

RULES OF PROCEDURE OF THE SUPERVISORY BOARD

**of Lubelski Węgiel Bogdanka
with registered office in Bogdanka**

**adopted by the Supervisory Board on 6 December 2008 by virtue of Resolution No. 240/VI/2008,
incorporates amendments introduced by virtue of Supervisory Board's Resolution No.
112/VII/2011 of 27 June 2011.**

General Provisions

Article 1

The Supervisory Board of Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka (the "Company"), hereinafter referred to as the "Board," shall maintain continuous supervision over the operations of the Company in all of its fields.

Article 2

1. The Board shall operate under:
 - (i) the Commercial Companies Code of 15 September 2000;
 - (ii) the Accountancy Act of 29 September 1994;
 - (iii) the Company's Articles of Association;
 - (iv) these Rules of Procedure.
2. The activity of the Board shall also be based on the principles of good practice of companies listed at the Warsaw Stock Exchange S.A.

Members of the Supervisory Board

Article 3

1. The Board shall be composed of five to nine members appointed by the General Shareholders Meeting. The number of Board members elected for each term shall be determined by the General Shareholders Meeting.
2. Board members are appointed for a joint three-year term of office, pursuant to the provisions of the Company's Articles of Association.
3. Independent members may be appointed to the Board, subject to the independence criteria set out under Article 34.5 of the Company's Articles of Association.

4. At the first meeting, the Board members shall elect from among themselves, by a secret ballot, the Chairperson, the Deputy Chairperson, and the Secretary of the Board. The Chairperson, Deputy Chairperson, and the Secretary of the Board may be dismissed from their positions by an ordinary majority of votes cast by the Board at any time.
5. In the event that a Board member resigns from their post, such a member shall submit a written statement of resignation to the Management Board member or a proxy. A member of the Board shall not resign of their post in the course of a term, if such a resignation would render the operation of the Board impossible, including in particular timely adoption of a resolution important for the Company.
6. Board Members shall be obliged to immediately provide the Company with information on any events, with respect to which the Company has to comply with disclosure requirements, pursuant to the provisions applicable to the public companies, including: purchase or sale of the Company's shares or shares in a subsidiary of the Company, as well as transactions conducted with such companies, provided that such transactions are significant for the Board member's financial situation, and personal, factual and organizational ties with the majority shareholder or any shareholder holding shares in the Company constituting more than 5% of the Company's shares.
7. The Company shall cover all reasonable costs incurred by the members of the Board in connection with their participation in the meetings and performing obligations resulting from their function as members of the Board, in particular travel expenses.

Article 4

1. Board members shall treat the Company's interest as a priority.
2. Any conflict of interest shall be reported by the Board member to the remaining Board members and the Board member shall refrain from taking part in discussion and voting on resolutions concerning the matter in relation to which the conflict of interest occurred.

Convening Meetings of the Supervisory Board

Article 5

1. The President of the Management Board shall convene and open the first meeting of a newly appointed Board and shall chair the meeting until the Chairperson of the new Board is appointed. The first meeting of a newly appointed Board shall be convened within one month from the appointment of the Board members of the new term by the General Shareholders Meeting and the date of the meeting shall fall within two weeks from the date of convention of the meeting. If the President of the Management Board fails to convene the first meeting of the Supervisory Board of the new term by that time limit, the meeting may be convened by any member of the Supervisory Board. In such case, the meeting shall be opened and chaired, until the Chairperson of the Supervisory Board is appointed, by the oldest member of the Supervisory Board.
2. Meetings of the Board shall be convened as necessary, but not less frequent than once every two months.
3. Meetings of the Board are convened by the Chairperson of the Board of his/her own initiative or following a written motion of the Company's Management Board or of a member of the Board, indicating the proposed agenda for the meeting. In the event of the Board

Chairperson's absence or inability to perform his/her duties due to other reasons, the competences of the Chairperson, as stipulated herein, shall be taken up by the Deputy Chairperson.

4. A meeting shall be convened within two weeks of receiving the motion referred to in Article 5.3, and if a meeting is not convened within that time limit, the person submitting the motion shall be entitled to convene the meeting on his/her own, upon providing the date, venue, and the proposed agenda.
5. A meeting shall be convened by means of sending notices, in a written or electronic form, to each Board member no less than seven days prior to the planned date of the meeting. . If possible, the notice shall include information material on items included in the agenda. In justified instances, the meetings of the Supervisory Board may be subject to extraordinary convocation, carried out through notifying the Board members about the date of the meeting by means of remote communication, i.e. telephone, fax, or e-mail, no later than 3 days prior to the scheduled date of the meeting.
6. In the event of obtaining the consent of all Board members to convening the meeting and to the proposed agenda, the Board meeting may take place without formal convening thereof.
7. Meetings of the Board shall be convened in the registered office of the Company. If necessary, the Chairperson or any other person convening the meeting is entitled to specify the location of the meeting as any other place within the territory of the Republic of Poland, subject to the consent of all Board members.

