COAL ENERGY S.A.

Annual Report for FY2013

Content

Dear Shareholders,

Hereby we are presenting our annual FY2013 financial results. This was a very tough year for the Company - oversupply of coal and lagged demand for energy continued to negatively influence performance of the coal industry, particularly, in the 2Q 2013 calendar year.
Major financial performance highlights of the 4Q FY2013 and full FY2013 are as follows:

- **Mining output.** Production as of the 4Q FY2013 was balanced at the level of the Company's estimated sales in order to avoid increasing inventory. *Thermal coal output for 4Q FY2013 reached 169.1 thousand tonnes and coking coal output stood at 41.1 thousand tonnes.*
  Total mining output for the full FY2013 reached 1,424 thousand tonnes, decrease by 13.1% y-o-y.

- **Coal sales.** In the 4Q FY2013 total sales volumes reached 300.4 thousand tonnes (62.8% increase q-o-q). Hence, the Company was able to dispose part of coal on stock. *Increased sales volumes resulted mainly due to selling thermal coal at a decreased coal price on the domestic market.*
  In FY2013 thermal coal sales reached 1,205 thousand tonnes, a 18.2% decrease y-o-y, coking coal sales comprised 224.4 thousand tonnes (14.0% decrease y-o-y). *We are expecting stronger demand recovery starting FY2014 (3Q 2013 calendar year), although it is too early to speak about a solvent trend.*

- **Revenue**. 4Q FY2013 sales reached US$21.9 million (decreased by 55.4% y-o-y) due to both lower volumes and prices.
  Full year results were at the level of US$126.0 million, down by 23.9% y-o-y.

- **EBITDA.** EBITDA comprised –US$2.1 million in the 4Q FY2013 being negatively influenced by the conditionally fixed production overhead expenditures under conditions of declining revenues.
  EBITDA for FY2013 constituted US$21.1 million, which represents a 66.3% decline y-o-y.

Although adverse market conditions put pressure on the Company's profitability and liquidity ratios, the Company timely fulfills its obligations towards all of its business counterparties. Interest and scheduled repayments to all the banking institutions are made in time and in full scope.

Current market uncertainties and challenges do not allow the Company to confirm its production target for FY2014 in amount of 2,900 thousand tonnes of coal output. Hence the Company is reconsidering production plans for FY2014, FY2015 and FY2016, respectively. In case the Board of Directors makes decision about setting the production target for FY2014 the Company will duly inform about this occurrence.

As explained in the previous financial reports decision on generating additional coal output should follow stronger signs of markets revival. Till that time in the 1H FY2014 the Company will prioritize the following activities: realization of less risky projects in the core businesses (coal waste dumps purchase, construction of a coal beneficiation plant, etc.), minimizing third party services, and identification of new business segments for diversification.

Potentially we see factors for the Ukrainian coal market reloading till the end of FY2014, like potential industrial and energy demand rebounding, supportive effect of protective import quotas and construction of coal gasification plants in future.

On the other hand, the expected signing of the Association between the EU and Ukraine has both stimulating (investments in the Ukrainian economy) as well as hindering factors/risks for the industry (i.a. cancelation of import quota for coking coal).

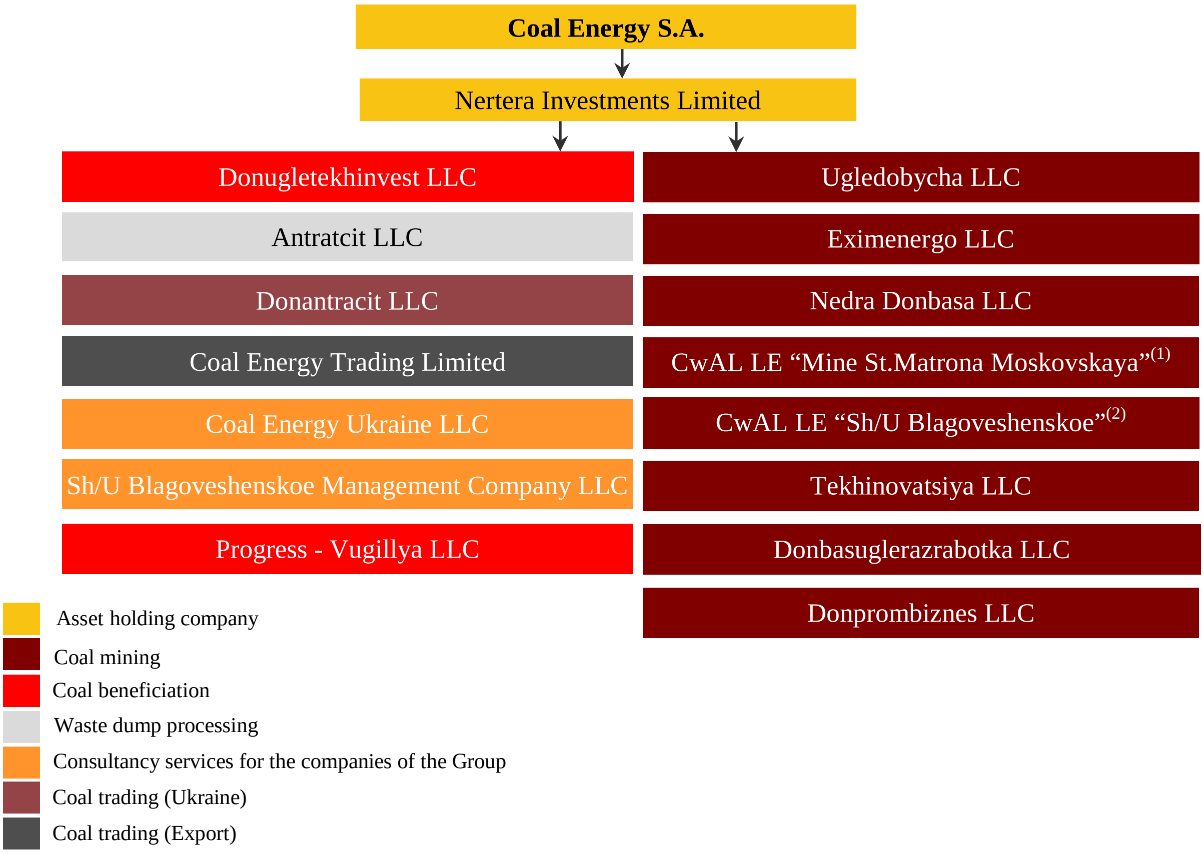
Viktor Vyshnevetskyy
Chairman of the Board of Directors and Chief Executive Officer

Business overview

Business overview

Coal Energy S.A. (hereinafter “Coal Energy” or “the Company” or “the Group”) incorporated in the Grand Duchy of Luxembourg is a holding company for a group of 16 companies operating in the mining industry. In July 2011 the Group successfully went through the procedure of initial public offering and placed 25% of its shares on the Warsaw Stock Exchange.

Structure of the Coal Energy S.A. Group



(1) Former CwAL LE Novodzerzhynskaya mine
(2) Former CwAL LE Sh/U Chapaeva

Coal Energy holds mining license through eight subsidiary companies located in Ukraine’s largest coal basin – Donbas. According to the JORC methodology analysis conducted in June 2011 total recoverable resources (proved and probable) of the Group are estimated at 151.2 million tonnes (not included additional coal reserves of 24.8 million tonnes of hard coking reserves under the Ukrainian methodology acquired for Nedra Donbasa LLC in FY2012). Coal Energy is producing a wide range of coal grades, such as anthracite, low and high volatility thermal coal and coking coal.

The Group’s principal business comprises the following segments: underground coal mining, processing of coal waste dumps, beneficiation and sale of thermal and coking coals.

Production overview

In FY2013 Coal Energy curtailed total coal output to 1.6 million tonnes or 15.8% down as compared to 1.9 million tonnes of thermal and coking coal produced in FY2012. Major decrease in the production volumes resulted from the difficult market environment in Ukraine and abroad.

In February 2013 production volumes have been adjusted to the achievable sales levels in order to avoid further increase of coal stocks as well as to avoid increase in trade receivables and hence to preserve liquidity position of the Company.

Coal mining

Mining output decreased from 1,639 thousand tonnes of coal in FY2012 to 1,424 thousand tonnes of coal in FY2013, or by 13.1% y-o-y.

Thermal coal output decreased from 1,329 thousand tonnes in FY2012 to 1,202 thousand tonnes in FY2013, implying y-o-y decrease of 9.6%.

Coking and dual purpose coal output decreased from 310 thousand tonnes in FY2012 to 222 thousand tonnes in FY2013, or by 28.4% y-o-y.

