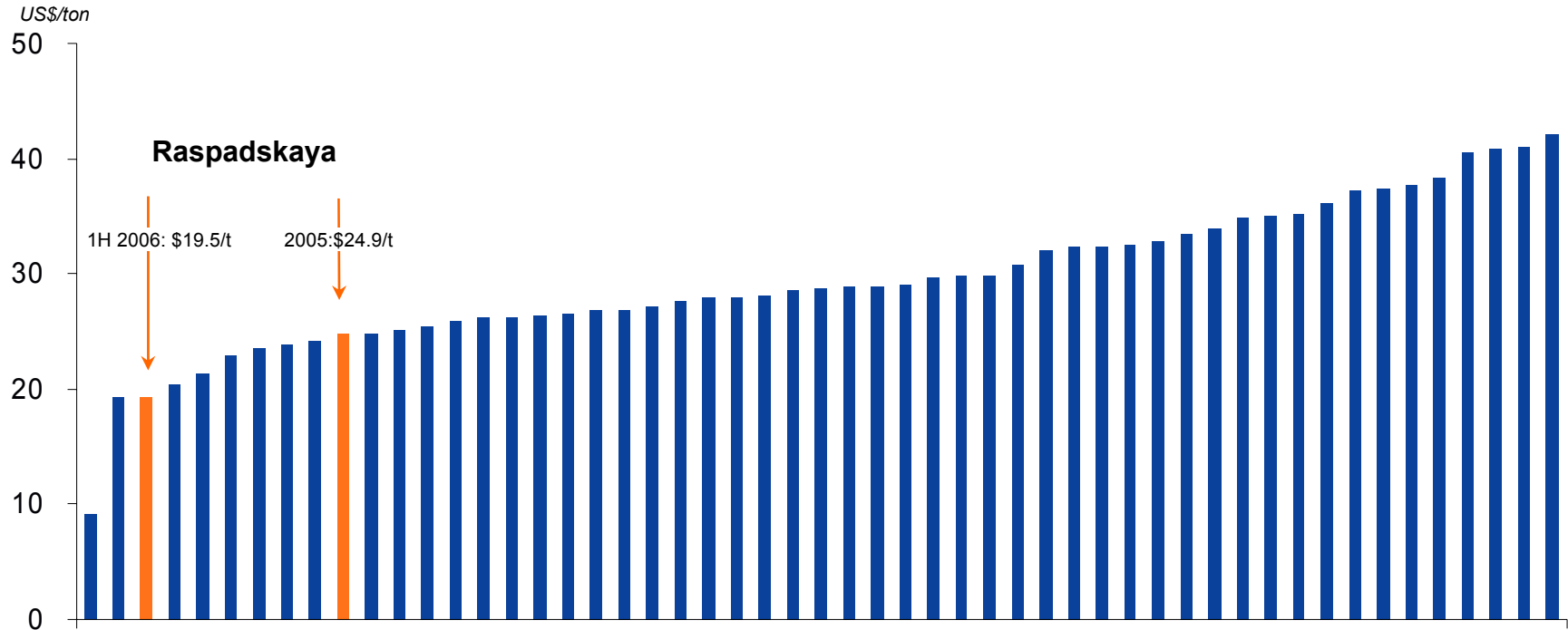
Mn tons



Source: Raspadskaya

- Raspadskaya is in the lowest quartile of global coking coal producers cost curve

Concentrate cash costs, excluding freight and port loading (2005)



52 mines owned by the following companies: Westfarmers Limited, BHP Billiton, Mitsui, Mitsubishi Development, Anglo American, Peabody Energy, Xstrata, Sumitomo Corporation, Consol Energy, Walter Industries, Teck Cominco, Fording, Massey Energy and others.

Source: AME Mineral Economics, Raspadskaya on a pro-forma basis

- Nameplate capacity of 7.5 mtpa, effective capacity of 8.75 mtpa
 - Construction of the second stage with nameplate capacity to be increased to 10.5 mtpa
 - Nameplate based on 300 working days a year while the plant will be working roughly 350 days a year
- In-process flexibility
 - Bespoke coal concentrate output parameters
- Integrated quality control laboratory
- Minimized emissions through closed-loop water-slurry circuit

Coal concentrate output ratio, %

Coal ash content	18	19	20	21	22	23	24	25	26
Output at concentrate ash content of 9.0%	85.0	84.0	83.0	81.0	80.0	78.5	77.0	75.0	73.0
Output at concentrate ash content of 8.5%	83.9	82.9	81.9	80.4	78.9	77.4	75.9	73.9	71.9
Output at concentrate ash content of 8.0%	82.6	81.6	80.6	79.1	77.6	76.1	74.6	72.6	70.6

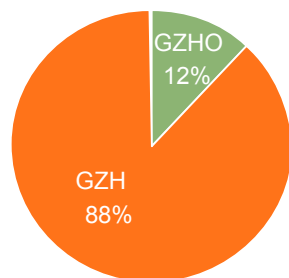
Source: Raspads kaya

Russia's largest most advanced preparation plant offers considerable competitive advantage

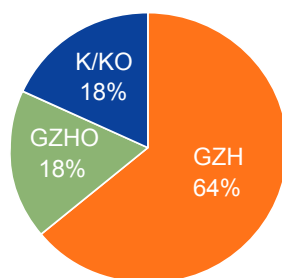
- Based on key characteristics coal concentrate of Raspadskaya preparation plant meets international classification “Semi-Hard Coking Coal”
- K and KO grades production will allow to increase the quality of coal concentrate to “Hard Coking Coal”

Quality of Raspadskaya coal concentrate

2006



2010T⁽¹⁾



(1) – based on target production figures
Source: Raspadskaya, IMC report

Raspadskaya

Coal grade	Ash	Reflectance	Max plasticity	Volatile
	A ^d , %	R _o , %	LgMF	V ^{daf} , %
"GZH+KS"	8.8%	0.93	>3.2	36.8%
"GZH+ZH"	9.0%	0.82	>4.25	39.0%
"K, KO"	9.0%	1.29	n.a.	24.0%

Source: Raspadskaya, CCI Holding Ltd.

International Standards

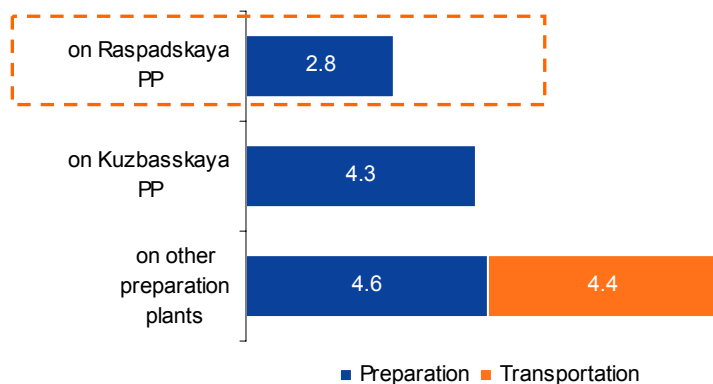
Coal grade	Ash	Reflectance	Max plasticity	Volatile
	A ^d , %	R _o , %	LgMF	V ^d , %
Hard coking coal				
Hard Coking Coal High Fluidity	<8.5	0.70-1.15	>4.0	21-33
Hard Coking Coal Middle Fluidity	<8.5	0.70-1.15	3.0-4.0	21-33
Hard Coking Coal Low Fluidity	<8.5	1.15-1.50	2.0-3.0	<21
Semi-Hard coking coal	<12.0	0.70-1.15	2.5-3.0	21-33
Semi-Soft coking coal	<12.0	0.55-0.8	0.5-2.5	>30

Source: Rosinformugol

- Average preparation expenses for Raspadskaya amounted to \$6.2 per ton of raw coal in 2005
- In 2006, average preparation costs decreased to US\$3.5 per ton of coal (estimate)

Preparation expenses, 2005

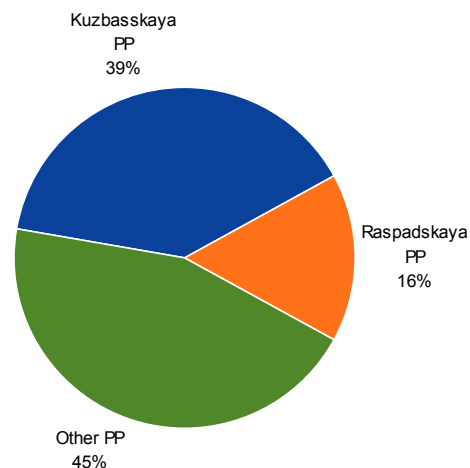
US\$ / ton



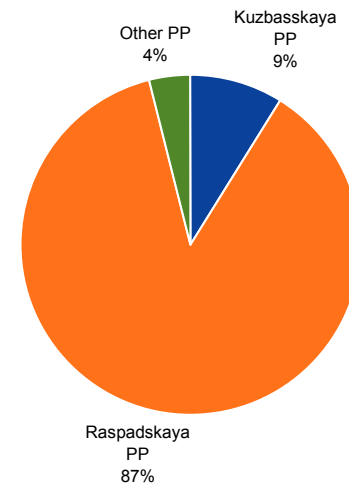
Other preparation plants includes: Belovskaya, Chertinskaya, Karo, Prokopievskaya
Source: Raspadskaya