Supervisory Board Meetings

Article 6

1. The Board meetings shall be convened, opened and chaired by the Board Chairperson. In the event that the Chairperson is unable to perform his/her duties, the Deputy Chairperson or any person indicated by the Chairperson shall oversee the work of the Board and open and chair the Board meetings. In the event that both the Chairperson and the Deputy Chairperson are unable to perform their duties, the Board meeting shall be convened by the Company's Management Board, and opened and chaired by the oldest member of the Board.
2. Statements addressed to the Board shall be submitted to the Chairperson, or failing whom to the Deputy Chairperson and Secretary of the Board.
3. Persons other than Board members may be invited to Board meetings by the Chairperson.
4. The Board may adopt a resolution on adjourning a meeting and provide the date and venue of reconvening, not later, however, than within 21 days. In the event that the subject of the meeting is adopting resolutions on the Board's position in regard to matters passed on to the General Shareholders Meeting, the reconvening of the Board's meeting shall take place no later than 10 days prior to the appropriate General Shareholders Meeting. The Chairperson, the Deputy Chairperson, or the Secretary of the Board shall immediately inform Board members present at the meeting of the adjournment, the time and venue of reconvening, and of the remaining items of the agenda to be discussed.

Adopting Resolutions

Article 7

1. For the Board's resolutions to be valid, all the Board members shall be invited to the meeting and no less than half of the Board's composition shall be present at the meeting.
2. Resolutions shall be adopted by an ordinary majority of votes cast, in the presence of no less than half of the Board members.
3. If the number of votes cast 'for' a Board's resolution equals the number of votes cast 'against' and/or 'abstentions', the Chairperson of the Board shall have the casting vote.
4. Adopting resolutions by the Board shall take place pursuant to the provisions of the Commercial Companies Code and the Company's Articles of Association.
5. The vote shall be open with the exception of votes on personal matters, i.e. appointing and dismissing Board members, suspending Board members, appointing and dismissing the Chairperson and the Deputy Chairperson.
6. A secret ballot shall be conducted at the request of any one Board member.
7. A resolution may not be adopted with regard to matters not included in the agenda, unless all Board members are present and none of them objects, or unless taking specific measures by the Board is necessary to protect the Company from damage, or unless the purpose of the resolution is to find whether a conflict of interest between a Board member and the Company has occurred.
8. To the extent permitted by the Commercial Companies Code and the Company's Articles of Association, the Board may adopt resolutions by means of a written vote or through means of remote communication, without convening a meeting, provided all Board members consent to this manner of vote. A resolution adopted in this manner shall only be valid if all Board members have been notified of the contents of the draft resolution. Board members shall cast their votes by sending the votes under the agreed text of the resolution to the Company's address.
9. To the extent permitted by the Commercial Companies Code and the Company's Articles of Association, Board members may participate in the meetings of the Board by telephone or other means of telecommunication which enable simultaneous mutual communication of all Board members participating in the meeting. A resolution adopted in this manner shall only be valid if all Board members have been notified of the contents of the draft resolution.
10. Resolutions adopted in manner specified in Articles 7.8 and 7.9 shall be presented at the subsequent meeting of the Supervisory Board, along with the result of vote, and signed by the Chairperson or Deputy Chairperson of the Board.
11. To the extent permitted by the Commercial Companies Code and the Company's Articles of Association, Board members may participate in the adoption of Board resolutions by casting their vote in writing through another Board member. Casting a vote in writing may not concern items introduced to the agenda at the Board meeting.

Committees of the Supervisory Board

Article 8

1. The Board may appoint standing and temporary committees from among its members.
2. The Audit Committee shall be a standing committee at the Supervisory Board.
3. The Audit Committee shall be composed of three members, at least two of whom shall be independent members, and at least one shall possess competence and experience with regard to accounting or auditing. The task of the Audit Committee shall be advising the Board in matters of appropriate implementation of standards of budget and financial reporting and internal control of the Company and its Capital Group, as well as cooperation with chartered auditors auditing the Company's financial statements. In particular, the duties of the Audit Committee shall include:
 - (i) monitoring the process of financial reporting and auditing,
 - (ii) monitoring the efficiency of internal control, internal audit and risk management systems,
 - (iii) cooperation with the chartered auditor auditing the Company's financial statements and monitoring independence of the chartered auditor and the entity authorised to audit financial statements, as well as recommending to the Supervisory Board the auditor to be selected,
 - (iv) prior to each review of an annual financial statement, discussing with the Company's chartered auditors the nature and scope of the audit, and
 - (v) presenting the Board with information of the operations of the Audit Committee, along with motions as to the adoption of any necessary measures.
4. The committees of the Board shall submit periodical reports of their activity to the Board.
5. Independence of the Audit Committee member is not observed if such a member:
 - 1) holds the Company's shares
 - 2) during the last three years participated in maintaining the accounting books or preparing the Company's financial statements;
 - 3) is a spouse, relative by blood or affinity directly up to the second degree or is related by care, adoption or curatorship to a person being a member of the supervisory, management or administrative bodies of the Company;

Performance of the Supervisory Board's Duties

Article 9

1. The Board shall exercise ongoing supervision over the Company's activities.

2. Detailed powers of the Board are determined by the Company's Articles of Association, and the Commercial Companies Code.

