



Press release

OKD intends to explore coal and gas reserves in the Frenštát area

Ostrava (26. 9. 2011) – OKD intends to explore coal and gas reserves at a site near the town of Frenštát pod Radhoštěm. The aim is to obtain necessary information for a decision on the future of the coal reserves at Frenštát-Trojanovice. “In order to take a responsible decision on the mine’s future, we need to have objective and up-to-date information, not estimates made 30 years ago. It follows our responsibility towards our shareholders who finance the expensive mothballing mode at the mine, and towards the state which is the owner of the deposit,” said Klaus-Dieter Beck, OKD CEO and Chairman of the Board. He also promised that there would be no impact of the exploration on the lives of the people in the area and nature in the Beskydy Mountains. At the present time, OKD maintains the preservation mode at the Frenštát Mine, which the state built up in the 1980s. The State Natural Resources Policy, approved by the Government, requires that the company take care of this last significant deposit of hard coal in Central Europe so as to prevent its degradation.

What is the Frenštát–Trojanovice deposit?

The last known hard coal deposit in Central Europe with an established mining license is located near the town of Frenštát. The state established the mining license in the 1970s and built a mine – two hoisting towers and shafts approximately a thousand meters deep. However, the mine has never been commissioned. Heavy industries and steel mills in the country went through a period of decline in the early 1990s. In connection with that development, the government committed OKD to maintaining the Frenštát mine in what is called the preservation mode.

What is the preservation mode?

No mining operations take place at the mine, but the existing shafts are vented, mine waters are drained and basic maintenance and repairs are performed. The aim of the preservation mode is to protect the hard coal and gas deposits from degradation. The mine’s mothballing costs reach up to tens of millions of Czech crowns every year.

What does OKD intend to do with the Frenštát Mine?

To cover the maintenance activities at the Frenštát Mine, OKD pays tens of millions of crowns a year, without it being evident whether and under what conditions the deposit would be workable. At the moment, OKD does not have a sufficient amount of objective information to be able to assess the mine’s future. All the company has at its disposal are 30-year-old data from the deposit’s most recent explorations. OKD therefore wants to have a look underground and carry out exploration with the aim to

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gain more specific and comprehensive information about the scope and quality of coal and gas reserves, as well as their structure and the geological conditions in the mine. The company wants to develop an approximately one-thousand-meter-long exploration gateroad at the depth of about 900 meters below the ground in the already existing Frenštát Mine in order to gain the information necessary to decide about the mine's future.

Does this mean that OKD intends to mine in the area?

No. Exploration in the mine does not equal coal mining. For the time being, OKD does not consider coal mining. The mine's future can only be discussed after the exploration is completed.

What form will the exploration take?

OKD plans to drill an exploration gateroad of about a thousand meters at the depth of approximately 900 meters using the existing shafts. The work will have no impact on the surface and the local residents will not notice them in any way. The planned activities involve no interference with the environment, and no construction of any buildings or shafts is planned.

How will the exploration affect the lives of people living in the vicinity of the mine and the environment?

Exploration works at the depth of almost one kilometer underground will have no impact on the surface. People living in the nearby municipalities and communities, such as Frenštát pod Radhoštěm, Trojanovice, Rožnov pod Radhoštěm and others, will not feel anything. The exploration will have no impact whatsoever on the environment either. In connection with the exploration, OKD is not planning to build any new structures nor gateroads. The company will remove the waste rock from the underground gateroad to the refuse dump of the Paskov Mine (the Frýdek-Místek area). The estimated frequency of five trucks per day is comparable with the municipalities' regular supplies.

What steps is OKD currently taking in relation to the planned exploration?

Exploration in the Frenštát Mine must be approved by the relevant mining authority. Prior to filing the application with the mining authority, OKD wants to confirm its assumptions that the exploratory works will have no effect on the environment around the mine. That is why the company has developed environmental impact assessment (EIA) documentation. In line with the relevant legal requirements, the company will now request a statement on its intention from the Administration of the Beskydy Landscape Conservation Area and other affected bodies.