Break down of coal preparation, by plants

2005



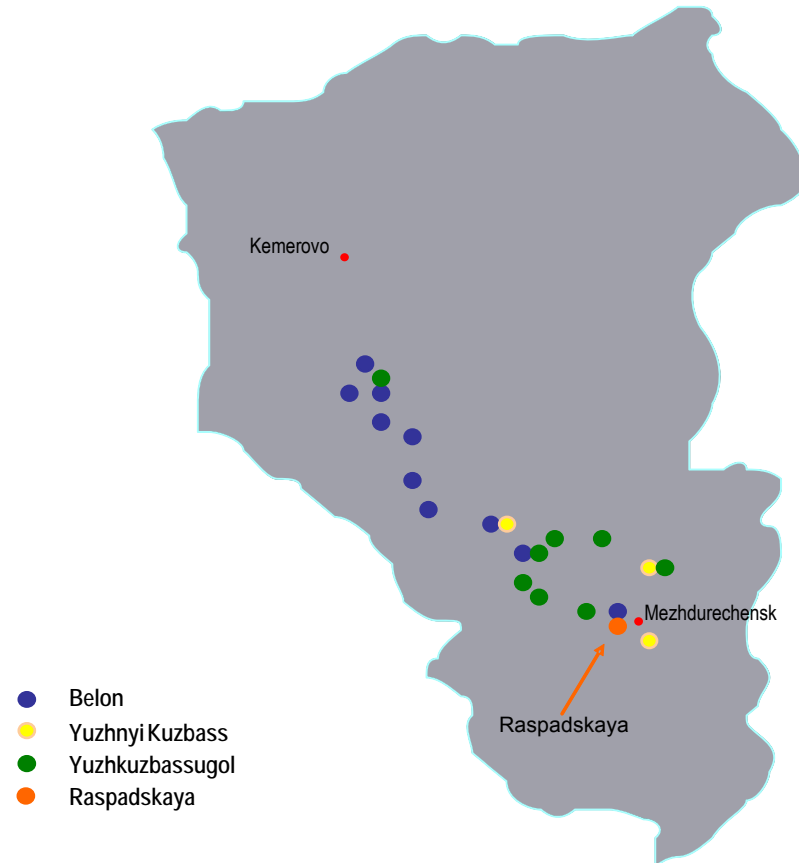
2006



Source: Raspadskaya

- Compact single site operations
- Low logistics costs due to efficient transportation means and in-house transportation subsidiary
- Single site location provides significant advantages by eliminating the need for third-party transportation service of in-process product between the mines and preparation plant

Mining operations location (by licenses)



► **Raspadskaya's competitive advantages are: integrated and compact operating complex, transportation infrastructure and preparation plant**

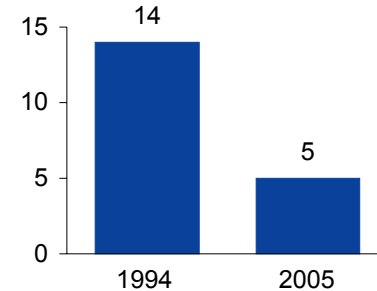
■ Highly efficient operations

- 64% reduction in the number of longwall faces during the period from 1994 through 2005
- 275% growth in face load during 1994 through 2005

■ Care for personnel and business sustainability

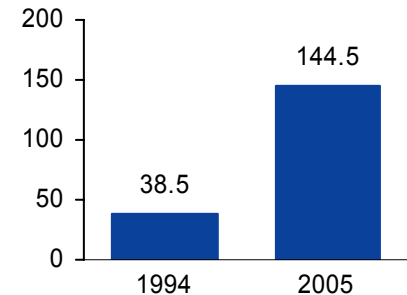
- Enhanced labour safety and 80% reduction in work related injuries at Raspadskaya Mine since 1994
- 215% increase in labour productivity rates on Raspadskaya Mine over 1994-2005
- No strikes in the last 15 years

Number of Faces



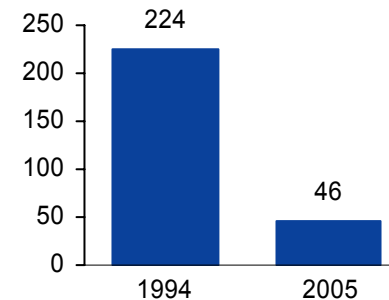
Face Load

000' tons/month



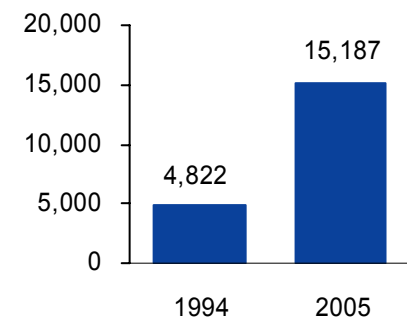
Injuries

No. of accidents



Labour Productivity

Tons/employee/year



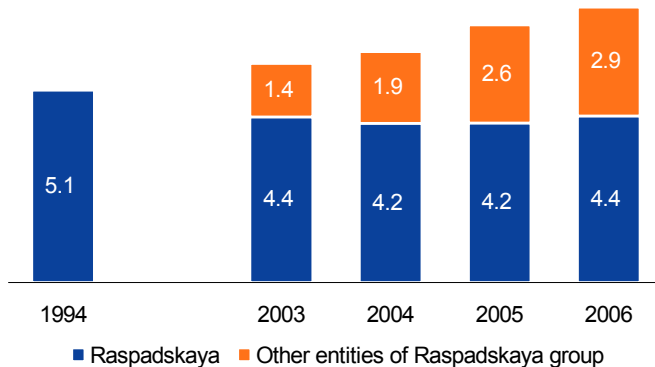
Source: Raspadskaya

▶ *Proven ability to deliver operational excellence*

- As of 1 January 2007, Company employed about seven thousand three hundred people
- Rospadskaya employees are extensively experienced and professionally trained
 - 16% of Rospadskaya personnel are higher school graduates; 38% have professional education diploma
 - Opportunities to source qualified specialists through cooperation with country's leading universities
- There have not been a single strike or major conflict at Rospadskaya over 15 years

Number of employees

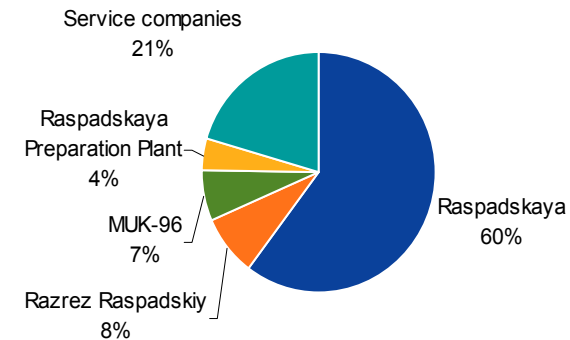
Th. persons



Source: Rospadskaya

Personnel structure by entity, 2006 average

7,241 people

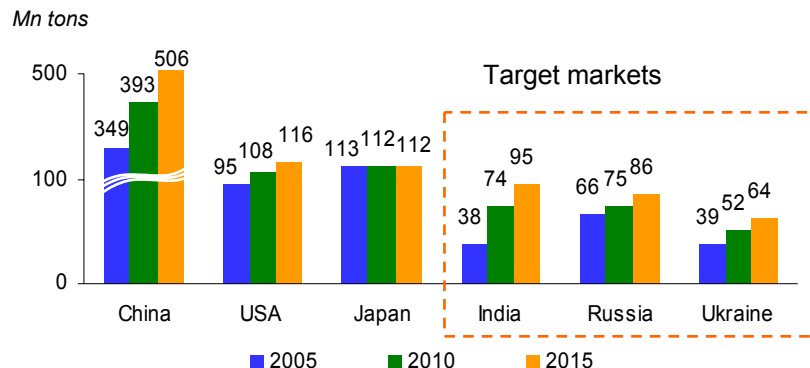


Source: Rospadskaya

3. Market and Sales

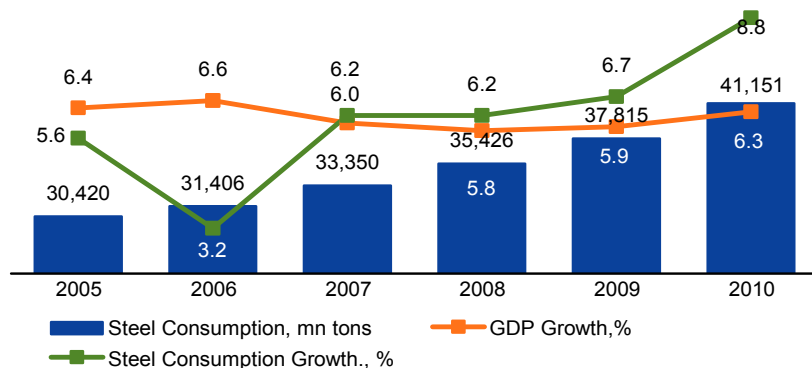


Crude Steel Production



Source: IISI, McCloskey's Metallurgical Coal Quarterly

Russian Steel Consumption (Trend-based)

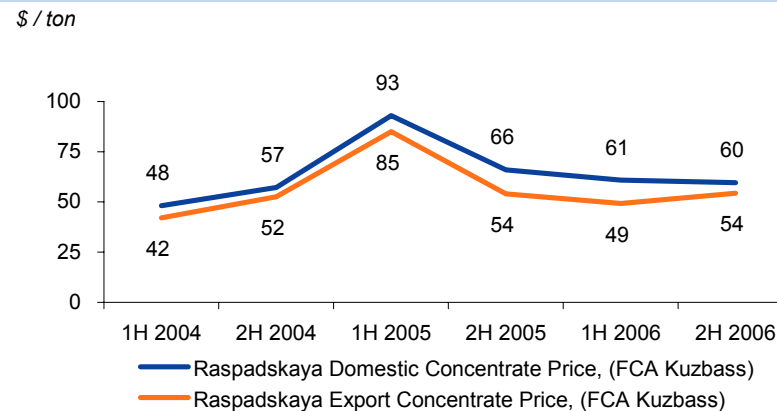


Source: Ministry of Economic Development and Trade of the Russian Federation, IISI