The table below shows mining volumes by each legal entity that operates the Group's mines (numbers are rounded):

in thousand of tonnes	Coal type	FY2013	FY2012	FY2011
Donbasuglerazrabotka LLC	Thermal	34	39	29
Donprombiznes LLC	Thermal	288	269	115
Eximenergo LLC	Thermal	316	251	180
Ugledobycha LLC	Thermal	155	197	107
CwAL LE "Sh/U Blagoveshenskoe"	Thermal	409	573	363
Sub-total thermal		*1,202*	*1,329*	*794*
Nedra Donbasa LLC	Coking	16	32	37
Tekhinovatsiya LLC	Dual-purpose	30	59	63
CwAL LE "Mine St.Matrona Moskovskaya"	Coking	176	219	167
Sub-total coking and dual-purpose		*222*	*310*	*267*
Total mining		**1,424**	**1,639**	**1,061**

Facing limited demand for the existing coal grades the Company did not acquire any additional coal reserves. The routine for prolongation of the expiring licenses has been performed in an ordinary regime.

Processing of coal waste dumps

Starting October 2012 coal waste processing was concentrated at a new coal waste processing plant Prepodobnih Antoniya and Feodosiya of Kievo-Pechersk (owned by Antratcit LLC). The previous plant (Snezhnyanskaya-1) depleted its prescribed resources and was disassembled in the 4Q FY2012 after 7 years of operations.

Coal waste processing plant Prepodobnih Antoniya and Feodosiya of Kievo-Pechersk is situated directly at one of the three coal waste piles, located in Snezhnoe city. Activities from this coal waste processing business is expected to reduce the dust pollution by 6.4 thousand tonnes p.a. together with reduction of greenhouse gas and other harmful emissions.

The table below summarizes production results of waste processing business segment (numbers are rounded):

in thousand of tonnes	FY2013	FY2012	FY2011
Total coal from waste processing	**146**	**217**	**568**

Total production of coal concentrate in this segment decreased by 32.7%, in FY2013.

The Company's waste dumps processing business is working in accordance with the Joint Implementation Project program arranged by Global Carbon B.V., and is aimed at reducing CO_2 emissions that allows Antratcit LLC, asset holder and operator of the coal waste processing plant, to sell Emission Reduction Units according to procedure established by the Kyoto Protocol. Thus, in October 2012 the Company sold part of Emission Reduction Units under the Kyoto protocol for US$227.5 thousand. Because of the low price of the emission units further during the FY2013 the Company did not apply for any additional reimbursements.

Given limited demand for thermal as well as coking coal many coal waste deposits owners are willing to sell them. The Company is observing growing supply of coal waste piles for sale. Having substantial expertize in coal waste processing the Company may consider purchasing additional coal waste dumps. For some of the coal waste dumps for sale we are examining carefully the quality patterns, and/or conduct legal audit, and continue negotiations in order to get the optimal price to quality relation. As we expect the purchase is more likely to occur in the 2H FY2014.

Coal beneficiation

The Company is running its coal beneficiating business at Postnikovskaya beneficiation plant. The table below shows coal beneficiation volumes (numbers are rounded):

in thousand of tonnes	FY2013	FY2012	FY2011
Beneficiation of own coal mined and bought from third parties	209	324	309
Coal beneficiation services to third parties	-	-	29
Total coal beneficiation	**209**	**324**	**338**

In FY2013 total coal beneficiation amounted to 209 thousand tonnes compared to 324 thousand tonnes in FY2012, decreased by 35.5% y-o-y. Lower mining volumes and sales drove the beneficiated coal volumes down.

In order to save on the transportation costs the Company may consider investments in the expansion of our beneficiation business at St. Matrona Moskovskaya mine. The new plant should be specialized in beneficiation of coking coal mainly from St. Matrona Moskovskaya mine and potentially from the third parties. The Company completed design works for the new beneficiation plant and is preparing project and land documentation.

Our markets

Coal industry is an important basic material industry for Ukraine. On the one hand it is the fuel for thermal power plants accounting for appr. 45%-48% in the energy balance of the country being also the source of increasing electricity exports. On the other hand cooking coal is vital for the metallurgic sector which historically keeps Ukraine among the top 10 world steel producing nations and accounts for appr. 28% of the country's export proceeds.

The industry is closely monitored by the Ukrainian government also for the social and ecological/environmental reasons. Starting June 2013 an import quota for coking and dual-purpose coal has been introduced to protect the local producers from cheaper coal imports.

In the 2H FY2013 the government announced the target to privatize all the state coal mines by 2015. Given the worn out assets potential investors will be requested to inject significant resources into the mines infrastructure and development.

<u>Thermal coal</u>

Ukrainian thermal coal market. During the recent years thermal coal output was increasing on the bases of growing economy, growing exports and gaining energy independence from the imported natural gas.

Mining output (growing by 8.3% p.a. during 2009-2012) was following increasing demand for energy. Coal consumption by the coal-fired power stations was growing at increased rate compared to the overall production by these generating companies, 8.5% p.a. compared to 4.6% p.a. during 2009-2012.

During the 1H 2013 calendar year the Ukraine's industrial output was down by 5.3% y-o-y and together with warm 1Q 2013 calendar year (reduced coal consumption by 23,4% y-o-y) resulted in decreasing general electricity consumption by 3.6% y-o-y in the period. Coal consumption by the thermal power and heating stations decreased by 19.1% during the 1H 2013 calendar year y-o-y.

Increased mining output from the producers locally and abroad, the world economic slowdown and lower than expected energy consumption in Ukraine caused oversupply in the market. The output did not manage to adjust quickly and this led to creating historically high coal stocks with coal producers and off-takers.

Export markets were unable to absorb all the excess volumes despite expectations of miners.

As coal was excessively available major buyers, i.e. power generating companies, were resistant to conclude longer than 1-3 months sales contracts in the 1H 2013 calendar year complicating even near-term production volume planning and caused further coal output increase more uncertain.

All these contributed to falling prices for thermal coal (decrease in the price of coal grade “T” during the 12 months ended June 2013 reached 17%-20%).

Position of coal producers in the market was differentiated. Larger companies who are vertically integrated with the power producing units were able to sell coal either through the sale of electricity produced or as trade-in for the missing coal grades with other power plants (for further burning at own facilities). Excess electricity supply has been exported. During the 1H 2013 calendar year compared to the same period 2012 export of electricity grew by 15.0% y-o-y.
Unlike the larger players many small producers experienced liquidity problems in the absence of coal sales and either left or stay close to leaving the market. Overall decline of thermal coal output countrywide in the 1H 2013 calendar year composed 6.1% y-o-y.

The long-term outlook for coal in our opinion remains positive for Ukraine as coal’s advantage is inherited in its cheaper price. Besides political pressure from the mining workers and labor unions the government has announced construction of coal gasification plants (the first plant with the coal consumption capacity of 2.5 million tonnes is expected to be constructed by 2015-16 calendar years) in order to limit dependence on natural gas and revive the coal mining sector. The initiative is expected to increase demand by around 10.0 million tonnes of thermal coal in the market completely compensating the recent demand volumes lost.

<u>Coking coal</u>

Ukrainian coking coal market. Macroeconomic environment is challenging the performance of the coking coal industry. Ukraine’s coking coal is primarily used by the domestic steel industry.

While steel output has increased by 10.4% during 2009 to 2012 calendar years local production of coking coal lowered by 3.9% in same period. The deficit has been imported mainly from the Russian Federation, the USA and Kazakhstan. Losing ground to import is exacerbated by the lowering coking coal quality especially for progressive steel producing technology and exploiting poorer coal deposits at the existing mining assets.

During 2009 to 2012 calendar years the coking coal import has increased 2.2x times to 14.7 million tonnes. Due to the import quota introduction import of coking and dual-purpose coal decreased by 11.8% y-o-y in the 1H 2013 calendar year.

Domestic coking coal prices decrease during FY2013 was caused partially by steel prices decrease.

During the 1H 2013 calendar year the Ukrainian steel production decreased by 2.6% y-o-y facing decreased demand due to introduction of new metallurgic capacities worldwide, world economic slowdown and absence of export stimulating measures (UAH fixed exchange rate kept at the same level in FY2013). As result foreign demand for the Ukrainian steel dropped. Low demand from the construction industry, machine building and tube producing plants facing deteriorating economic conditions in Ukraine added to the overall decline in the industry. Lower steel production figures in part also reflect the higher comparison base of the FY2012 as large construction projects for the European football championship EURO-2012 were completed.

Despite the negative mood in the steel consuming industries and resulting steel production decrease y-o-y in the 1H of 2013 calendar year (according to the World Steel Association) the market expects that the small decline in output will be won back during the 2H 2013 calendar year.

World Steel Association expects Ukraine to increase steel consumption in the calendar year 2014 by 4.3% y-o-y. Further growth of steel and indirectly of coking coal consumption will depend on the realization of the investment programs in Ukraine, general production output levels and further realization of the announced infrastructural projects. We expect coking coal demand and prices to stabilize in FY2014 at the level of the 2H FY2013.

People

In FY2013 the Group employed 6,387 employees (weighted average headcount) representing a decrease by 9.0% y-o-y. Such decline in the headcount of the employees is associated with reduced output in the 2H FY2013.