Article 10

1. The Board shall require the Management Board to provide it with regular and exhaustive information on any material matters concerning the Company's activities as well as the risk involved with the Company's activities and the means of managing such risk.
2. For the purpose of exercising its rights, the Board may demand the Management Board to conduct, at the Company's expense, any necessary appraisements or reviews or to employ a consultant. In the event of submitting such a request, the Board shall specify the subject of review or appraisal or of the consultant's opinion, and indicate, by person or by type, the expert or consultant; the Board shall also be entitled to specify the financial conditions of preparing and opinion, appraisal, or of employing a consultant, or to leave the decision at the discretion of the Management Board.
3. The Board shall perform its duties jointly, and Board members shall perform their duties in person.
4. Board members shall be obliged to participate in the Board meetings. In the event of any absence from a meeting, a Board member shall provide reasons for his/her absence in writing. Justification of the absence of a Supervisory Board member shall require a resolution of the Board.
5. The Board may, for material reasons, delegate its members to individually perform specific supervisory duties for a definite period. The delegated Board member shall be obliged to submit to the Board a written report on the actions undertaken.
6. In the event that the Board was appointed by means of vote by separate groups, each group shall be entitled to delegate one of the Board members elected by such a group for standing individual performing of supervisory duties. Such Board member shall be entitled to participate in the meetings of the Company's Management Board and for the purpose of providing advice.
7. The powers of the Chairperson of the Board include chairing Board meetings, in particular:
 - (i) opening and closing a meeting;
 - (ii) chairing discussions;
 - (iii) ordering votes and presenting the results of votes;
 - (iv) determining the sequence of voting on motions submitted under a given item on the agenda;
 - (v) ordaining recesses; and
 - (vi) inviting visitors to Board meetings.
8. The Secretary of the Board shall organize the Board's work, and oversee its organizational and technical aspect. The Secretary of the Board shall be responsible for drafting minutes of the meetings and draft reports, as stipulated by the Articles of Association.

Article 11

1. The Board shall be entitled to express opinions on any Company-related matters and to submit motions and initiatives to the Management Board.
2. The Board shall annually submit a written report on the performance of supervision over the Company's activities to the General Shareholders Meeting. Such a report shall be made available to all shareholders at such a time as necessary for the shareholders to acquaint themselves with the report prior to the Annual General Shareholders Meeting. The report shall be signed by all Board members.
3. The company shall be responsible for the clerical aspect of the Board's operations.
4. The cost of the Board's operations shall be borne by the Company.

Minutes

Article 12

1. Board meetings and resolutions shall be recorded in the minutes.
2. The minutes shall contain: the sequential number, date and venue of the meeting, list of Board members in attendance, list of other participants or invitees, acknowledgment of due convening of the meeting and of its validity, the agenda, the contents of the resolutions, results of votes over each resolution, and any submitted dissenting opinions and statements for the record.
3. The resolutions of the Supervisory Board shall be adopted within one term of the Board, and numbered sequentially.
4. The minutes shall be submitted for approval at the Board's next meeting and signed by Board members in attendance at the meeting recorded in the minutes. Board members absent at the meeting acknowledge their familiarity with the contents of the minutes by means of an appropriate notice in the minutes, signed and dated.
5. If required for substantial, legal, procedural, or other reasons, the resolutions of the Supervisory Board may have the form of a separate document deemed an excerpt from the minutes of the Supervisory Board meetings.
6. The resolutions of the Supervisory Board in the form of a separate document shall be signed by all Board members present at the meeting.
7. The resolutions of the Supervisory Board as excerpts from the minutes shall be signed by the Chairperson of the Board or the Deputy Chairperson and the person drafting the minutes or the excerpt thereof.
8. Information material regarding matters included in the agenda shall be made in writing and shall therefore constitute attachments to the minutes of the Board meetings.
9. The original of the minutes along with the attachments shall be stored in the Register of Minutes maintained by the Chairperson of the Board or person duly authorised by the Chairperson.
10. Copies of the minutes shall be delivered to the Board members at their written request.

Final Provisions

Article 13

These Rules of Procedure shall become effective as of their adoption by the Supervisory Board.