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VIA FEDEX AND EMAIL
Mr. Keith Saunders
Fuel Principal
Northeast Utilities Service Co.
107 Selden Street
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July 18, 2006

Re: July 6 meeting/ NU coal supply ex Venezuela

Dear Keith,

This letter is written to summarize and follow up on our meeting in Berlin on July 6, 2006. Thank you again for the opportunity to fully explain the challenges facing IAC as a result of the many unforeseen events affecting our Venezuelan coal mine- Mina Norte- which serves as the coal source for our Agreement with PSNH.

A) IAC's investments in coal mining in Venezuela

Background
IAC is currently the longest continuously present foreign coal investor in Venezuela dating back to 1984. IAC has invested since 1994 in the Mina Norte coal mine, located in Western Venezuela and operated by Carbones de la Guajira SA ("CBG"). CBG is a joint venture between IAC with 64 % and Carbones del Zulia SA ("Carbozulia") a Venezuelan Government controlled entity, with 36%. To date IAC has invested USD 54 million in CBG of which about USD 28 million during 2004/05 to sustain operations while developing Cerro # 22 area within the Mina Norte mine to an anticipated production capacity of 2-2.5 million tonnes per year by 2007, a milestone that was originally to have been reached by mid 2005. In August 2005 the shareholders of CBG, in proportion to shareholdings, agreed to commit another USD 45-50 million in capital to purchase additional equipment (a new truck and shovel fleet) to ramp up coal production from 0.8 million mt/yr in 2004 and 2005 to 1.6 million mt/yr in 2006. From January 1 to June 30 2006, actual coal production was 300,000 mt, as a planned high coal to overburden ratio continued to govern the development program. Total coal production as of July 12 is projected for the whole of 2006 at 1.3-1.5 million mt as the new equipment fleet is expected to become operational and the overburden ratio is expected to come down from 22 during the first half of 2006 to about 10 during the July-December 2006 period.

1) New Venezuelan Government policy on natural resources
After the CBG shareholders agreed in August 2005 to commit to the USD 45-50 million equipment purchase, IAC was advised in various letters from Carbozulia during October and November 2005 that the Venezuelan Government was formulating a new policy in which the Government sought more control over its natural resources. This new policy was to be implemented under proposed changes in laws whereby the Government would control a minimum of 51% of the shares of any ventures with private entities. Currently hearings are taking place to create a new mining law while to execute this policy in the oil industry a new law governing "mixed" (public/private) partnerships has already been implemented effective March 31, 2006 and is being touted as an example for pending changes in the mining law.

2) IAC to reduce shareholding in CBG from 64% to a maximum of 49% to comply with new Government policy
The letters of October and November 2005 by Carbozulia to IAC had the effect of creating uncertainty with regard to the value of IAC's significant investment in CBG while at the same time IAC was asked in December to reconfirm its commitment to fund its portion of the agreed USD 45-50 million new equipment purchase and to provide capital to sustain the ongoing development of Cerro # 22. Under the circumstances IAC elected to defer a large part of this new capital commitment until such time as there was greater clarity as to the value of IAC's shares in CBG and until there was a better understanding what the rights of IAC as a future minority (49%) shareholder in CBG would be. Negotiations on this subject started in May 2006 and are ongoing. Should IAC and Carbozulia be unable to agree on a corporate governance structure and minority rights sufficient to ensure that IAC's investment would not become stranded after transferring a 15% interest in CBG to Carbozulia, IAC would consider selling all its coal investments in Venezuela (64% of its shareholding in CBG and related assets and rights) to Carbozulia.

B) Effect on costs due to Venezuelan Government actions

1) Introduction and expansion of currency controls
In early 2003 the Venezuelan Government abolished the free convertibility of the local currency ("Bolivar") into foreign currency like the USD and began to control the foreign exchange process. The authority and responsibility were given by decree to a new agency: Comission Administrativa de Divisas ("Cadivi"). In a series of new rules ("Providencias") Cadivi has sought, over time, to systematically eliminate earlier currence convertibility practices with its effort ultimately culminating in Cadivi Providencia # 71 and Seniat Providencia # 345 effective May 1, 2005 ruling that all exports from Venezuela must be denominated in USD or the currency of the importing country. Previously the practice among CBG and other mining companies had been to denominate their coal exports in Bolivares which, as it pertained to local rather then foreign currency, was not subject to Cadivi controls.

Effective October 15, 2005 a law was passed that made the unauthorized exchange of foreign currency into Bolivares a criminal offense. This law, in combination with Providencia # 71 made it impossible for CBG to sidestep the Cadivi controls. As a result CBG must sell its revenue from the coal exports that is received in USD to the Venezuelan Central Bank ("BCV") and receives in its account Bolivares converted at the official exchange rate (currently 2150 Bolivares = 1 USD).
In order for CBG to pay its USD denominated costs (invoices for imported equipment, spare parts, tires, explosives, technical assistance, loan repayments and interests payments etc.) it needs to apply to Cadivi to obtain USD at the official exchange rate. The application process with Cadivi is complicated and cumbersome, requires prior certifications ("solvencias") from other Government Departments including the taxing authority (Seniat) and Labor Ministery, and is very lengthy.