Additional information concerning the average number of the Group's employees by category for FY2013, FY2012 and FY2011 is set forth in the table below:

	FY2013	**FY2012**	% change	**FY2011**	% change
Mining	2,930	3,367	(13.0%)	2,982	12.9%
Support production	2,559	2,892	(11.5%)	3,284	(11.9%)
Administrative and sales personnel	898	759	18.3%	546	39.0%
Total	**6,387**	**7,018**	(9.0%)	**6,812**	3.0%

The Group considers the health and safety of its employees to be a priority. All personnel are given annual medical tests and provided with special clothing, footwear and other protective equipment as required by applicable regulations.

Environment

The Group is in compliance with Ukrainian environmental laws relating to environmental protection and, in particular, to use of natural resources, emissions into the atmosphere and water, as well as waste disposal. The Group holds a number of environmental licenses and permits, including permits for atmospheric emission control, solid waste disposal, mine waste disposal and special use of fresh water.

The Group's mining and production facilities are also subject to environmental monitoring and regulation with respect to, among other things, monitoring air, dust and gas emissions, waste disposal and storage as well as water usage and water quality monitoring by environmental regulators. The Group considers environmental issues as one of its social responsibilities and is consistently working on improvement of energy, safety and environmental efficiency of its mining and production operations.

The Group is elaborating an environmental and social action plan addressing:

- environmental and social appraisal and management issues, like implementation of corporate and site-level policy and management systems to ensure that environmental, health and safety and social issues / risks are identified and managed and performance improvements are realized at all the sites,
- labour and working conditions, like development and implement an occupational health and safety plan to guide all activities on the sites during all phases of activities, and development and implementation of employee grievance mechanism at all sites,
- pollution prevention and abatement,
- community health, safety and security, and
- information disclosure and engagement with stakeholders.

Summary of payments to the Ukrainian authorities

The following information (numbers are rounded) is provided as part of the initiative Publish What You Pay, a global civil society coalition, to achieve transparency of the Company's payments to agencies and representative of governments as a step towards a more accountable system for the management of natural resources and with the mission that mining revenues improve the lives of women, men and youth in resource-rich countries (http://www.publishwhatyoupay.org/about).

in million of US$	**FY2013**	**FY2012**
Social Insurance Funds employer	15.6	16.0
Social Insurance Funds individual	3.0	3.0
Concession fee	2.0	2.1
Income tax	1.6	4.8
Natural resources payment	1.1	0.8
VAT	0.9	3.0
Environmental tax payments	0.2	0.1
Fee for licenses area extension	-	0.7
Total	**24.4**	**30.5**

Financial overview

Overview

FY2013 results were weaker mainly due to the lower performance in the 2H FY2013 under conditions of adverse market fluctuations. In FY2013 the Company reported revenues of US$126.0 million, representing a 23.9% decline y-o-y. The decline resulted from decreasing sales prices and sales volumes. The profitability ratios decreased substantially given the operating and financial leverage factors.

The following table summarizes the Group's key margins and ratios for FY2013 and FY2012 (numbers are rounded):

in million of US$	**FY2013**	**restated FY2012****	**previously reported FY2012**	**Relative change y-o-y to restated FY2012**
Revenue	126.0	165.5	165.5	(23.9%)
Gross profit	25.3	70.9	70.0	(64.3%)
Operating profit	9.7	54.4	53.5	(82.2%)
EBITDA	21.1	62.7	61.9	(66.3%)
Net (loss)/profit	(16.9)	39.1	38.4	(143.2%)
as a percentage of revenue				**Δ percentage points**
Gross margin %	20.1%	42.8%	42.3%	(22.7)
Operating profit %	7.7%	32.9%	32.3%	(25.2)
EBITDA %	16.7%	37.9%	37.4%	(21.2)
Net (loss)/profit %	(13.4%)	23.6%	23.2%	(37.0)
Ratios:				
EBITDA/Finance costs	1.1	6.7	6.6	
Debt*/EBITDA	3.7	0.2	0.2	
Net debt/EBITDA	3.5	0.1	0.1	

**-Debt and Net debt include loans and finance lease liabilities (discounted future finance charges denominated in UAH for lease of two state-property integral complexes owned by CwAL LE"Sh/U Blagoveshenskoe" and CwAL LE "Mine St.Matrona Moskovskaya") in amount of US$7.822 million in FY2012 and US$7.821 million in FY2013. Calculation of Debt excludes the amount of US$20.0 million (non-current deposit) which is securing obligations under a loan with Ukrainian bank.*
***- Changes in the standard IAS 19 Employee benefits as described in Consolidated Financial Statements for the year ended June 30, 2013, (page 14, 2.4. Changes in accounting policy and disclosures: IAS 19) initiated adjustments to the estimation of wages within the cost of sales as well as estimation of deferred taxes. As a result of the accounting policy change financial statements have been restated retrospectively. Operating profit, EBITDA and net profit for FY2012 were restated respectively.*

Revenue

The Group has a wide portfolio of coal grades that are sold to different types of customers both in Ukraine and abroad:

- anthracite (grade A) is supplied to energy generation plants, when thermal lean coal (grade T) is supplied both to energy generation plants and cement plants,
- thermal long-flame gas coal (grade DG) is supplied predominantly to households and municipalities,
- coking fat coal (grade Zh) is supplied to coking plants,

- dual-purpose gas coal (grade G), that can be applied as thermal or coking coal by customers, is supplied to coking plants where it is blended with coking fat coal (grade Zh) or other coking coal grades during coke production process.

Most of the revenue was generated by the four industrial groups of customers with which Coal Energy has long-term relations.

Revenues were predominantly affected by the decreasing volume of sales, although declining sales prices also negatively influenced the FY2013 revenues.

in thousand of US$, except percentages	**FY2013**	**FY2012**	**change in %**
Revenue			
Coal from own mining and waste processing	110,372	162,253	(32.0%)
Trade activity	14,950	2,783	437.2%
Other activity	647	418	54.8%
Total revenue	**125,969**	**165,454**	(23.9%)

Revenue from export sales composed 9.0% in FY2013 compared to 32.9% in FY2012 due to unfavorable export markets.

in thousand of US$, except percentages	**FY2013**	**FY2012**	**change in %**
Ukraine	114,598	110,952	3.3%
Export	11,371	54,502	(79.1%)
Total	**125,969**	**165,454**	**(23.9%)**

Thermal coal sales volumes prevailed and kept their share flat in total sales of 84.3% in the reporting year versus 84.9% in the FY2012 (numbers are rounded).

in thousand tonnes	**FY2013**	**FY2012**	**change in %**
Thermal	1,205	1,472	(18.1%)
Coking	224	261	(14.2%)
Total	1,429	1,733	(17.5%)

Sales prices

Declining sales prices during FY2013 resulted from oversupply in the local and international markets as well as shrinking demand reflecting decrease of the industrial activity.

FY2013 versus FY2012 weighted average prices comparison (rounded to whole numbers) reveals the following dynamics:

- thermal coal for export declined to US$75 per tonne, or by 16.7%;
- thermal coal sold domestically declined to US$75 per tonne, or by 6.3%;
- coking coal (including dual-purpose coal) declined to US$112 per tonne, or by 25.8%.

Cost of sales and cash cost of production

The following table links cost of sales to total cash cost of production in each business segment of the Group in FY2013 and FY2012:

in thousand of US$	FY2013	restated FY2012*	previously reported FY2012
Cost of sales	**100,654**	**94,573**	**95,408**
Less:			
Cost of merchandising inventory	14,513	2,572	2,572
Change in inventories	(9,428)	(4,547)	(4,547)
Cost of other services	386	334	334
Depreciation and amortization	10,757	8,127	8,127
Total cash cost of production	**84,426**	**88,087**	**88,922**
Including:			
Total cash cost of mining	77,450	79,530	80,409
Total cash cost of beneficiation	3,059	2,834	2,777
Total cash cost of waste dumps processing	3,917	5,723	5,736
in US$ per tonne			
Cash cost of mining per 1 tonne of ROM coal	54.4	48.5	49.1
Cash cost of beneficiation per 1 tonne of ROM coal	14.7	8.8	8.6
Cash cost of waste processing per 1 tonne of saleable coal from waste dumps	26.9	26.3	26.3

***- Changes in the standard IAS 19 Employee benefits as described in Consolidated Financial Statements for the year ended June 30, 2013, (page 14, 2.4. Changes in accounting policy and disclosures: IAS 19) initiated adjustments to the estimation of wages within the cost of sales as well as estimation of deferred taxes. As a result of the accounting policy change financial statements have been restated retrospectively. Operating profit, EBITDA and net profit for FY2012 were restated respectively.*

Lower mining output with cost of sales expenses of conditionally fixed nature (wages, energy, etc.) being almost at the same level as in the previous year negatively affected cash cost of mining per tonne which increased y-o-y by 12.2%.

Cash cost of beneficiation increased y-o-y following the decrease of coal volumes received from beneficiation.

Cash cost of coal waste processing in the reporting period was slightly higher compared to FY2012 due to a different technology of coal waste processing, lower content of coal in the coal waste pile and lower volumes of processing.

Gross profit

Gross profit composed US$25.3 million in FY2013 compared to US$70.9 million in FY2012, or decreasing by 64.3% y-o-y.