How long would the exploration take?

The exploration, including the preparatory stage and final analyses, should take about four years to complete. Of that, the underground activities should amount to approximately two and half years.

For more information visit www.dulfrenstat.cz.

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IČ 26863154 | DIČ CZ26863154 | Bankovní spojení č. ú. 1641387369/0800 | Česká spořitelna a.s.
Společnost zapsána v obchodním rejstříku vedeném u Krajského soudu v Ostravě, oddíl B, vložka 2900



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Supplementary information

Frenštát Mine facts:

- Construction of the Frenštát Mine (currently included in the organizational structure of Paskov Mine) started in 1981. Mining never commenced at the mine.
- The mine has two shafts: Shaft No. 4 which is 943 meters deep, and Shaft No. 5 which is 1,088 meters deep. Both shafts are interconnected at the depth of 590 meters.
- The Frenštát-Trojanovice deposit is **the last known major reserve of hard coal as a strategic resource within the Czech Republic**. For this reason, the deposit has to be protected against degradation and it is necessary to avoid taking irreversible steps without the state knowing how significant these reserves are.
- OKD, as the administrator of the Frenštát mining license, is obliged to ensure protection of the deposits from degradation. OKD pumps mine water, ventilates the mine and carries out the necessary repairs at the site, at a cost of up to CZK 60 million a year.

Further steps to be taken by OKD in relation to the Frenštát–Trojanovice exploration:

- The planned exploration aims to specify available information on the geological conditions in the mine, the overall reserves and the quality of hard coal and gas in the deposit.
- The **exploration permit** for the deposit is issued by the **District Mining Authority in Ostrava**. Before applying for the permit, OKD wishes to confirm the assumption that the exploration will not affect the local residents and the environment around Frenštát.
- Prior to applying for the exploration permit with the District Mining Authority in Ostrava, OKD will present its **EIA documentation, specifying the potential impacts of the exploration on the environment**, to the Ministry of the Environment or to the Moravian-Silesian Regional Authority.

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- OKD will now call on the **Administration of the Beskydy Landscape Conservation Area to provide a statement** on the exploration intention. This statement forms a mandatory component of the EIA documentation.
- It is planned that the exploration project will take four years. Technical preparation of the exploration will take one year, the excavation two and half years, and the subsequent analyses at least another six months. In technical terms, the exploration will be conducted by developing a gateroad at a depth of about 900 meters beneath a non-built-up area.
- Thanks to the use of modern technologies and with respect to the positioning of the deposit, the exploration **will not affect the environs**. Local residents will not be able to detect any bounces or subsidence. Waste rock removal from exploration will not cause a sudden increase in local traffic. The estimated frequency is five trucks with trailers a day.

What is the EIA process?

- EIA is the abbreviation for Environmental Impact Assessment. It concerns documentation used to assess potential impacts of projects or plans on the environment.
- In the Czech Republic, Environmental Impact Assessment is stipulated by Act No. 100/2001 Coll. on environmental impact assessment, as amended by later regulations (the latest amendment being Act No. 436/2009 Coll.). This Act draws upon the legal form of the European Union, whereby the EIA process is defined by the EIA Directive, 85/337/EEC of 27 July 1985 on assessing the environmental impact of certain public and private plans, as amended by:
 - Council Directive 97/11/EC of 3 March 1997 L 73 5 14.3.1997,
 - Directive 2003/35/EC of the European Parliament and of the Council of 26 May 2003,
 - Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009.
- The assessment procedure is based on systematic examination and assessment of the possible environmental impact of projects and plans in all crucial connections. The aim is to ascertain, describe and evaluate the assumed impact of the planned projects and intentions on the environment and public health with a view to mitigating the environmental impacts.
- The EIA procedure always precedes the granting of a permit for the implementation of a project or plan. Without the conclusions of the EIA procedure, the authority competent to issue the permission (e.g. the building authority) cannot decide to permit the plan.

More details, including charts and photographs, can be found at www.dulfrenstat.cz.