

Current report No. 18/2014

Date of preparation: 15 October 2014

Subject: Withdrawal from the planned investment - "Modernization and expansion of the heating plant in Bogdanka into a combined heat and power generating plant".

General legal basis: Article 56.1.1 of the Act on Public Offering – confidential information

Content:

The Management Board of Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka (the "Company") hereby informs you that on 14 October 2014, in connection with the change in the economic and financial situation, the Management Board adopted a resolution on withdrawal from the investment provided for in the strategy of the subsidiary company, "Łęczyńska Energetyka Sp. z o.o.", i.e. the "Modernization and expansion of the heating plant in Bogdanka into a combined heat and power generating plant".

The Company announced the planned modernisation and expansion of the heating plant in Bogdanka into a combined heat and power generating plant in the Issue Prospectus of 2009 and subsequent periodic reports.

The following tasks were performed to date within this project:

Task 1 – reconstructing water boilers.

The primary aim of the modernisation was to improve the technical condition of water heaters already in use and adjust them to the co-burning of biomass. This stage was implemented in 2005, 2009 and 2010.

Task 2 – constructing a desulphurisation and dedusting system, and adjusting the infrastructure of the heating plant to a new technological system.

The construction of a common desulphurisation and dedusting system for water boilers was aimed at significantly reducing the emission of pollution to the atmosphere. This task was completed in 2011. As a result, production facilities have been adjusted to current legal requirements regarding the emission of pollution to the atmosphere, which ensures compliance with the provisions of Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on Industrial Emissions (integrated pollution prevention and control), which comes into force in 2016.

Task 3 is underway - building a target water treatment station together with process connections with a hydrophore unit and the heating plant area. The water treatment station with a sewage treatment system based on underground water obtained from mine drainage

(currently being discharged into the Świnka river), sanitary wastewater and rain wastewater from the Bogdanka field will produce various types of water with specific qualities (potable, process) for the purposes of the mine.

During the term of the project changes have occurred in the legal environment connected with burning or co-burning of biomass (fuel). In addition, there was a significant decrease of the prices on the electricity wholesale market. The abovementioned changes made it necessary to adjust the projected system to the current environmental conditions and optimize the investment through withdrawal from pursuing subsequent tasks. Given the unprofitability of pursuing the works, the withdrawal from continuing the project does not lead to any negative consequences for the business operations of the Group.

As a result of the withdrawal from the investment, a thermal fluidal boiler and a heat generating extraction-and condensation turbine set will not be constructed.

The Company does not rule out a possibility of recommencing the project, if a change occurs in the economic environment, i.e. the prices of energy increase or the prices of carbon dioxide units decrease.

Legal basis for submitting the report: Article 56.1.1 of the Act on Public Offering – confidential information