Operating expenses

General and administrative expenses

General and administrative expenses increased from US$6.6 million in FY2012 to US$7.2 million in FY2013, or by 9.1%. The expenses increased mostly within component of wages and salaries of administrative personnel from US$4.1 million in FY2012 to US$4.9 million in FY2013, or by 19.5% in line with the increase of the headcount of the administrative personnel.

Selling and distribution expenses

Selling and distribution expenses decreased substantially from US$11.1 million in FY2012 to US$7.3 million in FY2013, by US$3.8 million, or by 34.2%. The decline was caused mainly by lower (by US$3.2 million) delivery costs down to US$6.1 million as a result of sales reduction.

Other operating income/expenses

In FY2013 the Company reported other operating expenses in amount of US$1.2 million compared to other operating income of US$1.2 million in FY2012 resulting from lower income from emission reduction units sold by US$0.7 million and non-cash items (mainly profit from exchange rate differences, expenses for doubtful debt and expenses on idle capacity due to decreased mining output in amount of US$1.1 million).

Operating profit/loss

Operating profit comprised US$9.7 million in FY2013 compared to US$54.4 million of operating profit in FY2012, revealing 82.2% y-o-y decline.

Financial income

During FY2013 financial income increased to US$3.2 million, out of which interest income composed US$1.3 million. The income was generated by the US$20.0 million deposit with a Ukrainian bank securing one of the loan agreements.

Financial costs

Financial costs increased from US$9.4 million in FY2012 to US$18.6 million in FY2013. Such an increase was caused mainly by a non-cash item in amount of US$11.0 million of impairment loss of loans issued prior to FY2011 (Note 17 of the Consolidated Financial Statements for the Year Ended June 30, 2013, describes the voluntary 50% special allowance on the loans generally issued to the related parties. The decision has been taken by the management to keep the conservative approach in the accounting of the financial assets).

Loss before tax

Loss before tax comprised US$12.4 million in FY2013 as compared to US$46.0 million profit before tax in FY2012.

Income tax expenses

In FY2013 the Group lowered its income tax expenses to US$4.5 million from US$6.9 million in FY2012.

Net loss

Net loss for the reporting period comprised US$16.9 million versus US$39.1 million of net profit in FY2012.

Cash and cash equivalents

Cash and cash equivalents decreased y-o-y to US$3.3 million as of the 30th June 2013 as a result of operating and investing activities.

Cash Flow

The following table summarizes the Group's statement of cash flow for the financial years ended June 30, 2013 and 2012, respectively:

in thousand of US$	**FY2013**	**FY2012**
Net cash flow from operating activity	2,784	19,721
Net cash flow from investing activity	(79,328)	(60,106)
Net cash flow from financial activity	74,593	45,377
Net cash flows	**(1,951)**	**4,992**

Net cash flow from operating activity

Net cash-flow from operating activity declined from US$19.7 million in FY2012 to US$2.8 million in FY2013. The major reason was the decreased sales revenue.

Net cash flow from investing activity

Net cash outflow from investing activity of the Group amounted to US$79.3 million in FY2013 versus US$60.1 million in FY2012, revealing i.a. increase in non-current assets (property, plant and equipment and intangible assets) that comprised cash outflow amounting to US$63.2 million and placement of US$20.0 million on a long-term bank deposit till September 2017 securing obligations towards a Ukrainian bank in the same amount.

Net cash flow from financial activity

Net cash flow from financial activity went up to US$74.6 million in FY2013 as opposed to US$45.4 million caused by increase in attracted loans and borrowings (proceeds from loans and borrowings in FY2013 comprised US$108.7 million).

Risks and uncertainties

The Group's financial performance is dependent on the global price of and demand for coal

The Group's business is dependent on the global market price of coal. Sale prices and volumes in the worldwide coal market depend predominantly on the prevailing and expected levels of demand for and supply of coal, mainly from energy and steel manufacturers. Though the Ukrainian coal market is a bit isolated, still global financial crises may influence the Ukrainian coal prices. To mitigate such risk, the Group endeavours to diversify its customer base both on local and export markets and aims to sign long-term framework contracts for coal supply.
While prices are beyond control of the Group we constantly strive to lower and maintain low cost of production with the same level of operations quality.

The Group is subject to particular demands from customers, which vary from customer to customer from product to product and from time to time

As the customer may require coal with higher efficiency characteristics the increased demand for higher grade coal may reduce demand and contract prices for coal with lower energy efficiency.

The Group's production costs and costs of technologies applied by the Group may increase

The Group's main production expenses are energy costs, salaries and consumables. Changes in costs of the Group's mining and processing operations could occur as a result of unforeseen events and consequently result in changes in profitability or the feasibility and cost expectations in mining and processing existing reserves. Many of these changes may be beyond the Group's control.
Cost of mining operations per tonne as conditionally fixed (energy, water drainage, ventilation system, etc.) can not be reduced proportionally with the reduction of coal sales as the case may be. These costs need to be maintained in order to secure the Company's ability to increase production after the market revival. If sales are not expected to regain back their volume and price for some particular coal grades from a particular asset the Company may take decision to postpone mining operations on that asset and incur repairing and supportive works. Returning to the previous production levels may require additional capital investments. Having long history of relations with the customers we aim to secure demand for all of our coal grades.

The Group's activity may be impacted by the local currency devaluation

In order to continue investment program at the levels to reach the expected targets the Group would need external financing. Currently the market proposes only foreign currency loans at acceptable interest rates. Foreign currency liabilities are currently not supported by sufficient export proceeds in foreign currency. Most of the sales are at present conducted in the local currency. Therefore local currency devaluation may inflate the amount of liabilities on the balance sheet. The Group will follow careful borrowing policy by striving for long-term financing in order to smoothen negative effects of any currency devaluation process.

Depending on the scale of the devaluation and time lag for its absorption by the market the Group may have positive effect on the expense side. Major expenditures of the Group, like wages and salaries, raw materials, maintenance expenditures and CAPEX are linked to the local currency and these are not expected to be adjusted simultaneously and in full scope.

Corporate Governance Report

The Company has decided to observe the majority of the WSE Corporate Governance Rules included in the Code of Best Practice for WSE Listed Companies to the form and extent determined by the Resolution No. 19/1307/2012 of the Exchange Supervisory Board dated November 21, 2012. However, certain principles apply to the Company accordingly, with due observance of Luxembourg corporate law and the Company's corporate structure, especially the single board structure as opposed to the two-tier system that the WSE Corporate Governance Rules assume. The Company does not have two separate governing bodies (supervisory board and management board) which are obligatory in Polish joint stock companies. Instead, the Board of Directors of the Company performs both the management and supervisory functions. As a result, the Company applies those principles of the WSE Corporate Governance Rules which refer to relations between supervisory board and management board not directly, but accordingly. In all cases, the Company endeavours to create procedures maintaining the spirit of all rules applied accordingly. Therefore, the Company is of an opinion that it complies with the rules that refer to relations between supervisory board and management board or to the functioning of those bodies.

RULE	STATUS IN THE COMPANY
I. Recommendations for Best Practice for Listed Companies	
1. A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular: - maintain a company website whose scope and method of presentation should be based on the model investor relations service available at http://naszmodel.gpw.pl/; - ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication.	The Company made the broad use of both traditional and modern methods /i.a. Internet tools/ to ensure effective communication and access to information for shareholders, analysts and investors. The Company’s website is not identical with the scope and method of presentation specified by naszmodel.gpw.pl, however the Company has launched new website which in Company’s opinion meets the requirements for fast and secure communication with stakeholders and is designed to pursue effective information policy.
3. A company should make every effort to ensure that any cancellation of a General Meeting or change of its date should not prevent or restrict the exercise of the shareholders’ right to participate in a General Meeting	Complies
4. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same	Not applicable, the Company’s securities are listed and traded on the WSE only

dates in all the countries where such securities are traded	
5. A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.	Currently, the Company does not have a remuneration policy adopted. The Company does not exclude that the remuneration policy will be adopted by the General Meeting in the future
6. A member of the Supervisory Board should have appropriate expertise and experience and be able to devote the time necessary to perform his or her duties. A member of the Supervisory Board should take relevant action to ensure that the Supervisory Board is informed about issues significant to the company	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company.
7. Each member of the Supervisory Board should act in the interests of the company and form independent decisions and judgments, and in particular: - refuse to accept unreasonable benefits which could have a negative impact on the independence of his or her opinions and judgments; - raise explicit objections and separate opinions in any case when he or she deems that the decision of the Supervisory Board is contrary to the interest of the company.	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company.
8. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related entities	Complies
9. The WSE recommends to public companies and their shareholders that they	Currently, the Company does not comply with this recommendation. The Company supports

ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business	this recommendation however the members of the Board of Directors are appointed by the General Meeting of Shareholders and therefore the compliance with this recommendation depends on the shareholders' future decisions
10. If a company supports different forms or artistic and cultural expression, sport activities, educational or scientific activities, and considers its activity in this area to be a part of its business mission and development strategy, impacting the innovativeness and competitiveness of the enterprise, it is good practice to publish, in a mode adopted by the company, the rules of its activity in this area.	Complies
11. As part of a listed company's due care for the adequate quality of reporting practice, the company should take a position, expressed in a communication published on its website, unless the company considers other measures to be more adequate, wherever with regard to the company: - published information is untrue or partly untrue from the beginning or at a later time; - publicly expressed opinions are not based on material objective grounds from the beginning or as a result of later circumstances. This rule concerns opinions and information expressed publicly by company representatives in the broad sense or by other persons whose statements may have an opinion-making effect, whether such information or opinions contain suggestions advantageous or disadvantageous to the company	Complies
A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means.	Currently, the Company complies with this recommendation partially. Articles of Association of the Company provide that all the meetings take place in Luxembourg, in the place specified in the convening note and the Company has not implemented the technology enabling electronic communication. The Company however supports its shareholders to exercise their voting rights by authorizing the proxies who are bound by instruction or a third party. The Company does not preclude the

	possibility of providing shareholders with electronic communication tools during General Meetings in the future.
II. Best Practice for Management Boards of Listed Companies	
1. A company should operate a corporate website and publish on it, in addition to information required by legal regulations: 1) basic corporate regulations, in particular the statutes and internal regulations of its governing bodies; 2) professional CVs of the members of its governing bodies; 2a)on an annual basis, in the fourth quarter – information about the participation of women and men respectively in the Management Board and in the Supervisory Board of the company in the last two years; 3) current and periodic reports; 4) *deleted* 5) where members of the company's governing body are elected by the General Meeting – the basis for proposed candidates for the company's Management Board and Supervisory Board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an informed decision on a resolution; 6) annual reports on the activity of the Supervisory Board taking account of the work of its committees together with the evaluation of the internal control system and the significant risk management system submitted by the Supervisory Board; 7) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions; 8) information about the reasons for cancellation of a General Meeting, change of its date or agenda together with grounds; 9) information about breaks in a General	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company. Currently, the Company has not adopted rules of changing the company authorised to audit financial statements - rule II.1.14). The Company does not exclude that the rules will be adopted in the future. The Company has not implemented registration of General Meetings in audio or video format, nonetheless the Company does not exclude that such rule will be adopted in the future.

Meetings and the grounds of those breaks; 9a) a record of the General Meeting in audio or video format; 10) information on corporate events such as payment of the dividend, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. Such information should be published within a timeframe enabling investors to make investment decisions; 11) information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting; 12) where the company has introduced an employee incentive scheme based on shares or similar instruments – information about the projected cost to be incurred by the company from its introduction; 13) a statement on compliance with the corporate governance rules contained in the last published annual report, as well as the report referred to in § 29.5 of the Exchange Rules, if published; 14) information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule.	
2. A company should ensure that its website is also available in English, at least to the extent described in section II.1.	Complies
3. Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the	Not applicable. According to the Luxembourg corporate law there is a single board structure in the Company.

company with a subsidiary where the company holds a majority stake.	
4. A member of the Management Board should provide notification of any conflicts of interest which have arisen or may arise, to the Management Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company. The Articles of Association address the conflict of interest issue in article 14.
6. A General Meeting should be attended by members of the Management Board who can answer questions submitted at the General Meeting.	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company.
7. A company shall set the place and date of a General Meeting so as to enable the participation of the highest possible number of shareholders.	Complies
8. If a company's Management Board is informed that a General Meeting has been summoned pursuant to Article 399 § 2–4 of the Code of Commercial Partnerships and Companies, the company's Management Board shall immediately perform the actions it is required to take in connection with organising and conducting a General Meeting. This rule shall also apply if a General Meeting is summoned on the basis of authorisation given by the registration court pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies.	Complies with the reservation that the Code of Commercial Partnerships and Companies is not applicable to the Luxembourg based companies and according to the Luxembourg corporate law there is a single board structure in the Company. Nonetheless the Articles of Association in article 15.3. state that shareholders representing one tenth of the subscribed share capital may, in compliance with the law of 10 August, as amended, on commercial companies, request the Board of Directors to call a General Meeting of shareholders.
III. Best Practice for Supervisory Board Members	
1. In addition to its responsibilities laid down in legal provisions the Supervisory Board should: 1) once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and the significant risk management system; 2) *deleted* 3) review and present opinions on issues subject to resolutions of the General Meeting.	Not applicable. According to the Luxembourg corporate law there is a single board structure in the Company. The Board of Directors reports are available together with the auditor report and the annual accounts prior to the Annual General Meeting.
2. A member of the Supervisory Board	Not applicable. According to the Luxembourg

should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.	corporate law there is a single board structure in the Company.
3. A General Meeting should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.	Complies
4. A member of the Supervisory Board should notify any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company. The Articles of Association address the conflict of interest issue in article 14.
5. A member of the Supervisory Board should not resign from this function if this action could have a negative impact on the Supervisory Board's capacity to act, including the adoption of resolutions by the Supervisory Board.	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company.
6. At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the *Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board*. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company. 3 members of the Board of Directors are independent.

all votes at the General Meeting.	
8. Annex I to the *Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors…* should apply to the tasks and the operation of the committees of the Supervisory Board.	Complies partially. The Board of Directors established from among its members the Audit Committee. The Company did not establish the Remuneration Committee. The tasks and duties contemplated by a remuneration committee and selection and appointment committee were performed by the entire Board of Directors
9. Execution by the company of an agreement/ transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board.	Not applicable. According to the Luxembourg corporate law there is a single board structure in the Company.
IV. Best Practices of Shareholders	
1. Presence of representatives of the media should be allowed at General Meetings.	Complies
2. The rules of General Meetings should not restrict the participation of shareholders in General Meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next General Meeting.	Complies
4. A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting it or obligate the competent body to set it before the date of subscription rights within a timeframe enabling an investment decision.	Complies
5. Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events.	Complies
6. The date of setting the right to dividend and the date of dividend payment should be set so to ensure the shortest possible period between them, in each case not longer than 15 business days. A longer period between these dates requires detailed grounds.	Complies
7. A resolution of the General Meeting concerning a conditional dividend payment	Complies

may only contain such conditions whose potential fulfilment must take place before the date of setting the right to dividend.	
9. A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a level which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.	Complies
10. A company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) real-life broadcast of General Meetings; 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.	Currently, the Company complies with this recommendation partially. Articles of Association of the Company provide that all the meetings take place in Luxembourg, in the place specified in the convening note and the Company has not implemented the technology enabling real-life broadcasting or real-time bilateral communication. The Company however supports its shareholders to exercise their voting rights by authorizing the proxies who are bound by instruction or a third party. The company does not preclude the possibility of providing shareholders with real-time bilateral communication during General Meetings in the future.

Board of Directors

The Company has a one-tier corporate governance structure and is administered and managed by the Board of Directors.
In FY2013 Company's Board of Directors was composed of 6 directors. The information below sets forth the names, positions, election date, and terms of office of the members of the Board of Directors, discharging their responsibilities as for reporting date of the 30th June 2013.

Name	**Position/ Function**	**Class**
Viktor Vyshnevetskyy	Chairman of the Board of directors, executive director	Class A director
Mykhailo Zolotarov	Executive director	Class A director
Oleksandr Reznyk	Executive director	Class A director
Arthur David Johnson	Non-executive director	Class A director
Gwenaëlle Bernadette Andrèe Dominique Cousin	Non-executive director	Class B director
Jacob Mudde	Non-executive director	Class B director

All the members of the Board of Directors except Mr. Johnson were appointed on May 17, 2011 and Mr. Johnson was appointed on June 10, 2011.

On the date of releasing this financial statement i.e. the 31st October 2013 the Company's Board of Directors was composed of 6 directors, however there was one change in the composition of the Board. As of the 22nd August 2013 Mr. Mykhailo Zolotarov submitted his resignation due to personal reasons and subsequently Mr. Roman Kovalkov was appointed by the Board of Directors as a Director A and Chief Operating Officer till the next Annual General Meeting .

The business address of Messrs. Vyshnevetskyy, Kovalkov, Reznyk, and Johnson is Ukraine, 83001, Donetsk, 11, Komsomolsky Prospekt.
The business address for Mrs. Cousin and Mr. Mudde is: 46A, Avenue J. F. Kennedy, L-1855, Luxembourg.

Committees of the Board of Directors

In FY2011, the Board of Directors has established from among its members the Audit Committee. The Company did not establish the Remuneration Committee. The tasks and duties contemplated by a remuneration committee and selection and appointment committee were performed by the entire Board of Directors.

Audit Committee

In accordance with Article 13.2 of the Issuer's Articles of Association, the Audit Committee shall be composed of at least one independent member of the Board of Directors. The Audit Committee is composed of the following directors: Mr. David Johnson, Mrs. Gwenaelle, Bernadette, Andree, Dominique Cousin and Mr. Jacob Mudde. The Audit Committee will assist in supervising the activities of the Board of Directors with respect to:

- monitoring the integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting methods used by the Issuer and the Group (including the criteria for the consolidation of the accounts of companies in the Group),
- reviewing at least annually the internal control and risk management systems, with a view to ensuring that the main risks (including those related to compliance with existing legislation and regulations) are properly identified, managed and disclosed,
- ensuring the effectiveness of the internal audit function (if such is appointed in the Company), in particular by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the department's budget, and by monitoring the responsiveness of management to its findings and recommendations.