As a result of the May 1, 2005 enforcement by Cadivi and Seniat of Providencia # 71, CBG encountered significant problems in arranging for the timely supply of critical spare parts for its mining equipment which impacted the operational availability of the truck and shovel fleet and consequently impacted negatively overburden removal and coal production. This lower equipment productivity in 2005 was a significant factor why CBG did not reach its budgeted coal and overburden production during 2005. The shortfall amounted to about 10 million BCM overburden removal and 713,000 MT of coal production or expressed differently actual coal and overburden production was about 50 % of the volumes originally budgeted for 2005.The corresponding increase in unit costs in 2005 over the budget was over 40 %

2) Local inflation no longer offset by local currency devaluation
Since February 2005 the BCV has fixed the exchange rate of the local currency ("Bolivar") with the USD at 2150 Bolivares to the USD. The local Venezuelan inflation rate meanwhile over 2005 was 12% and is forecasted to be about 14% over 2006. The use of the fixed official exchange rate (rather than a market or floating rate) is mandatory for export transactions as outlined above. The typical percentage of CBG's overall costs that are USD denominated (imported equipment and spare parts, tires, explosives, technical assistance, USD loan repayments and interest payments, etc) amount to about 50% of total costs (the remainder being costs incurred in local currency: payroll, local services, power, diesel etc.). As a result it can be calculated that due to the Government (BCV) policy CBG's costs, expressed in USD, have increased by about 20 % of 50% or 10% so far this year over early 2005 as a result of the local inflation rate not being offset by a proportionate devaluation of the Bolivar. This amounts to about USD 4/tonne cost increase in 2006 over 2005 for CBG.

3) MIBAM sets arbitrary transfer price for mine tax purposes
Due to a government reorganization of Cabinet responsibilities a new Ministry was created in early 2005 to oversee mining activities. The new Ministry is called MIBAM a Spanish acronym for Ministerio de Industrias Basicas y Mineria. MIBAM is responsible for collecting mine taxes from CBG that are based on a % of the FOB mine realized coal price. In 2005 regardless of realized or contracted prices MIBAM started setting an arbitrary reference FOB mine price for taxing purposes that is currently almost triple the

originally contracted 2005 price between IAC and CBG and significantly higher (about USD 30/tonne) than realizable 2006 market prices.

4) CBG resets coal prices effective January 1, 2006

In December 2005 Carbozulia advised IAC that CBG would not honor the carry over of coal prices agreed for and embedded in the 2005 business plan despite the realised delivery shortfall. This shortfall amounts to about 700,000 tonnes (IAC share 450,000 tonnes). Under pressure from Carbozulia, CBG, over IAC's objections, reset the prices governing 2006 production at then prevailing market rates at a significant increase over contracted (between CBG and IAC) 2005 coal prices. IAC relented to this price increase in order to have coal available to service its contractual commitments rather than loosing the supply all together and leaving its customers without coal supply. The effect of the difference between old 2005 and new 2006 coal prices on IAC is USD 18-23/tonne

5) Impact of Government decreed increase in minimum wage

In March 2006 the Government issued a decree to increase the minimum wage by 25% thereby raising expectations for significant increases in wage settlements for those earning above the minimum wage. This decree was a major factor leading CBG to sign in late May a new 2 year collective labor agreement with its trade union that increased labor costs by over 50 % over 2006 and another 30% in 2007. The effect is an increase of USD 1.50-2.00/tonne over 2005

6) Government presses reorganization of trucking contractors

During March/April 2006 there were strike actions by truck drivers that had previously been employed by trucking cooperatives. These former cooperatives were forced to cease operations due to Government pressure because of their allegedly non competitive behavior and non compliance with the rules governing cooperatives. The former cooperatives converted their business structure into that of a regular limited liability company but upon cessation of the cooperatives operations the employees (truck drivers) were not provided the usual indemnifications ("cesantillas") involved in employment terminations. The newly formatted trucking companies started operations but the ex cooperative drivers refused to work for these new companies without having been paid indemnification and in April paralysed coal trucking from the mines to the terminals to force the coal mining companies (including CBG) to step in to pay indemnifications to them in lieu of receiving these payments from the former closed cooperatives. The compensation demanded from both CBG and Carbones del Guasare SA by the truck drivers is about USD 88 million. This dispute is being mediated by the Labor Ministry but remains unresolved as of today.