Outlook

- Russian GDP and steel consumption are expected to grow on average 6% annually; current outlook for coking coal demand in Russia is robust (3-5% pa.)
- Coal prices achieved by Russian miners domestically have traditionally been higher than export prices
- Generally, 0.75 tonne of coking coal produces approximately 1 tonne of steel
- Based on forecast this implies an increase of c.40% of coking coal consumption in Russia

Coking Coal Price Performance

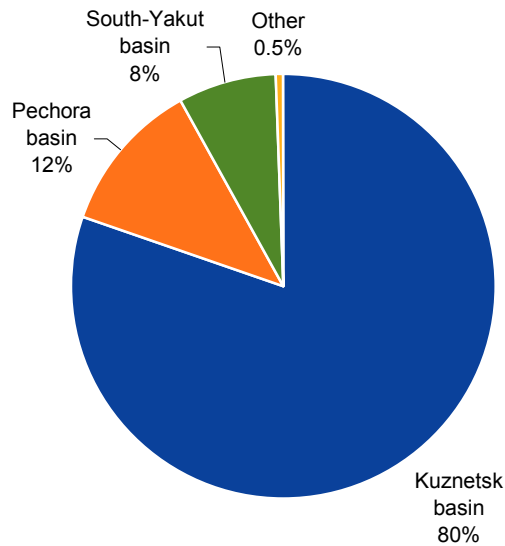


Source: Raspadskaya, Metallorg

▶ **Raspadskaya is located in proximity to the markets with the most dynamic steel production growth**

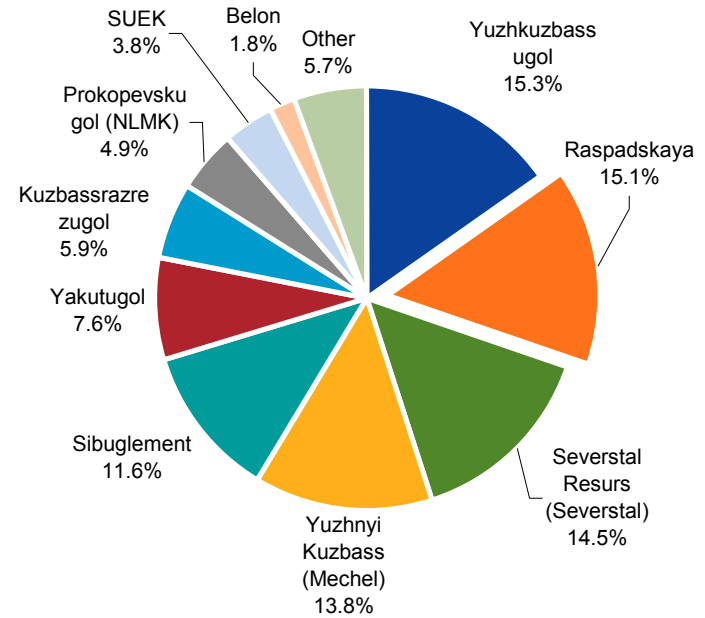
- Kuznetsk basin accounts for ca. 80% of total coking coal production in Russia which itself has 2nd largest coal reserves in the world
- Top 5 coking coal producers have 70% of the market
- Russian steel groups control over 30% of total coking coal production

Russian coking coal production, by location (2006)



Source: Rosinformugol

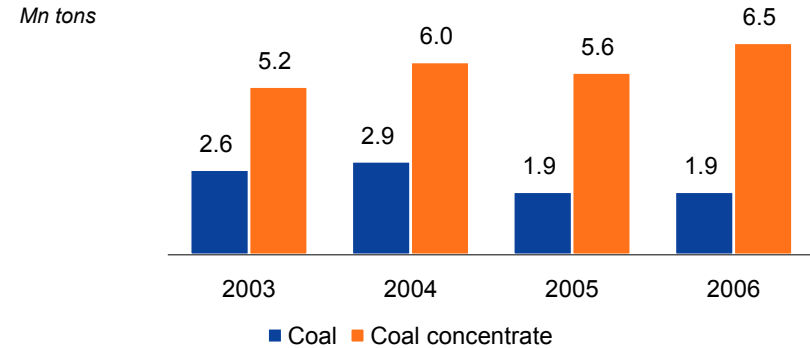
Russian coking coal production, company (2006)



Source: Rosinformugol

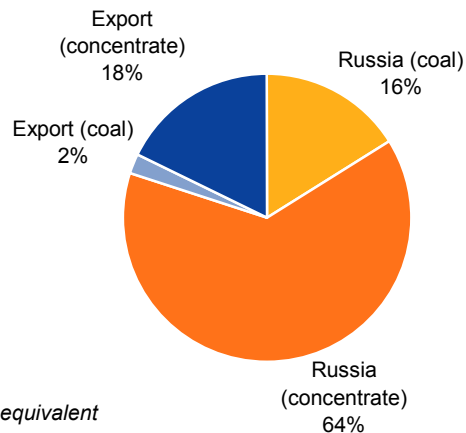
- Increased share of coal concentrate in total sales volume after the own preparation plant is put into operation
- In 2006, domestic sales accounted for 80% of total sales (up from 75% in 2005)
- Focus on key customers
 - Three largest Russian customers (steelmakers) accounted for 56% of sales in 2006
- Increase in the share of long-term contracts