General Meeting of Shareholders

The General Meeting of Shareholders has the powers conferred upon it by the Luxembourg act dated 10 August 1915 on commercial companies as amended.
The General Meeting of Shareholders shall meet in Luxembourg upon call by the Board of Directors or the Sole Director, as the case may be. Shareholders representing one tenth of the

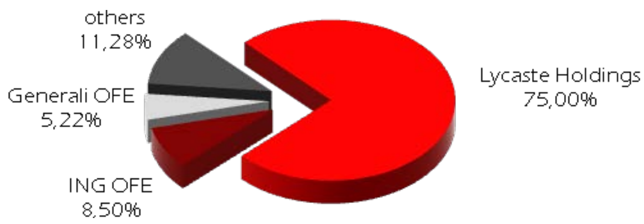
share capital may, in compliance with the law of 10 August 1915, as amended, on commercial companies, request the Board of Directors to call General Meeting of Shareholders.

The Annual General Meeting shall be held in Luxembourg in accordance with Luxembourg law at registered office of the Company or at such other place as specified in the notice of the meeting, on the 12th day of December, at 11 a.m. If such day is a legal or a bank holiday in Luxembourg, the Annual General Meeting shall be held on the following business day in Luxembourg.
As long as all or part of the shares are admitted to trading on a regulated market General Meetings of Shareholders shall be convened pursuant to the Luxembourg and Polish legislation and in accordance with Company Statute.

If all shareholders are present or represented and consider themselves as being duly convened and informed of the agenda, the General Meeting may take place without notice of meeting. The General Meeting of shareholders shall appoint a chairman and be chaired by the chairman who shall preside over the meeting. The General Meeting shall also appoint a secretary who shall be charged with keeping minutes of the meeting and a scrutineer. All General Meetings of shareholders shall be conducted in English. The shareholders may not decide on subjects that were not listed on the agenda (which shall include all matters required by law) and business incidental to such matters, unless all shareholders are present or represented at the meeting.
Each share is entitled to one vote at all General Meetings of shareholders. Blank votes are considered null and void. A shareholder may act at any General Meeting of shareholders by giving a written proxy to another person, who need not be a shareholder. Unless otherwise provided by law resolutions of the General Meeting are passed by a majority of more than one-half of all voting rights present or represented.

Equity and ownership structure of the parent company

Ownership structure of significant blocks of shares (at least 5% of the total number of votes at the Shareholder Meeting of Coal Energy S.A.) as of the 30th June 2013.



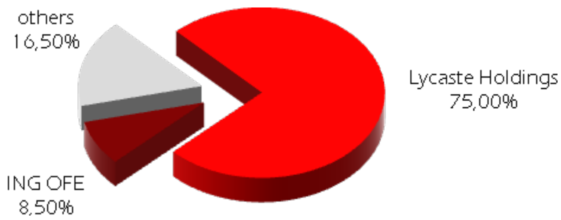
As at the report's publication date and on the 30th June 2013 share capital of Coal Energy S.A. comprised 45,011,120 shares.

Subsequently after the 30th June 2013 the following changes in the ownership structure occurred:

- on the 19th of September 2013 the Company received a notification from Generali Otwarty Fundusz Emerytalny that as a result of the transaction settled on the 12th of

September 2013 the Generali OFE has reduced its shareholding stake below the threshold of 5.0% in the share capital and voting rights at the General Meeting of the Company. Prior to the transaction the Generali OFE held 2,280,870 (two million two hundred eighty thousand eight hundred seventy) shares which represented 5.07% share in capital and votes at the General Meeting of the Company. After the transaction the Fund holds 2,239,835 (two million two hundred thirty nine thousand eight hundred thirty five) shares which represents 4.98% share in capital and votes at the General Meeting of the Company.

Ownership structure of significant blocks of shares (at least 5% of the total number of votes at the Shareholder Meeting of Coal Energy S.A.) as of the date of releasing this financial report, i.e. the 31st October 2013 is as follows:



Management statement

This statement is made to confirm that to the best of our knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole and that the management report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of management

Directors A:

Chairman of the Board of directors
Victor Vyshnevetskyy

Chief Operating Officer
Roman Kovalkov

Business development director
Oleksandr Reznyk

Independent non-executive director
Arthur David Johnson

Directors B:

Independent non-executive director
Jacob Mudde

Independent non-executive director
Gwenaëlle Bernadette Andrée Dominique Cousin

Luxembourg, 30 October 2013

AC.

2013FY

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2013

Coal Energy S.A.

2013FY

Contents

Statement of Management responsibility

To the best of our knowledge, consolidated financial statements as of 30 June 2013 of Coal Energy S.A. which have been prepared in accordance with the international financial reporting standards, give a true and fair view of the assets, liabilities, financial position and result of its operations for the year ended 30 June 2013 as required under article 4(3) of the Law. The annual management report includes a fair review of the information required under article 4(4) of the Law.

While preparing these consolidated financial statements, the Management bears responsibility for the following issues:

- selection of the appropriate accounting policies and their consistent application;
- making judgments and estimates that are reasonable and prudent;
- adherence to IFRS concepts or disclosure of all material departures from IFRS in the consolidated financial statements;
- preparation of the consolidated financial statements on the going concern basis.

Management confirms that it has complied with the above mentioned principles in preparing the consolidated financial statements of the Group. The Management is also responsible for:
- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group;
- taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of management

Directors A:

Chairman of the Board of Directors
Viktor Vyshnevetskyy

Chief Operating Officer
Roman Kovalkov

Business Development Director
Oleksandr Reznyk

Independent Non-executive Director
Arthur David Johnson

Directors B:

Independent Non-executive Director
Jacob Mudde

Independent Non-executive Director
Gwenaëlle Bernadette Andrèe Dominique Cousin

Luxembourg, 30 October 2013

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To the Shareholders and the Board of Directors of
Coal Energy S.A.
46A, Avenue J.F.Kennedy
L-1855 Luxembourg

Independent auditor's report (Réviseur d'Entreprises Agréé) on the consolidated financial statements as at June 30, 2013

We have audited the accompanying consolidated financial statements of COAL ENERGY S.A. and its subsidiaries (the «Group» hereinafter), which comprise the consolidated statement of financial position as at June 30, 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' Responsibility

The Board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Société à responsabilité limitée au capital de EUR 12.500 • N° RCS Luxembourg B 159 863 • TVA/VAT LU 24 68 91 05 • enregistrée sous le numéro 2011 24 10 229
autorisation d'établissement 10014934/1

An independent member of Baker Tilly International

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at June 30, 2013, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

Without qualifying our opinion, we draw your attention to:

The Group conducts transactions, the interpretation of which by tax authorities can substantially differ from their understanding by the Group, resulting in accrual of additional income tax for the Group.

In note 30 to the consolidated financial statements 'Related party transactions', it is disclosed that the Group carries out a significant portion of its transactions with related parties.

As stated in Note 31 "Management of financial risks" the Group conducts its customer credit assessments partly on the basis of publically available information. As at June 30, 2013, trade receivables include a past due balance amounting to USD 8 392 thousand owed to the Group by a customer for whom little information is publically available. After June 30, 2013, payment terms have been renegotiated and agreed with this client, with monthly payment schedule extending until June 30, 2014. Up to the date of the audit report, the payment schedule has been respected. Directors are of the opinion that this balance is fully recoverable

Report on other legal and regulatory requirements

The management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Howald, October 30, 2013

Baker Tilly Luxembourg Audit S.à r.l.
Cabinet de révision agréé

Olivier BIREN
Managing partner

Coal Energy S.A.

Management report for the year ended 30 June 2013

Management of the Company hereby presents its consolidated financial statements for the year ended on 30 June 2013.

1. Results and developments during the year ended 30 June 2013.

For the year ended 30 June 2013 the Group recorded an EBITDA profit of USD 21,069 thousand (USD 62,749 thousand – restated EBITDA for the year ended 30 June 2012). After depreciation, amortization, finance costs and finance income the final loss for the year ended 30 June 2013 after taxation was USD 16,899 thousand (USD 39,134 thousand – restated profit for the year ended 30 June 2012).

2. Future developments of the Group.

The Group expects progressive implementation of plan for expansion by the introduction of new technology and mechanical aids.

3. Activity in the field of research and development.

The Group is not involved in any activity in the field of research and development.

4. Own shares.

During the period ended 30 June 2013, the Company and its affiliates have not repurchased of shares of Coal Energy S.A.

5. Group's internal control.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group;
- provide reasonable assurance that transactions are recorded, as necessary, to permit preparation of financial statements in accordance with IFRS;
- provide reasonable assurance that receipts and expenditures of the Group are made in accordance with authorizations of Group's management and directors; and
- provide reasonable assurance that unauthorized acquisition, use or disposition of Group's assets that could have a material effect on the financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

6. Risk Management.

The Group has implemented policies and procedures to manage and monitor financial market risks. Financial market activities are overseen by the CFO and the Group Management Board.

The Group does not use hedging derivatives.

For Coal Energy S.A.:

Directors A:

Chairman of the Board of Directors
Viktor Vyshnevetskyy

Chief Operating Officer
Roman Kovalkov

Business Development Director
Oleksandr Reznyk

Independent Non-Executive Director
Arthur David Johnson

Directors B:

Independent Non-Executive Director
Jacob Mudde

Independent Non-Executive Director
Gwenaëlle Bernadette Andrèe Dominique Cousin

Luxembourg, 30 October 2013

A.

Coal Energy S.A.

Société anonyme
Registered address: 46A, Avenue J. F. Kennedy, L-1855 Luxembourg,
the Grand Duchy of Luxembourg
R.C.S. Luxembourg: B 154144
(the "**Company**")

Corporate Governance Statement

Directors:

Name	Date of Appointment	Date of Resignation
Joost Anton Mees – Sole Director	17 June 2010	17 May 2011
Vyktor Vyshnevetskyy – Director A	17 May 2011	
Andrey Bolshakov – Director A	17 May 2011	21 September 2011
Mykhailo Zolotarov – Director A	17 May 2011	22 August 2013
Roman Kovalkov – Director A	24 September 2013	
Oleksandr Reznyk – Director A	17 May 2011	
Arthur David Johnson – Director A	10 June 2011	
Gwenaelle, Bernadette, Andree, Dominique Cousin – Director B	17 May 2011	
Jacob Mudde – Director B	17 May 2011	

Audit Committee:

Name	Date of Appointment	Date of Resignation
Arthur David Johnson – Director A	10 June 2011	
Jacob Mudde – Director B	10 June 2011	
Gwenaelle, Bernadette, Andree, Dominique Cousin – Director B	10 June 2011	

The Board of Directors (the "Board") states its application of Warsaw Stock Exchange corporate governance rules included in the "Code of Best Practice for WSE Listed Companies" to the form and extent determined by the Resolution No. 20/1287/2011 of the Exchange Supervisory Board dated 19 October 2011. Code of Best Practice for WSE Listed Companies is available at the official website of the Warsaw Stock Exchange: **www.corp-gov.gpw.pl**

The Board is responsible for establishing and maintaining adequate internal and risk management systems for the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing an independent administrator (the "Administrator") to maintain the accounting records of the Company independent of Coal Energy S.A. The Administrator has a duty of care to maintain proper books and records and prepare for review and approval by the Board the financial statements intended to give a true and fair view. The Board has appointed TMF Luxembourg S.A. as Administrator.

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring that the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements.

The Board maintains control structures designed and aimed to manage the risks, which are significant for internal control over financial reporting. These control structures include segregation of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

The Company's policies and the Board's instructions with relevance for financial reporting are updated and communicated via appropriate channels, such as e-mail, correspondence and meetings to ensure that all financial reporting information requirements are met in a complete and accurate manner. The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.

There are no restrictions on voting rights.

The Company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of financial records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of the assets of the Company; provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with Luxembourg legal and regulatory requirements, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposals of the Company's assets that could have a material effect on the financial statements.

In order to ensure, that established controls over financial reporting system worked effectively during the year ended 30 June 2012, a summary of the work performed by the internal audit department was reviewed by the Audit Committee.

No person has any special rights of control over the Company's share capital.

Appointment and replacement of Directors and amendments to the Articles of Association

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association (hereafter referred as the "Articles of Association") and Luxembourg Companies Law 1915. The Articles of Associations may be amended from time to time by a general meeting of the shareholders under the quorum and majority requirement provided for by the law of 10 August 1915 on commercial companies in Luxembourg, as amended.

Powers of Directors

The Board is responsible for managing the business affairs of the Company within the clauses of the Articles of Association. The Directors may only act at duly convened meetings of the Board of Directors or by written consent in accordance with article 9 of Articles of Association.

Rights of the shareholders

The operation of the shareholders meetings and their key powers, description of their rights are governed by Articles of Association and national laws and regulation.

Transfer of shares

Transfer of shares is governed by Articles of Association of the Company.

Vyktor Vyshnevetskyy
Director A

Gwenaelle Bernadette Andree Dominique Cousin
Director B

Roman Kovalkov
Director A

Jacob Mudde
Director B

Oleksandr Reznyk
Director A

Arthur David Johnson
Director A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

(in thousands USD, unless otherwise stated)

	Note	Year ended 30 June 2013 (audited)	Year ended 30 June 2012 (restated[1])
Revenue	5	125,969	165,454
Cost of Sales	6	(100,654)	(94,573)
GROSS PROFIT/(LOSS)		**25,315**	**70,881**
General and administrative expenses	7	(7,169)	(6,581)
Selling and distribution expenses	8	(7,317)	(11,092)
Other operational income/(expenses)	9	(1,174)	1,156
OPERATING PROFIT/(LOSS)		**9,655**	**54,364**
Other non-operating (expenses)/ income	10	(6,600)	140
Financial income	12	3,151	894
Financial costs	13	(18,643)	(9,379)
(LOSS)/PROFIT BEFORE TAX		**(12,437)**	**46,019**
Income tax expenses	14	(4,462)	(6,885)
(LOSS)/PROFIT FOR THE PERIOD		**(16,899)**	**39,134**
OTHER COMPREHENSIVE INCOME/(LOSS):			
Effect of foreign currency translation		(11)	(57)
Actuarial gain/(loss)		133	(2,639)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**122**	**(2,696)**
TOTAL COMPREHENSIVE (LOSS)/INCOME:		**(16,777)**	**36,438**
PROFIT/LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the parent		(16,724)	36,635
Non-controlling interests		(175)	2,499
		(16,899)	**39,134**
COMPREHENSIVE INCOME/LOSS ATTRIBUTABLE TO:			
Equity holders of the parent		(16,600)	33,961
Non-controlling interests		(177)	2,477
		(16,777)	**36,438**
Weighted average number of ordinary shares outstanding		45,011,120	44,271,211
BASIC EARNINGS PER ORDINARY SHARE *(expressed in USD cents)*		(37,15)	82,75

Basic earnings per ordinary share are equal to diluted earnings per ordinary share.

[1] – restated balance due to changes in IAS 19 (please refer to Note 2.4 of accounting policy)

Notes on pages 9 to 39 are an integral part of these consolidated financial statements.

J. Mudde
Director B

G.R.A.D. Cousin
Director B

N. 2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

(in thousands USD, unless otherwise stated)

	Note	As at 30 June 2013	As at 30 June 2012 (restated[1])	As at 1 July 2011 (restated[1])
ASSETS				
Non-current assets				
Property, plant and equipment	15	139,604	90,538	43,771
Intangible assets	16	7,914	8,727	8,925
Financial assets	17	4,203	3,862	3,345
Deferred tax assets	14	1,132	2,561	3,537
Deposit	23	20,000	-	-
		172,853	**105,688**	**59,578**
Current assets				
Inventories	18	17,614	8,991	4,929
Trade and other receivables	19	33,277	32,683	3,838
Prepayments and prepaid expenses	20	2,814	764	876
Financial assets	17	11,259	24,037	23,786
Other taxes receivables	22	3,318	1,646	334
Cash and cash equivalents	23	3,278	5,226	1,601
		71,560	**73,347**	**35,364**
TOTAL ASSETS		**244,413**	**179,035**	**94,942**
EQUITY AND LIABILITIES				
Equity				
Share capital	24	450	450	338
Share premium		77,578	77,578	-
Retained earnings		33,006	49,595	14,578
Effect of foreign currency translation		(6,624)	(6,613)	(6,558)
Equity attributable to equity holders of the parent		**104,410**	**121,010**	**8,358**
Non-controlling interest		247	424	(1,076)
TOTAL EQUITY		**104,657**	**121,434**	**7,282**
Non-current liabilities				
Loans and borrowings	25	59,500	34	7,711
Finance lease liabilities	26	6,541	6,542	6,559
Defined benefit obligation	27	20,835	18,283	16,899
Trade and other payables	29	226	487	1,976
Other tax payable	22	194	244	387
Provisions	28	6,295	8,335	7,719
Deferred tax liabilities	14	3,036	2,343	137
		96,627	**36,268**	**41,388**
Current liabilities				
Loans and borrowings	25	30,018	5,878	27,599
Finance lease liabilities	26	1,280	1,280	1,283
Trade and other payables	29	7,363	9,821	11,040
Income tax payables	14	1,152	472	1,941
Other tax payables	22	3,316	3,882	4,409
		43,129	**21,333**	**46,272**
TOTAL LIABILITIES		**139,756**	**57,601**	**87,660**
TOTAL EQUITY AND LIABILITIES		**244,413**	**179,035**	**94,942**

[1]– restated balance due to changes in IAS 19 (please refer to Note 2.4 of accounting policy)

Notes on pages 9 to 39 are an integral part of these consolidated financial statements

J. Madde
Director B

G.B.A.D. Cousin
Director B

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013
(in thousands USD, unless otherwise stated)

	Equity attributable to equity holders of the parent						
	Share capital	Share premium	Retained earnings	Effect of foreign currency translation	Total	NCI	Total equity
As at 30 June 2011	**338**	**-**	**14,642**	**(6,558)**	**8,422**	**(1,076)**	**7,346**
Changes in accounting policy (**Note 2.4**)	-	-	(64)	-	**(64)**	-	**(64)**
As at 30 June 2011 (restated[1])	**338**	**-**	**14,578**	**(6,558)**	**8,358**	**(1,076)**	**7,282**
Profit for the period	-	-	36,635	-	**36,635**	2,499	**39,134**
Other comprehensive income	-	-	(2,617)	(55)	**(2,672)**	(22)	**(2,694)**
Total comprehensive income	**-**	**-**	**34,018**	**(55)**	**33,963**	**2,477**	**36,440**
Increase in share capital	112	80,541	-	-	**80,653**	-	**80,653**
Expenses related to IPO[2]	-	(2,963)	-	-	**(2,963)**	-	**(2,963)**
Changes in share in subsidiaries	-	-	999	-	**999**	(977)	**22**
As at 30 June 2012 (restated[1])	**450**	**77,578**	**49,595**	**(6,613)**	**121,010**	**424**	**121,434**
Profit for the period	-	-	(16,724)	-	**(16,724)**	(175)	**(16,899)**
Other comprehensive income	-	-	135	(11)	**124**	(2)	**122**
As at 30 June 2013	**450**	**77,578**	**33,006**	**(6,624)**	**104,410**	**247**	**104,657**

[1] – restated balance due to changes in IAS 19 (please refer to Note 2.4 of accounting policy)
[2] – Initial public offering.

Notes on pages 9 to 39 are an integral part of these consolidated financial statements

J. Mudde
Director B

G.B.A.D. Cousin
Director B

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 June 2013

(in thousands USD, unless otherwise stated)

	Year ended 30 June 2013	Year ended 30 June 2012
OPERATING ACTIVITIES		
Profit before tax	**(12,437)**	**46,019**
Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortization expenses	11,490	8,437
Finance income	(3,151)	(894)
Finance costs	18,643	9,379
Expenses for doubtful debts /(Recovery of doubtful debts)	115	(27)
Loss/(Income) from sale of property, plant and equipment	221	(1,481)
Expenses attributable to allowance for receivables on sale of property, plant and equipment	2,197	-
Writing-off of non-current assets	599	1,120
(Profit)/loss from exchange differences	(3)	(336)
Income from writing-off of account payables	(12)	-
Movements in defined benefits plan obligations	2,712	(1,713)
Shortages and losses from impairment of inventory	300	3
Income from current assets received free of charge	(501)	(876)
	20,173	**59,631**
Working capital adjustments:		
Change in trade and other receivables	(935)	(27,627)
Change in advances made and deferred expenses	(2,050)	113
Change in inventories	(8,422)	(3,207)
Change in trade and other payables	(1,963)	(2,471)
Change in other tax balances	(2,333)	(2,045)
	4,470	**24,394**
Income tax paid	(1,686)	(4,673)
Net cash flow from operating activity	**2,784**	**19,721**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(63,232)	(57,624)
Proceeds from sale of property, plant and equipment and intangible assets	390	150
Purchase of financial assets	-	(9,706)
Proceeds from financial assets	2,202	7,074
Placing a deposit	(20,000)	-
Interest received	1,312	-
Net cash flow from investing activity	**(79,328)**	**(60,106)**
FINANCIAL ACTIVITIES		
Proceeds from loans and borrowings	108,652	5,512
Repayment of loans and borrowings	(23,900)	(19,552)
Proceeds from interest free financial liabilities	-	2,412
Repayment of interest free financial liabilities and notes issued	(56)	(17,652)
Emission of share capital	-	112
Net proceeds from share issue	-	77,578[1]
Interest paid	(10,103)	(3,033)
Net cash flow from financial activity	**74,593**	**45,377**
NET CASH FLOWS	**(1,951)**	**4,992**
Cash and cash equivalents at the beginning of the period	**5,226**	**1,601**
Effect of translation to presentation currency	3	(1,367)
Cash and cash equivalents at the end of the period	**3,278**	**5,226**

[1] – net proceeds from share issue consist of funds generated from IPO less related expenses (investment advisory services).

Notes on pages 9 to 39 are an integral part of these consolidated financial statements

J. Mudde
Director B

G.B.A.D. Cousin
Director B

Notes to consolidated financial statements for the year ended 30 June 2013

1 General information

For the purposes of theses consolidated financial statements, Coal Energy S.A. ("Parent company") and its subsidiaries have been presented as the Group as follows:

Parent company and its subsidiaries	Country of incorporation	Group shareholding, % as at	
		30 June 2013	30 June 2012
Coal Energy S.A.	Luxembourg	100,00	100,00
Nertera Investments Limited	Cyprus	100,00	100,00
Coal Energy Trading Limited	British Virgin Islands	100,00	100,00
Donbasuglerazrabotka LLC	Ukraine	99,00	99,00
Donugletekhinvest LLC	Ukraine	99,00	99,00
Nedra Donbasa LLC	Ukraine	99,00	99,00
Donprombiznes LLC	Ukraine	99,00	99,00
Ugledobycha LLC	Ukraine	99,99	99,99
Donantracit LLC	Ukraine	99,99	99,99
Tekhinovatsiya LLC	Ukraine	99,99	99,99
Eximenergo LLC	Ukraine	99,00	99,00
Antratcit LLC	Ukraine	99,00	99,00
CwAL LE "Sh/U Blagoveshenskoe"	Ukraine	99,00	99,00
CwAL LE "Mine St.Matrona Moskovskaya"	Ukraine	99,00	99,00
Coal Energy Ukraine LLC	Ukraine	99,99	99,99
Progress-Vugillya LLC	Ukraine	99,99	-
Sh/U Blagoveshenskoe Management Company LLC	Ukraine	99,99	-

The parent company, Coal Energy S.A., was incorporated in Luxembourg as a joint stock company on 17 June 2010. The registered office is located at 46A, avenue J.F. Kennedy, L-1855 Luxembourg and the Company number with the Registre de Commerce is B 154144.

Principal activities of the Group are coal mining, coal beneficiation, waste dumps processing and sales of marketable coal. Major production facilities are located in Donetsk region of Ukraine.

As at 14 August 2012 LLC Sh/U Blagoveshenskoe Management Company was incorporated into the Group structure. Share capital of LLC Sh/U Blagoveshenskoe Management Company composed UAH 16 thousand (99% owned by Nertera Investments Limited and 1% by LLC Donprombiznes).

As at 11 January 2013 LLC Progress-Vugillya is a special purpose company was incorporated into the Company for the specific EBRD financing purpose of the construction of a new beneficiation plant and other purposes as the case may be. Share capital of LLC Progress-Vugillya composed UAH 52 thousand (99% owned by Nertera Investments Limited and 1% by LLC Antratcit). At the date of acquisition, assets and liabilities of LLC Progress-Vugillya are immaterial.

These consolidated financial statements were authorized by the Board of Directors as at 30 October 2013.

2 Basis of preparation of the annual consolidated financial statements

2.1 Basis of preparation

The preparation of financial statements in accordance to International Financial Accounting Standards (IFRS) as adopted by European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying of the Group`s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.
These consolidated financial statements are presented in thousands of USD, unless otherwise stated.

2.2 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

2.3 Basis of consolidation

(a) Subsidiaries
Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 Basis of preparation of the annual consolidated financial statements (continued)

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income. Costs, appeared in connection with the purchase of subsidiaries are recognized as expenses.
Inter-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Subsequent to the loss of control of a subsidiary the value of remained share is revalued at fair value that influences the amount of income/loss from the disposal.
Before June 30, 2010 the Parent company did not have direct or indirect ownership interest in consolidated entities included in the consolidated financial statements. The pooling of interest method was applied for business combinations under common control for the earlier periods.

Financial statements of Parent company and its Subsidiaries, which are used while preparing the consolidated financial statements, should be prepared as at the same date on the basis of consistent application of accounting policy for all companies of the Group.
(b) Transactions with non-controlling interests
The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. The result of disposals to non-controlling interests being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary are reflected in statements of changes in equity. Losses are attributed to the non-controlling interests even if that results in a deficit balance.
Non-controlling interests are derecognized when purchased, a subsidiary sold or liquidated and profit or loss on de-recognition is recorded in the consolidated statements of changes in equity.

2.4 Changes in accounting policy and disclosures
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.
The group has not applied the following standards and IFRIC interpretations and also amendments to them that have been issued but are not yet effective:
IFRS 9 Financial Instruments: Classification and Measurement - phase 1 of the accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement (effective from 1 January 2015);
IFRS 10 Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27 (revised), