



**Powerfuel**

17<sup>th</sup> March 2006

**Powerfuel Forms Partnership with Kuzbassrazrezugol for  
Development of Hatfield Colliery**

Powerfuel PLC (“Powerfuel” or “the Company”) and Kuzbassrazrezugol (“KRU”) announce that they have formed a partnership to develop Hatfield Colliery.

KRU, one of Russia’s largest coal producers, has signed an agreement with Powerfuel to acquire a 51% shareholding in the Company and inject fresh capital to refurbish Hatfield Colliery with the aim of recommencing coal mining in 2007. The Colliery will produce 2 million tonnes of coal per annum by 2009. Total capital costs of the project are expected to be in the region of £110m. Additionally, Powerfuel and KRU have obtained conditional section 36 consent for the development of a clean coal power generation plant on the Hatfield site. The power plant project is at the feasibility study stage and, depending upon the design capacity of the power plant, total construction costs associated with this project could amount to up to £800m.

Richard Budge will continue in his role as Chief Executive of Powerfuel. KRU was advised by Fleming Family & Partners.

Richard Budge, Chief Executive Officer of Powerfuel, said:

“We are delighted to have the support and commitment of KRU to help us develop Hatfield. We believe that in addition to the initial capital injection, KRU can bring considerable experience which will benefit Powerfuel both in our proposed mining operations and in the future development of a power plant at the site.”

Mikhail Abyzov, General Director of KRU’s management company, said:

"The investment in Powerfuel is our first major direct overseas acquisition and represents an excellent fit with our current business and strategy. We look forward to working with Richard Budge and the Powerfuel team in developing Hatfield"

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## Notes to Editors

**Powerfuel** owns approximately 100 hectares of land, including Hatfield Colliery, and has rights to the license area containing an estimated 27 million tonnes of recoverable coal. In addition and subject to planning permission, the land surrounding the Hatfield Colliery may be available for the development of an integrated gasification combined cycle power plant. The Company has already obtained conditional section 36 consent for the development of a 430MW power plant.

**Kuzbassrazrezugol (KRU)** is one of the largest coal producers in Russia and also one of the world's top ten coal exporters. Supplies of KRU's coal to the UK market amount to some 3 million tonnes per year. KRU operates open pit coal mines in the Kuznetsky coal basin (Kuzbass) situated in southwestern Siberia and has coal reserves of approximately 2 billion tonnes. It employs over 25,000 people and produced 41.3 million tonnes of coal in 2004 from its 13 open-cast mining operations.

### **For further information please contact:**

#### Powerfuel

Richard Budge

Tel: 01777 818200

#### KRU

Richard Hill (FF&P)

Tel. 020 7409 5600

Theo Moore (Brunswick)

Tel. 07974 982 401