7) Increases in trucking rates as a result of lack of USD

Effective May 1, 2005 CBG started paying its trucking contractors in Bolivares as this was considered conforming to the new Cadivi rules and also necessary given the lack of USD available to CBG after the issuance of Providencia # 71.As they no longer received USD for their services, the trucking cooperatives consequently increased their trucking rates in various increments during 2005. The new trucking companies formed in early

2006 promptly further increased their rates by 20-30% over 2005 and are demanding another 10-20% (total USD 4.50/tonne) as of today. Part of their justification for these exorbitant increases was related to their need for USD to purchase imported spare parts and tires while their revenues effective May 1, 2005 are in local currency (Bolivares).

C) Other unforeseen events and cost pressures

1) Mine flooding and bridge washout
In late November 2004 the only road bridge across the Guasare river connecting the Mina Norte mine with the coal export terminals was washed out by excessively heavy rainstorms. This precluded truck transportation of coal from the mine to the port and led to a force majeure declaration that was lifted late February 2005 after a new bridge was constructed at a higher elevation and parallel to the old washed out road bridge.

In December 2004 the main coal production face in the Miraflores pit was flooded due to unusually strong and lengthy downpours with coal production only resuming at a slower pace in March 2005. The resulting coal production losses led to deferrals of planned shipments to IAC customers. Another series of excessive rain events in May 2005 again led to flooding of the Miraflores pit creating further delays in shipments and a reduction in coal production at Mine Norte

D) Impacts on CBG and IAC as an investor and marketer of Venezuelan coal
The combined effect of the items described above has led to significant operating losses at CBG that have been covered by shareholder contributions in 2005. For the first half of 2006 another USD 11 million of shareholder contributions was budgeted due to a high planned overburden ratio in the 2006 mine plan. This shareholder contribution came in addition to CBG having reset coal prices to 2006 market levels. It is worth noting that having supported CBG during 2004 and 2005 to survive financially during the development phase of the Cerro # 22 project that is now virtually completed, IAC finds itself in a position where it may be prevented to fully harvest potential returns on its investments in the 2007-2013 period when mining conditions at Mina Norte are favorable with 16 million tones of coal to be mined at an average overburden ratio of about 8 (BCM/MT).

As an investor in CBG IAC is currently evaluating its position as it has to weigh the risk of increasing its exposure through further capital contributions while by government action it is soon required to reduce its control over the application of how such capital contributions are spent and how CBG is run.

Similarly from a commercial viewpoint IAC, has to weigh how long it can sustain paying CBG market prices for coal produced while receiving from its contract customers prices that are USD 20/tonne lower while at the same time (as an investor) also making capital contributions to keep CBG afloat as its costs have increased significantly as described above.

So far IAC management, unlike CBG, has made the decision to honor its contracts and commitments with its long standing customers as a matter of commercial policy based on the relationships built in the past and our confidence to sustain this relationship in the future.

After having sacrificed significant funds to sustain operations at CBG, IAC is now reaching the point where it needs help from its customers to be able to continue to perform on supplying coal from the Mina Norte mine on existing legacy contracts that date from the time before these significant costs increases outlined above could have been anticipated.

E)Proposed remedies

IAC is very cognizant of the agreed terms as spelled out in our Agreement and is appreciative of the understanding and support received as a result of volume deficiencies during 2005.

We trust that it is realized that despite various declared and undeclared periods of force majeure IAC has ratably shipped under the agreed terms to its customers and in mutual agreement has postponed rather than cancelled volumes. In other words IAC has performed to its commitments as best as could and can be achieved under the circumstances encountered.

The outlook for CBG is now improving as a result of the investments made in 2004 and 2005 and we remain cautiously optimistic that a negotiated and fair agreement can be reached with Carbozulia for the 15 % share transfer in CBG. However this outcome is as yet not assured and remains uncertain until the final version of the new mining law gets approved in the Venezuelan National Assembly.

IAC finds itself now in a situation of extreme hardship. Considering the cash losses that IAC is incurring as a result of its management's policy to honor its commitments as best as possible, combined with the uncertainties related to its required share reduction in CBG in Venezuela and CBG's weak financial position it is possible that IAC's shareholders decide to take another course of action.

As a result and to ensure our continuing effort to supply our customers we are requesting your considering the following:

Effective immediately

- IAC will be allowed to ship to Portsmouth, NH using the vessel m/v Warsaw with an intake exceeding by about 2,000 MT the regular supplied volumes as per m/v Antwerpen or Brussel which carry about 36,500 MT. If the Warsaw is used for a coal delivery the parties agree to price the incremental 2,000 MT at prevailing market prices.

Effective January 1, 2007

- NU to accept a price increase of USD 7.50/NT on contract coal deliveries to compensate IAC for some portion of the costs increases caused by direct and indirect government action and other causes beyond the control of IAC as outlined above, or alternatively,

- Parties to negotiate in good faith another solution that reduces the hardship that IAC is now encountering.

Sincerely Yours,

Marcel L.J. van den Berg,
President & CEO