



Current Report No. 24/2022

Date of preparation: 17 November 2022

Subject: Information provided to a shareholder outside the shareholder meeting in accordance with Article 428 § 6 of the Commercial Company Code.

General Legal Basis: Article 56 sec. 1 item 2 of the Act on Offerings – Current and periodic information

Content:

The Management Board of Lubelski Węgiel Bogdanka S.A. (Company) provides the answers given to the questions asked by the Company's shareholder pursuant to Article 428 § 6 of the Commercial Company Code, which the Company received on 3 November 2022:

Question 1:

What was the average selling price per ton of steam coal sold by LW Bogdanka (in PLN and converted to USD) in Q3 2022?

Answer 1:

The Company does not make the prices of the coal it sells public. The results of negotiations with the key contractors are published in the form of current reports. In 2022, the Company reported changes in long-term contracts in Reports No. 6/2022 dated 26 May 2022 and No. 11/2022 dated 15 June 2022.

Question 2:

By what amount did the Company raise the coal sales price in Q3 2022 relative to the coal sales price in Q1 2022?

Answer 2:

The Company does not make the prices of the coal it sells public. The results of negotiations with the key contractors are published in the form of current reports. In 2022, the Company reported changes in long-term contracts in Reports No. 6/2022 dated 26 May 2022 and No. 11/2022 dated 15 June 2022. The Company also regularly publishes information on its revenues and production in periodic reports.

Question 3:

Based on what data and factors does the Company currently set coal sales prices?

Answer 3:

The Company sets contract prices according to the negotiations carried out for annual periods (taking into account market conditions) with the customer or based on price formulas that determine prices

for annual periods. Accordingly, market conditions (their change) affect the change in contract prices with a time lag. A number of market factors are taken into account when setting prices in negotiations or for pricing formulas, including, among others, PSCMI1 index levels. LW Bogdanka's contracts are multi-year in nature (with long termination notice periods, with prices set for yearly periods) and protect both parties to the contract against sudden changes in the market, the impact of which is cushioned by, among other things, a time delay giving the parties the opportunity to adjust their actions to the changed market conditions.

Questions 4 and 5:

Has the Management Board of LW Bogdanka taken steps to increase the sales prices of steam coal to make them close to the aforementioned market price levels? If so, please indicate what these steps were and when the results can be expected?

Does the Management Board of LW Bogdanka intend to take steps to increase the sales prices of steam coal to make them close to the aforementioned market level? If so, please indicate what actions will be taken?

Answers 4 and 5:

The Company's Management Board has taken measures to change the prices of coal sold in 2022 and has conducted, from the first months of 2022, numerous rounds of renegotiation of contractual delivery prices with practically all coal buyers, as indicated by the achieved increase in sales prices in Q3 2022 / Q3 2021 (by approx. 20%). In 4Q 2024, prices for 2022 deliveries are being revised and the supply prices for 2023 are being set. The prices in 2023 contracts, as well as the pricing formulas, will take into account the impact of the current price changes occurring in the coal market. In 2022, the Company reported changes in long-term contracts in Reports No. 6/2022 dated 26 May 2022 and No. 11/2022 dated 15 June 2022.

Question 6:

In view of the increased demand for coal in 2021, has the Management Board of LW Bogdanka taken measures to increase the Company's coal mining capacity? If so, in what period and to what annual level (in million tons) is the coal output planned to be increased?

Answer 6:

The Company's assumed level of production in the medium term is based on the mining schedule and preparation works plan and correlates with the Company's strategy adopted in December 2020. It is not possible to increase the production level in the short term on an ad hoc basis. The variation in output from year to year (from 9.0 to 9.9 million tons) is primarily due to the quality of the deposit being mined (the so-called commercial coal yield) and the concentration of mining (the number of active longwalls). A significant increase in the production capacity of the mine would be possible only after execution of long-term investments in the construction of a new mining field Ludwin (Ostrów deposit) together with the construction of a new supplies and transportation shaft and surface infrastructure, while adapting the existing ventilation shaft 1.5 in the Nadrybie field for the mining, as well as modernization and expansion of the Coal Preparation Plants.

Question 7:

What is the maximum annual capacity of all mining shafts in the LW Bogdanka mine, taking into account all mining fields, i.e.: Bogdanka, Nadrybie and Stefanów?

Answer 7:

The maximum annual capacity of the mining shafts (LW Bogdanka has two mining shafts) depends on the number of mining days per year. The number of mining days of approx. 300 per year (20 h/day each) is limited by: the system and organization of work, as well as technical and legal conditions

related to the operation of the shafts and mining equipment. The peak total daily mining of coal output allows the production of commercial coal at approx. 32-34 thousand tons per day.

Question 8:

What is the maximum amount of the pea and nut steam coal that LW Bogdanka can produce per year, taking into account its technical infrastructure?

Answer 8:

Due to the physical and chemical properties of coal, LW Bogdanka is primarily a producer of coal fines for the needs of the commercial power industry. Based on historical data, the maximum level of production of ranges other than coal fines was approx. 3%, and was determined by both demand and the quality of the mined deposit. Significant increase of the production of medium ranges (pea, nut) beyond 5% of the output is not possible.

It should also be pointed out that the production and sale of coarse and medium grades for use in retail installations are limited by the relevant quality regulations for solid fuels, including, first and foremost, the Regulation of the Minister of Energy of 27 September 2018 on quality requirements for solid fuels (currently, a temporary waiver of the requirements applies) and the anti-smog resolutions of voivodeship assemblies.

Question 9:

What maximum coal processing capacity in millions of tons per year does the Company's Coal Preparation Plants currently have?

Answer 9:

The maximum capacity of the Coal Preparation Plant is adapted to the capacity of the mine, and it also depends on the quality of the output and the requirements for the final product. The lower quality of the mined material and the higher required quality of the final product reduce the plant's processing capacity.