Coal and Coal Concentrate Sales History



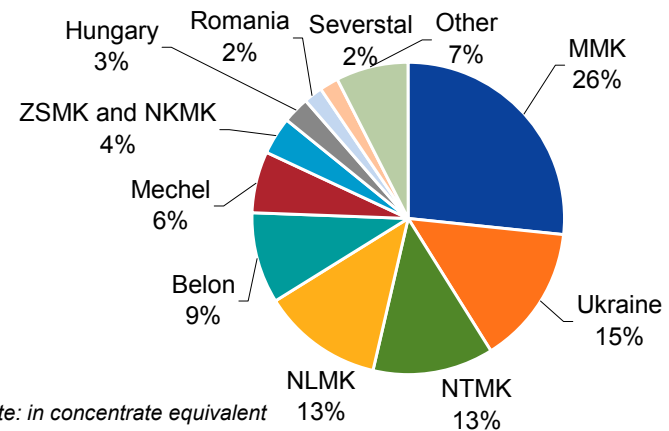
Source: Raspadskaya

Coal Sales Geography, 2006

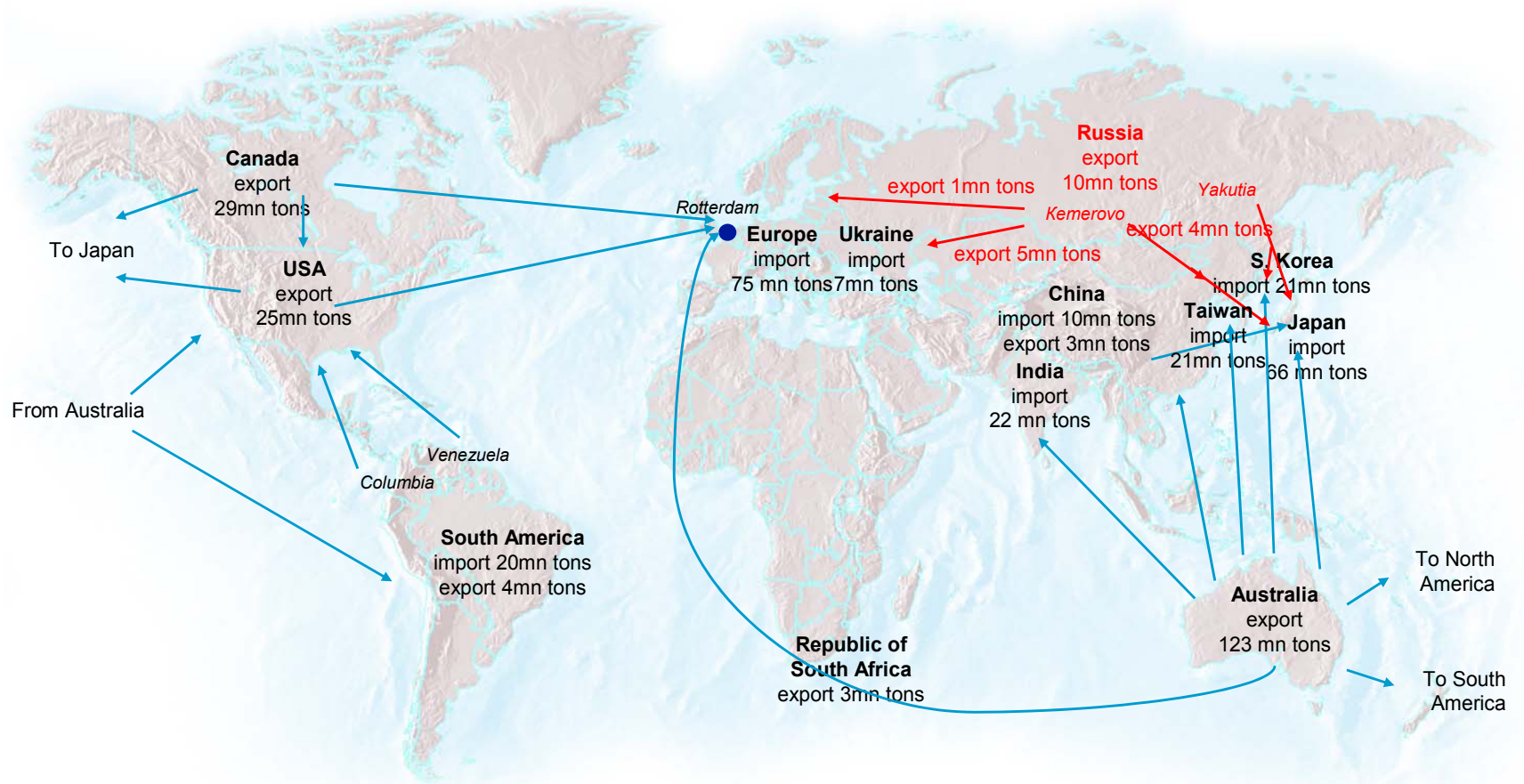


Note: in concentrate equivalent
Source: Raspadskaya

Coal Sales Structure by Customer, 2006



Note: in concentrate equivalent
Source: Raspadskaya



Source: Abare 2005, Tex Reports 2005, IMC, Rosinformugol

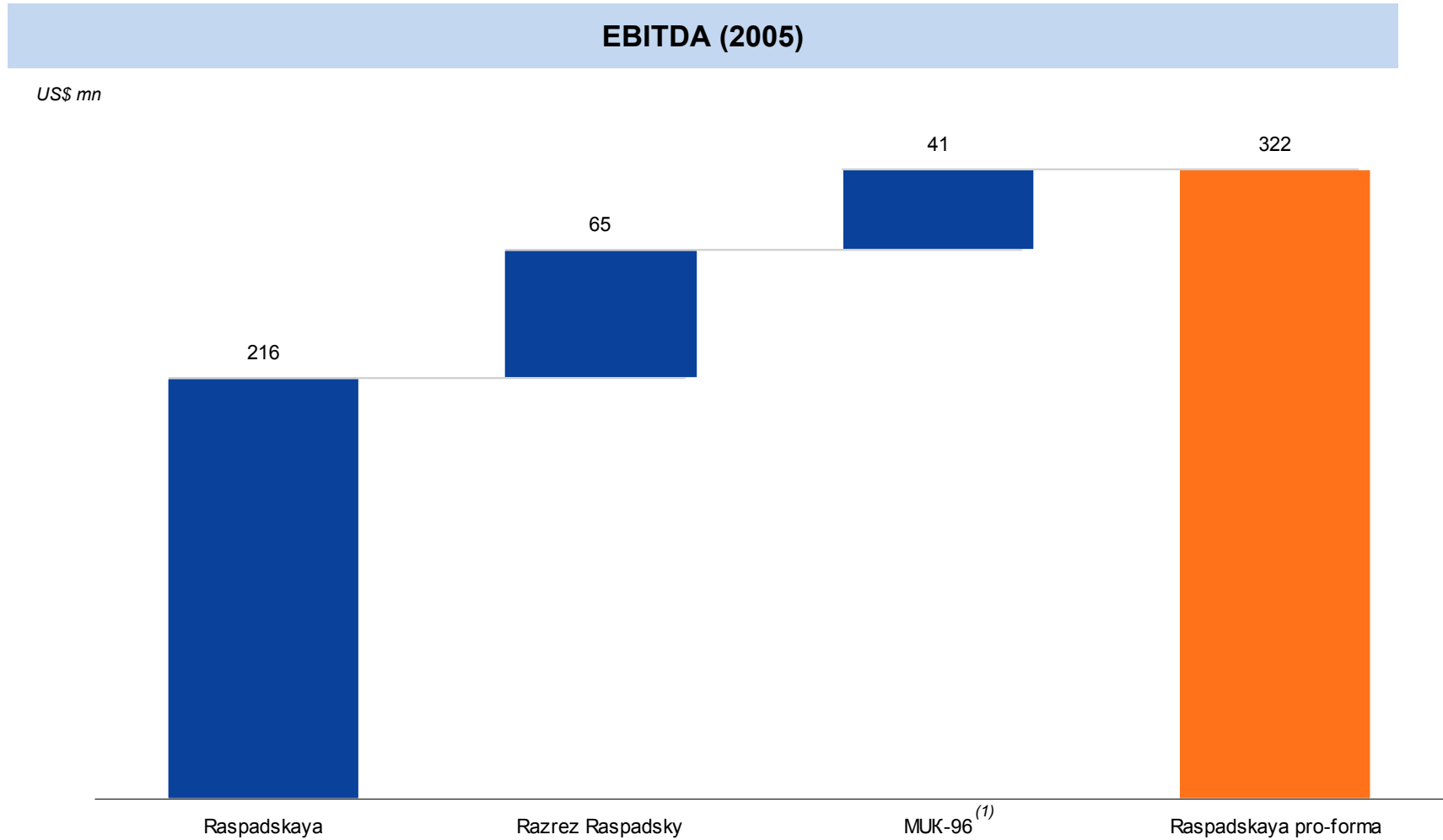
▶ **Total supply reached 217 mn tons in 2005**

4. Financial overview



US\$ mn	ZAO Raspadskaya Standalone		OAO Raspadskaya Proforma		
	2004	2005	2004	2005	
Revenues	393	549	421	541	
EBITDA	188	216	259	322	← Difference in 2005 EBITDA on the standalone and on the pro-forma basis is a result of MUK-96 and Razrez Raspadsky consolidation
Margin, %	48 %	39 %	62 %	59%	
Net earnings	106	133	128	166	
Margin, %	27 %	24 %	30%	31%	
	2004	2005	2004	2005	
Balance Sheet					
Total assets	354	421	1,314	1,324	
Total debt	44	64	72	94	
Net debt	(4)	37	20	62	
Shareholders' equity	(45)	(9)	698	709	
Cash Flow Statement					
Cash flow from operating activities	139	155			
Cash flow from investment activities	(98)	(92)			
Cash flow from financial activities	(11)	(82)			

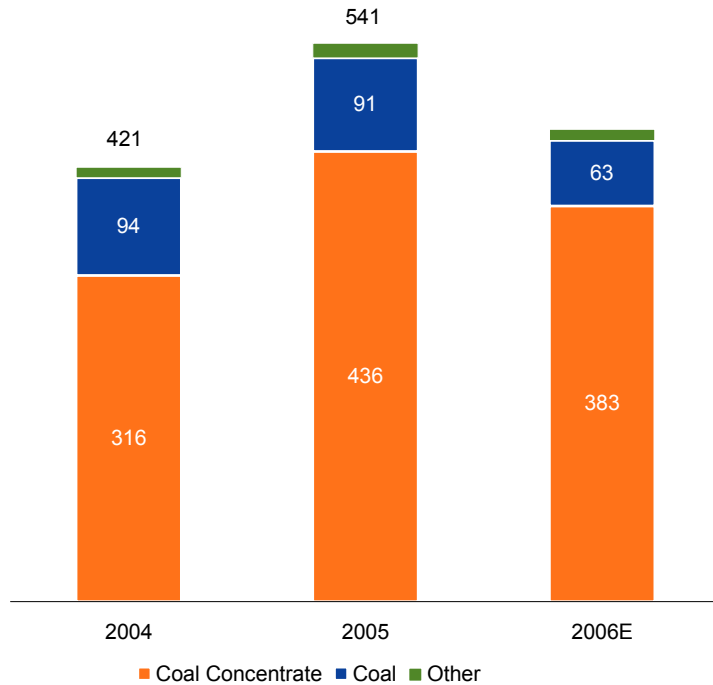
- Analysis of the consolidated business on pro-forma basis is critical for a correct understanding of the financial position and profitability of the “new Raspadskaya”



(1) - includes RFPK
Source: Raspadskaya

Pro-forma revenue structure, by product

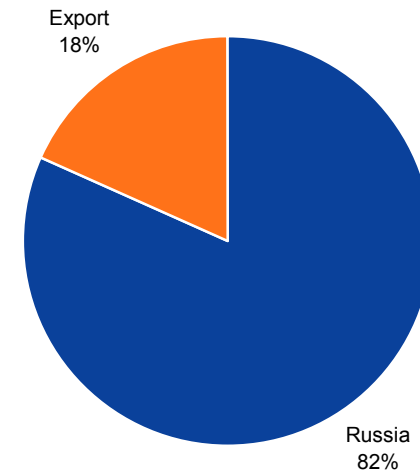
US\$ mn.



Note: Other include tariff refund for NLMK deliveries and transport services by Tomusinskoye Cargo-Handling Unit

Source: Raspadsкая

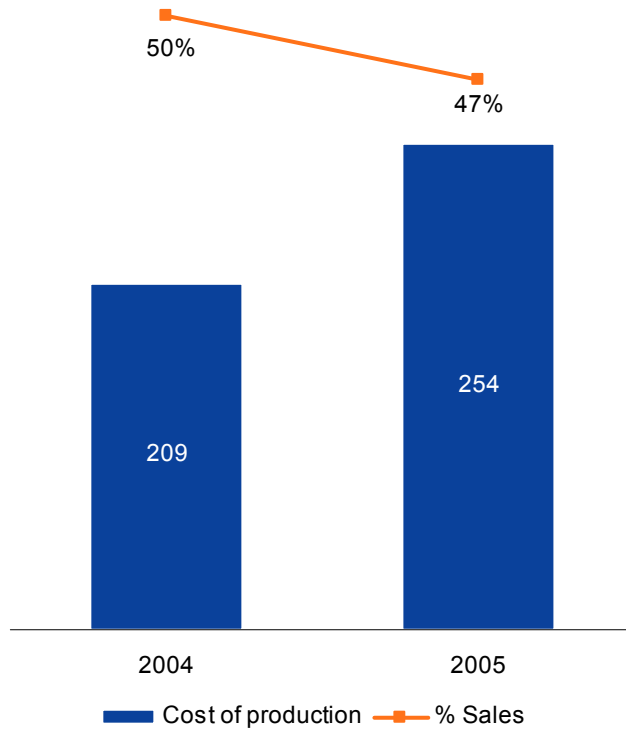
Revenue structure, by geography (coal products, 2006)



Source: Raspadsкая

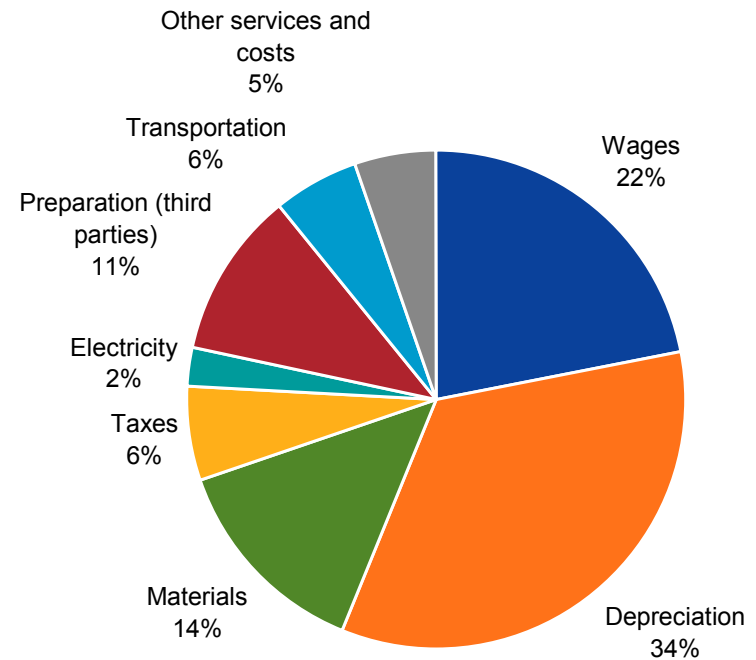
Cash costs dynamics (2004-2005)

US\$ mn.



Source: Raspadskaya

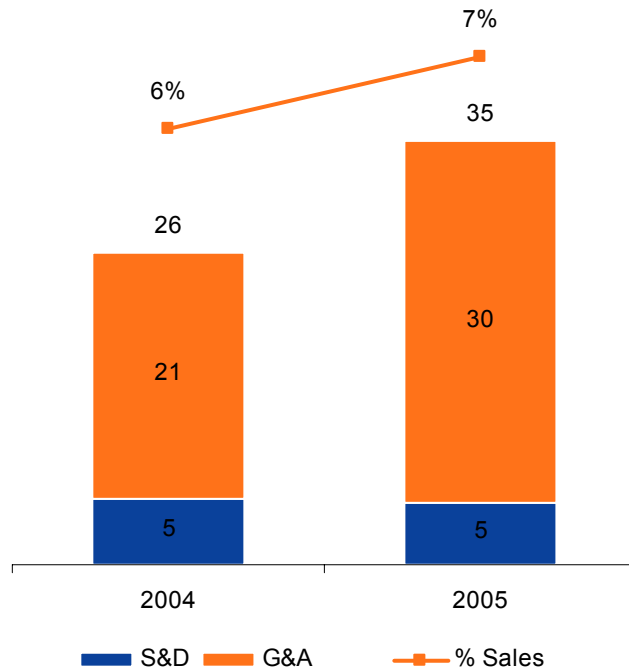
Production costs structure (2005)



Source: Raspadskaya

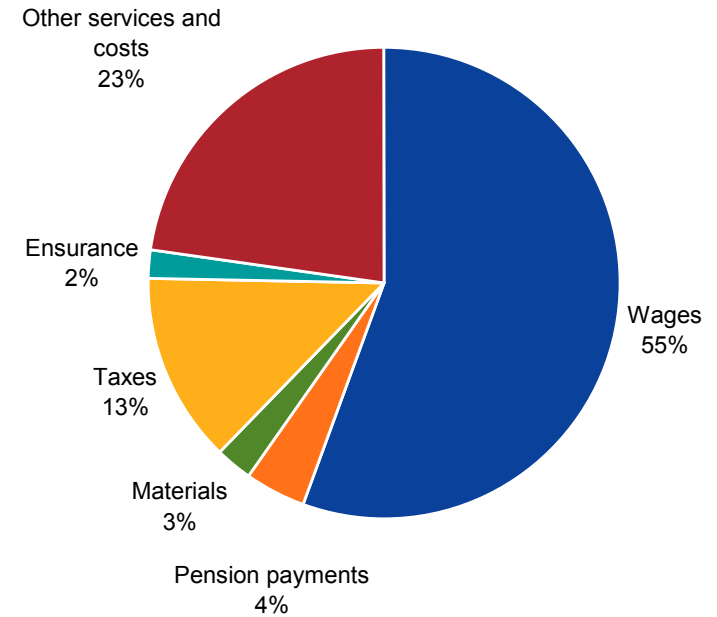
SG&A dynamics (2004-2005)

US\$ mn.



Source: Raspadskaya

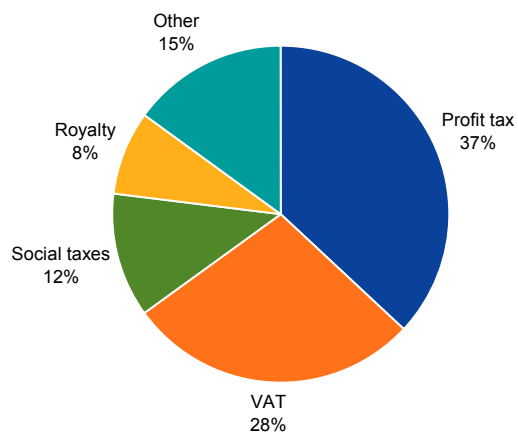
G&A costs structure (2005)



Source: Raspadskaya

- Raspadskaya is a diligent tax payer to the federal, regional and local tax budgets
- Raspadskaya is one of the main contributors to the Kemerovo region budget (12% of revenues in 2005)
- Tax payments effected on time and in full
 - total tax payments of ca. US\$150 mn in 2006E
- Royalty is set at 4% of raw coal price
- Effective profit tax rate is about 27%

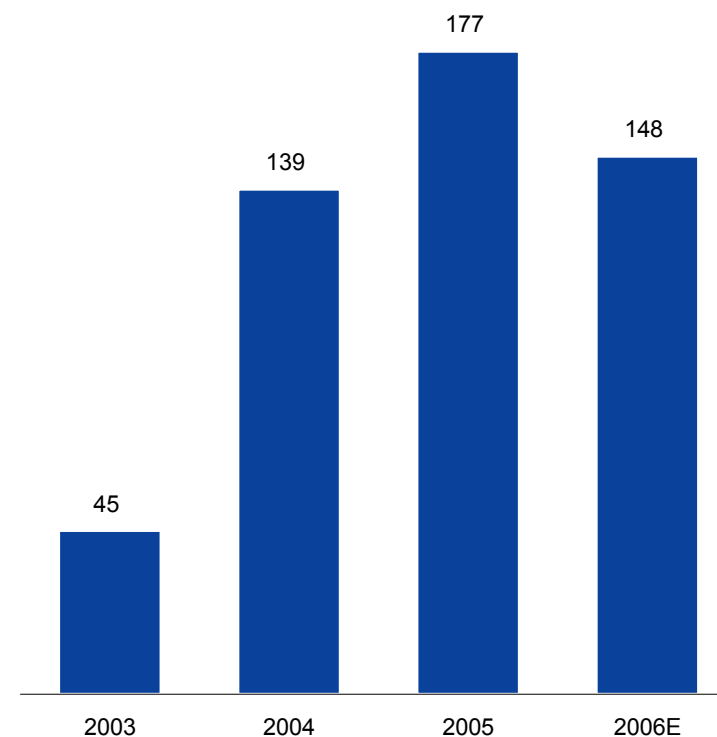
Structure of Raspadskaya tax payments (2006E)



Source: Raspadskaya

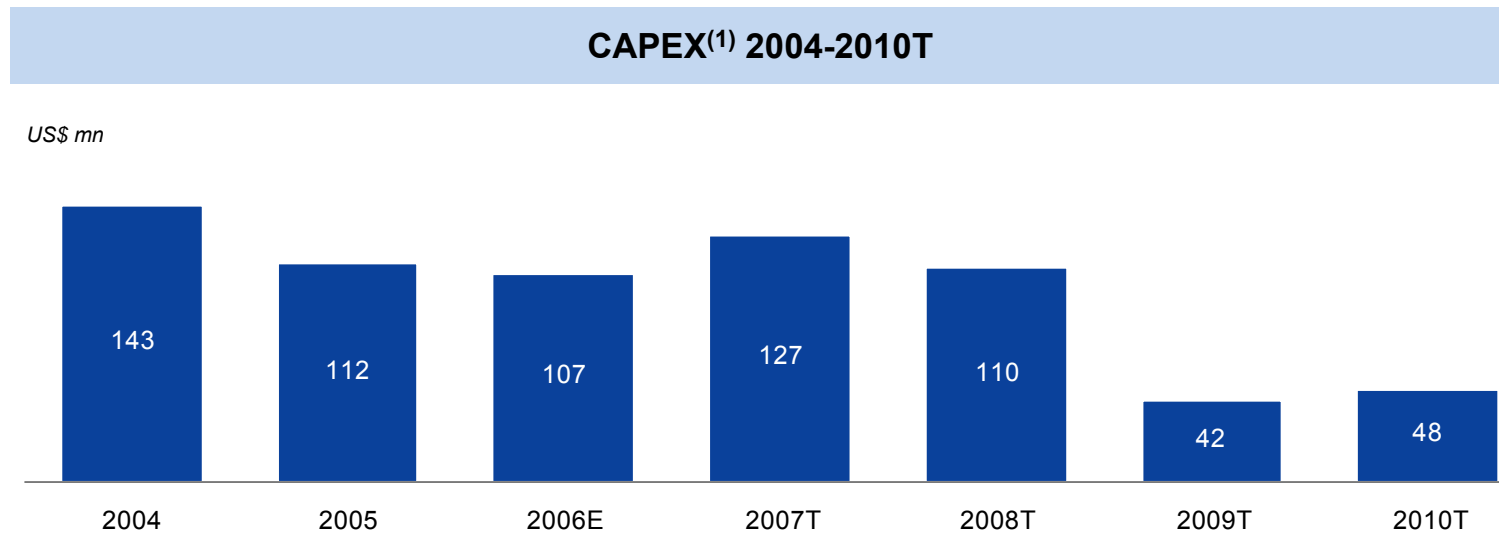
Tax payments dynamics

US\$ mn.



Source: Raspadskaya

- In 2004-2006, Raspadskaya's total investments amounted to US\$362 mn
 - Investments in production (US\$276 mn): sustainable production growth
 - Preparation plant (US\$86 mn): own coal preparation, increasing product quality and costs reduction
- Targeted investment program for 2007-2010: US\$327 mn



(1) – historical data based on management accounts
Source: Raspadskaya

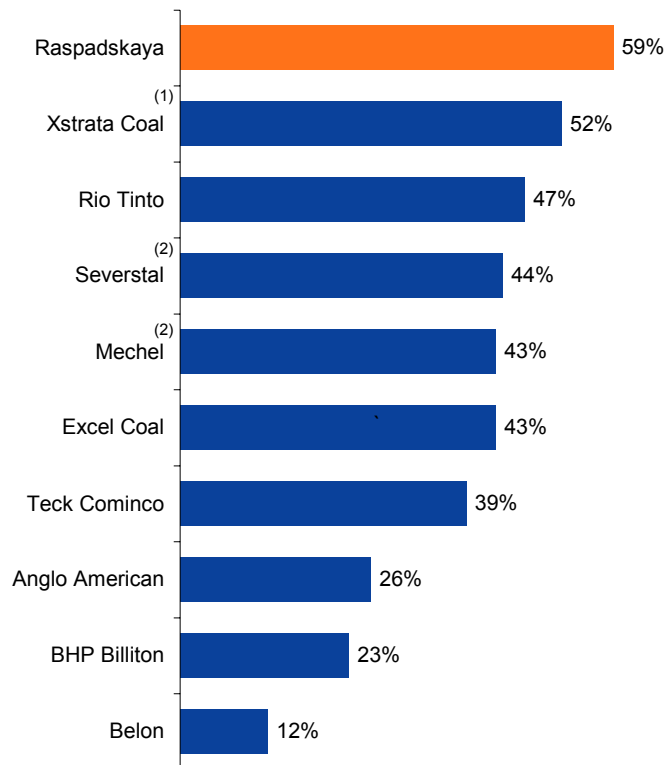
Company	CAPEX 2004-2006	Target CAPEX ⁽¹⁾ 2007-2010	Target CAPEX effect
OA0 "Raspadskaya"	\$137	\$145	Complex modernization of production capacity, annual production of GZH and ZH grade coking coal at 8 mn tons
OA0 "MUK-96"	\$33	\$46	Expansion of production capacity up to 3 mn ton per year by 2010.
ZAO "Razrez Raspadsky"	\$71	\$13	Expansion of production capacity up to 3 mn tons per year starting 2007
ZAO "Raspadskaya Preparation Plant"	\$86	\$40	Preparation costs reduction; expansion of production capacity up to 10.5 mn tons
ZAO "Raspadskaya Koksovaya"	\$28	\$73	K grade coking coal production - production capacity up to 3 mn tons pa
Other	\$7	\$10	
Total Investments	\$362	\$327	

(1) – in 2006 US\$
Source: Raspadskaya



2004-2010 target capex program in the amount of US\$689 mn is already over 50% completed

EBITDA Margin (2005)



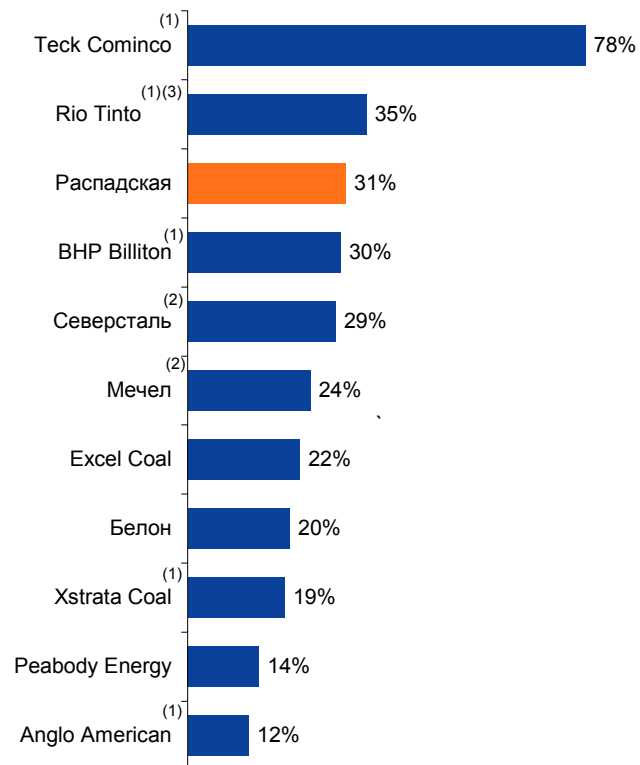
Source: *Raspadskaya, companies' data*

(1) Data for coal mining segment

(2) Data for mining segment

(3) Including uranium dioxide mining segment

ROCE (2005)



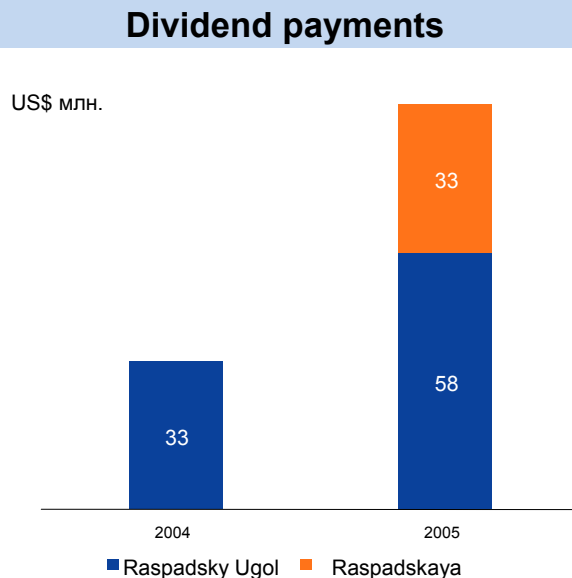
Source: *Raspadskaya, companies' data*

5. Corporate Governance



- Corporate governance at Raspadskaya
 - Transparent ownership and shareholding structure
 - Transactions with related parties effected at arm's length basis
 - Audited IFRS financials since 2003 (Ernst & Young)
- Transition to global corporate governance standards
 - Audit of coal reserves in accordance with JORC Code (IMC)
 - Board of Directors' Audit committee
 - Two independent directors present on the Board
 - Internal Control Committee being formed

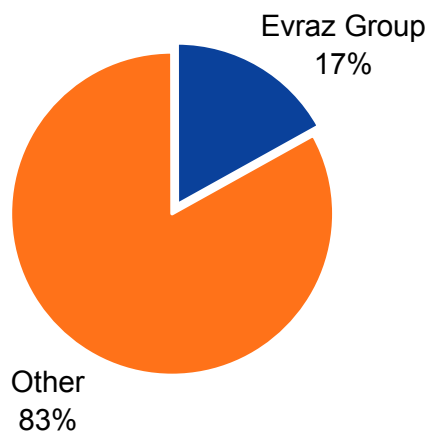
- Total dividend payments to Raspadskaya's shareholders for 2004-2005 amounted to US\$124mn.
- The Board of Directors approved the decision that the Company's dividend policy should state target payout ratio of at least 25% of IFRS net income, subject to future cash flows and investments



Source: Raspadskaya

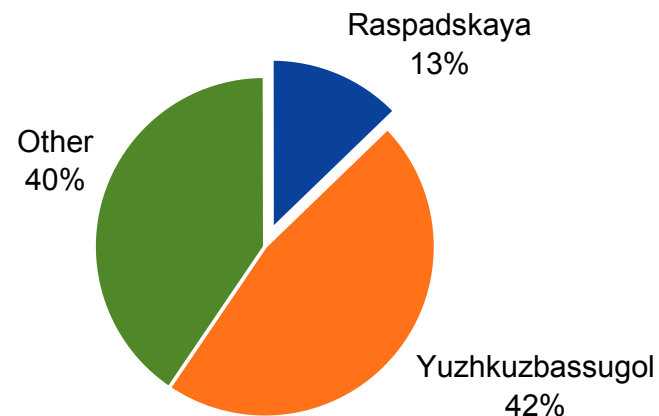
- Shareholders agreement between key shareholders provides for the following:
 - Unanimous adoption of resolutions on major issues
 - Adroliv appoints CEO and First Deputy CEO
 - Transactions effected at arm's length basis
- Key shareholders has approved the Company's Strategic development program for 2006-2015
- Long-term partnership
 - Evraz Group accounted for 17% of Raspadskaya's total sales volumes while Raspadskaya accounted for 13% of the total procurement of coal by Evraz Group in 2006
 - Long-term contract for coal products supply

Raspadskaya's sales to Evraz vs. Other customers (2006)



Source: Raspadskaya

Evraz Group's coal concentrate procurement structure (2006)



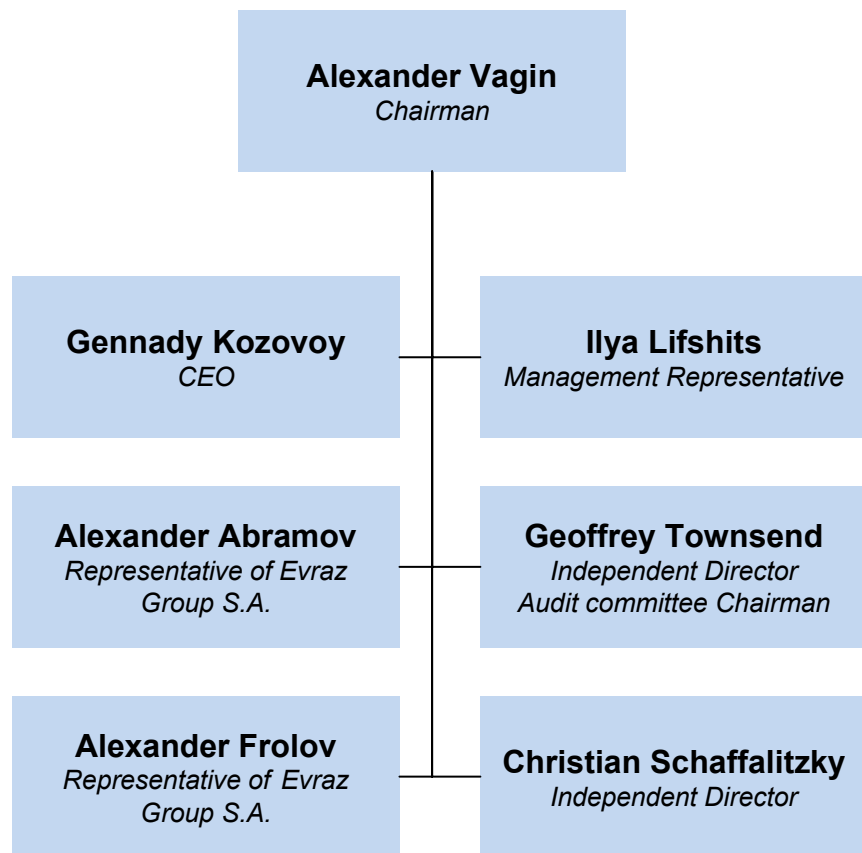
Source: Evraz Group S.A.

Raspadskaya – Supplemental Information



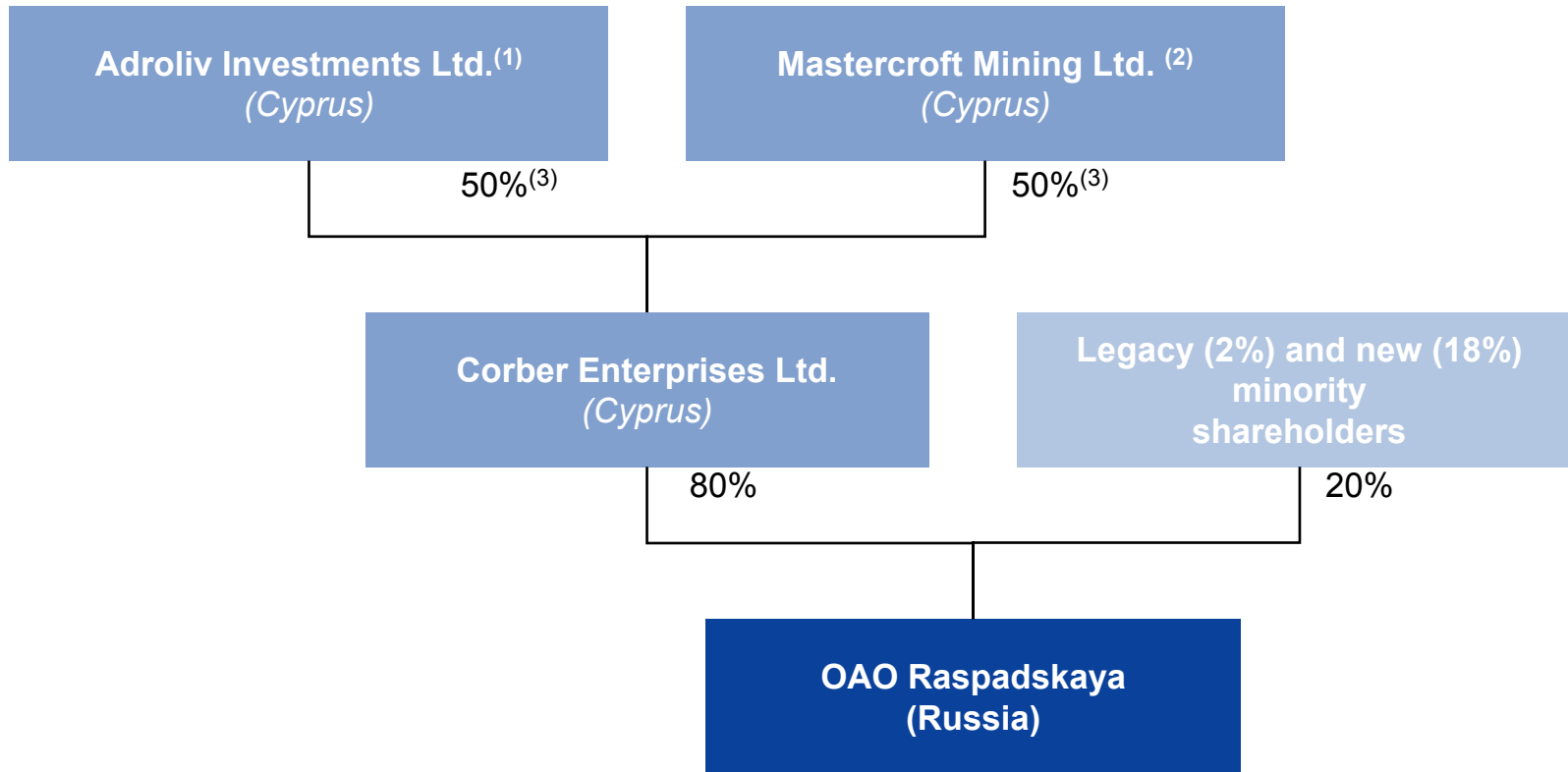
Start	1973	Coal production commenced at Raspadskaya mine with capacity of 2 mn tons of coal p.a.
	1991	Raspadskaya mine was privatized and transformed into Raspadskaya Closed Joint-Stock Company (ZAO), 100% employee owned
Privatization	1994	Current management team took control over the business operations. Development of “1996-2005 Operating Efficiency Improvements Program” which provided for increased output, enhanced productivity and opex reduction “Management Accounting Reform” Program was developed
	1994-1999	Growth in coal production output by 73%, from 4.4 mn tons in 1994 to 7.6 mn tons in 1999
	1998-2000	Procurement of advanced longwall mining, development and transport equipment from Joy Mining, DBT, Voest Alpine, etc.
	1999-2004	Stakes in service companies were consolidated
	2003	Development of coal reserves formerly viewed as unrecoverable in Russia commenced by ZAO Razrez Rapsadsky
Development	2004	Uniform sales policy was introduced to apply to Company’s entire range of coal products Corber was established to take over stakes held by major shareholders, i.e. Management and Evraz Group S.A.
	2005	Construction of Rapsadskaya Koksovaya mine, with projected capacity of 3.0 mn tons, expected to produce coking coals of scarcely available K and KO grades Operations commenced at Rapsadskaya preparation plant 2006-2015 Strategic Development Program was adopted
	2006	Consolidation of MUK-96 and Razrez Rapsadsky Establishment of the Rapsadskaya Group Construction of Stage II of Rapsadskaya preparation plant started
Asset Consolidation		

Board of Directors



Management





Source: Raspadskaya

(1) Adroliv Investments Ltd. is beneficially owned by G. Kozovoy and A. Vagin

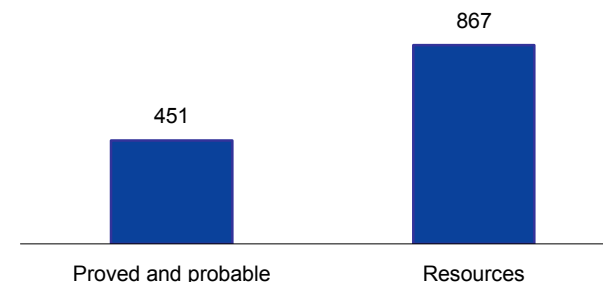
(2) Mastercroft Mining Ltd. is beneficially owned by Evraz Group S.A.

(3) % of voting shares

- Company's largest coal mine (nearly 70% of total production in 2006)
 - Russia's largest underground mine
- Underground mine - 4 longwall faces
- Grades GZh and Zh

Reserves and Resources

Mn tons



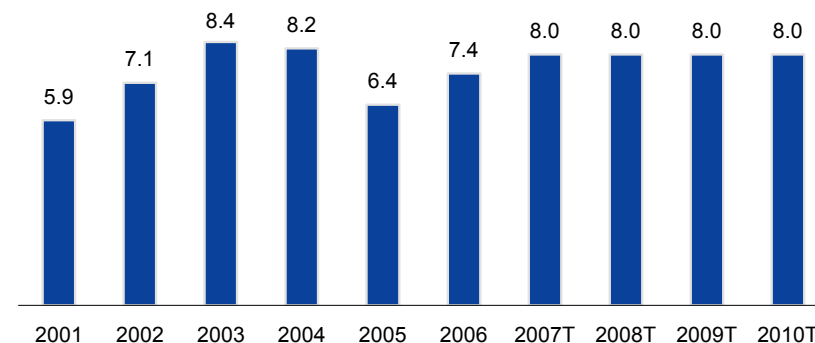
Source: IMC report

Licenses

Licence holder	Licence area	Date issued	Expiration date	Mining method
Raspadskaya	Raspadsky black coal deposit	16 September 2004	1 March 2014	Underground and open-pit
Raspadskaya	Raspadskaya Mine-2 of the Raspadsky black coal deposit	14 November 2003	15 November 2023	Underground

Production

Mn tons



Source: Raspadskaya, IMC report

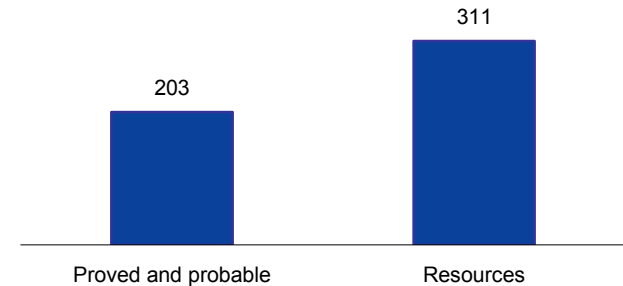
- Underground mine - one longwall face
- The lowest cash cost among Raspadskaya production units
- Grade GZhO

Licenses

Licence holder	Licence area	Date issued	Expiration date	Mining method
MUK-96	Gorny area of the Raspadsky black coal deposit	17 January 2000	1 December 2019	Underground and open-pit
MUK-96	North Olzherassky area of the Raspadsky black coal deposit	21 March 2005	20 March 2025	Underground and open-pit

Reserves and Resources

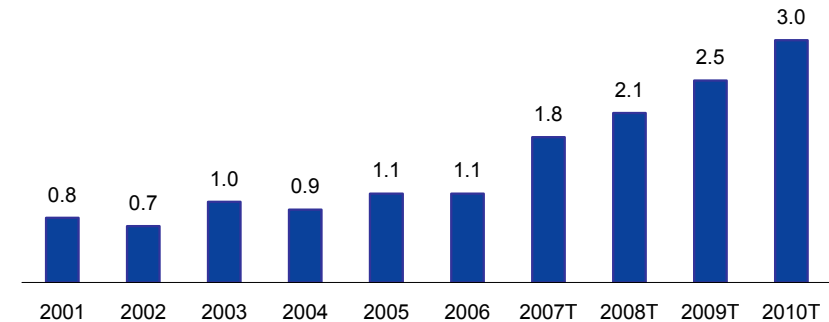
Mn tons



Source: IMC report

Production

Mn tons

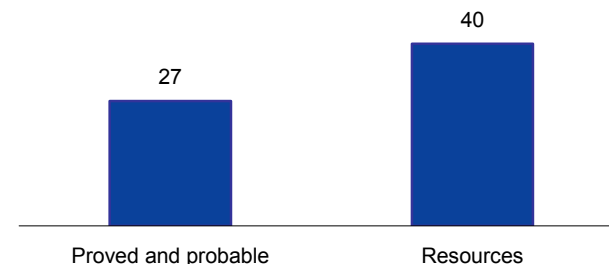


Source: Raspadskaya, IMC report

- Open-pit area
- First mine in Russia to apply the advanced unmanned method of coal recovery utilizing the DSDS manufactured by SHM
- A new license at site Rospadsky IX-XI for 118 mn tons of B+C1 purchased on 2 November 2006
- Grades GZh, GZhO and Zh

Reserves and Resources

Mn tons



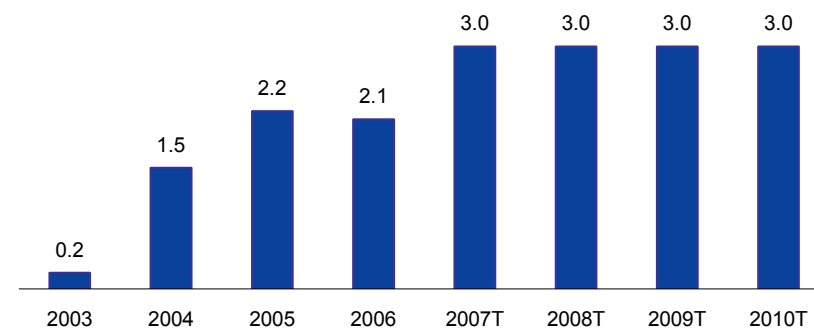
Source: IMC report

Licenses

Licence holder	Licence area	Date issued	Expiration date	Mining method
Razrez Rospadsky	Glukhovsky open-pit mine of the Rospadsky black coal deposit	17 January 2006	20 December 2025	Underground and open-pit

Production

Mn tons

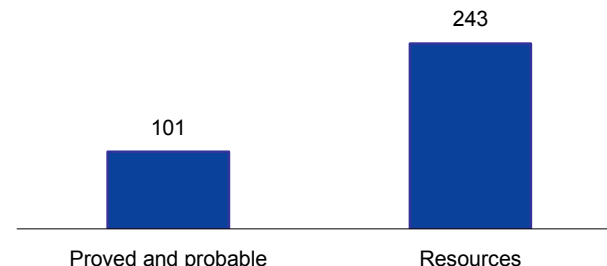


Source: Rospadskaya, IMC report

- Reserves (proved and probable) – 101 mn tons according to JORC
 - Resources to be further reclassified as reserves
 - Hard coking coal (“K” and “KO” grades)
- Coal production targeted to commence in 2008, increasing to 3 mn tons pa
 - Situated at the production site of Raspadskaya (logistic costs optimization)
- Improved quality of coal concentrate meeting growing furnace feed quality requirements of Russian customers
- Opportunities of concentrate exports to Asian countries

Reserves and Resources

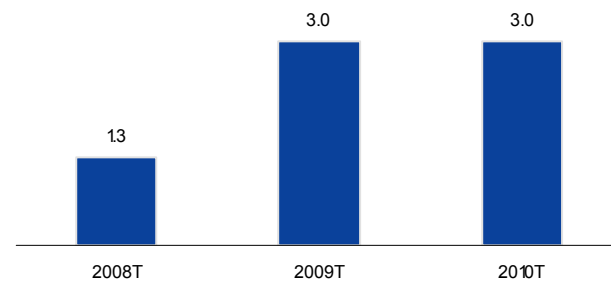
Mn tons



Source: IMC report

Production

Mn tons



Source: Raspadskaya, IMC report

Licenses

Licence holder	Licence area	Date issued	Expiration date	Mining method
Raspadskaya Koksovaya	Mine No. 2 Field area of the Olzherassky black coal deposit	17 June 2003	1 July 2057	Underground

		Raspadskaya Mine	MUK-96	Razrez Raspadsky	Raspadskaya Koksovaya
Underground operations	Long-wall	No. of faces: 4 Cash cost: 13.5 US\$/ton (2005)	No. of faces: 1 Cash cost: 11.7 US\$/ton (2005)		
	Room and pillar				Operations to commence in 2008
Open-pit operations/DSDS (High-wall)				No. of DSDS : 2 Cash cost: 12.3 US\$/ton (2005)	

Source: Raspadskaya

► **High recovery rate due to diversity of applied technologies**

- Compliance with Russian environment protection legislation
 - Integrated environment monitoring function
 - 26 inspections performed over 2003 through H1 2006; no major instances of non-compliance identified
- No pollution violations
 - charges paid on time and in full
 - no significant fines/penalties
- Implementation of new soft technologies
 - closed-loop water-slurry circuit implemented at preparation plant
 - State-of-the-art mine process water treatment system being designed

Ash content - incombustible impurities contained in coal which affect the burning characteristics of coal

Coal preparation - the process of selectively removing residual stone material from raw coal through beneficiation at a coal preparation or coal washing plant

Coal products - collectively, our raw coal and coal concentrate

Coke - the basic fuel consumed in blast furnaces in the smelting of iron. A hard, dry carbon substance produced by heating coal to a very high temperature in the absence of air

FCA - free carrier. Means that the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place

Hard coking coals - the most valuable type of coking coal due to its specific chemical properties which enables the coke to be more efficient in steel making when it converts iron ore to raw steel

IMC report – Raspadskaia Reserves Valuation report prepared by IMC Economic and Energy Consulting Ltd. as of June 30, 2006

JORC - the Australasian Joint Ore Reserves Committee Code is widely accepted as a standard for professional reporting purposes. Provides extensive guidelines on the criteria to be considered when preparing reports on exploration results, mineral resources and reserves

Longwall mining - a fully mechanised underground mining method in which the mining face is supported by a hydraulic shield while the coal is excavated by a shearer and then transported to the surface by conveyors. When mining of the longwall panel has been completed, the longwall system is moved to a new mining area. The key characteristics of longwall mining include high productivity, comparatively high reserve recovery rates, safety and reliability

Mining face - the working area where the extraction of overburden or coal takes place in an underground or open-pit mine

Moisture content - the amount of moisture in coal, expressed as a percentage of the weight of the coal. Two types of moisture can be found in coal, including: (i) free or surface moisture, which can be removed by exposure to air, and (ii) inherent moisture, which is trapped in the coal and can be removed by heating the coal

Sulphur content - sulphur contained in coal. Sulphur content can vary from coal seam to coal seam and sometimes within seam. "Low sulphur" coal has a variety of definitions but typically is used to describe coal consisting of 1.0% or less sulphur

Volatile matter content - the amount of volatile matter in coal, expressed as a percentage of the weight of the coal. Volatile matter refers to substances, other than water, that are driven off as gas or vapor when coal is heated under certain prescribed conditions