Question 10:

At what stage is the work and progress regarding the release of the plough and extraction from the squeezed longwall 3/VII/385? Is it realistic to start production from this area in early 2023? Will coal mining from the above area affect the 2023 production plan?

Answer 10:

The work is proceeding according to the developed and adopted schedule, with an auxiliary roadway currently being excavated and preparation work being carried out prior to the main stage of releasing the longwall shearer system (the plough is one of the elements). According to the adopted schedule, the excavation of the auxiliary roadway is expected to be completed in late November/early December this year. Production from this longwall is scheduled to begin in the second quarter of 2023. According to Current Report No. 21/2022, published on 27 September 2022, the target for 2023 is approx. 8.3 million tons of commercial coal.

Question 11:

What investments in increasing coal mining and processing capacity, with the exception of the expansion of the "Puchaczów IV" mining area to include part of the K-3 area and the Expansion of the Coal Preparation Plant, did the Company carry out from 2009 to 2022?

Answer 11:

According to the information provided by the Company in periodic reports and current reports, the key investments carried out in 2009-2012 to increase and maintain its mining potential were:

- Construction of the extraction and ventilation shaft 2.1 in Stefanów (completion in 2012);
- Modernization the drive system of the hoisting machinery 1.3;
- Purchase of longwall shearer systems: plough system-1 (2009-2011), plough system-2 (2011-2013), plough system-3 (2014), shearer system-5(2020), shearer system-6 (2021);
- Purchase of a DH roadheader;
- Purchase of main haulage conveyors adapted to operating speed - 4.4 m/s;
- Construction of central air conditioning in the Bogdanka field and the Stefanów field;
- Ludwin (Ostrów deposit), K-6 and K-7 concessions, as well as obtaining an exploration concession for the "Orzechów" and "Łaszczów" areas as potential mining areas;
- Predictive systems (ABB Ability) for longwall and face shearers and belt conveyors;
- Mining – opening pits for new longwalls in the Cyców and Ostrów fields;
- Mining of longwalls with large lengths, e.g. 1/II/382 with the length of 372m and longwalls with lengths of more than 7km (longwall 1/VIII/391);
- Implementation of projects pertaining to maintaining the longwall roadways behind the progress of the longwall in favorable mining and geological conditions (faster opening of successive longwalls).

Question 12:

Will LW Bogdanka commence exploration of coal deposits in connection with the granted concession of Łaszczów 13/2021/p⁶? If so, on what dates does the Company expect to receive the first exploration results? How many drill holes are planned in the above area?

Answer 12:

The Company started the exploration work under the Łaszczów 13/2021 concession in October 2022. Current work includes core drilling of two of the three planned wells. According to the Company's assumptions, the first documented results should be ready in the first half of 2023.

Question 13:

Does the Management Board of LW Bogdanka intend to undertake: investment activities in order to start coal extraction from the Ludwin area under the Ostrów 6/2017 concession, which it has held for years? How can the annual volume of production at LW Bogdanka increase if coal mining begins in the above-mentioned area?

Answer 13:

The Company has started mining coal under its Ostrów concession in the Ludwin mining area. The first longwall 1/II/382 was put into operation in November 2021, with an output of about 1.8 million tons of commercial coal. Currently, as of October 2022, longwall 2/II/382 is in the running.

The launch of production in the Ostrów deposit does not involve an increase in the annual output by the mine. The mining in the Ludwin mining area is carried out using the surface infrastructure located in Bogdanka.

Question 14:

Does the Management Board of LW Bogdanka foresee the possibility of raising the necessary funds on its own to carry out investments in the development of the mine, among other things, for the extraction of coal from the K-6-K-7 deposit? If not, what ways is the Company's Management Board considering to raise funds for investments in mine development?

Answer 14:

In accordance with the financial model adopted in the Strategy, the Company assumes that planned investments will be financed from the Company's own funds.

Question 15:

On what dates does the Company's Management Board plan to start coal mining in the K-6-K-7 area, taking into account that the Company has the necessary infrastructure for coal mining in the Stefanów Field located a few hundred meters away from the K-6-K-7 area?

Answer 15:

Work is currently underway to open up the K-6-K-7 deposit. According to the adopted assumptions, the roadway entering the Cyców mining area is scheduled for the end of November 2022. The split of the parcel covering the K-6-7 deposit is planned by the end of 2024, after which the first longwall is assumed to be operational.

Questions 16 and 17:

Taking into account the fact that LW Bogdanka's investments have been realized, among other things, thanks to the funds obtained through the issue of LW Bogdanka shares and thanks to its IPO on the Stock Exchange, does the Management Board of LW Bogdanka, uphold the dividend policy declared in its strategy published in Report No. 37/2020 and the civic shareholding policy promoted by the State Treasury?

Does the Management Board of LW Bogdanka uphold its declaration made in Report No. 37/2020, i.e. its intention to remain a dividend company at the level indicated in Report No. 37/2020?

Answer 16 and 17:

In accordance with the adopted and binding LW Bogdanka S.A. Development Strategy, the key elements of which were published in Current Report No. 37/2020 of 16 December 2020, in the medium and long term LW Bogdanka wants to remain a dividend payer, and it is the intention of the Management Board of LW Bogdanka S.A. to apply to the Shareholder Meeting for payment of dividend of up to 50% of the net profit posted in the Company's standalone financial statements prepared in accordance with the International Financial Reporting Standards.

Dividends will be paid in accordance with the decisions of the Shareholder Meeting.

Detailed legal grounds: § 19 Section 1 Item 12 of the Finance Minister's Regulation on current and periodic information transmitted by securities issuers and the conditions for recognizing information required by legal regulations of a non-member state as equivalent.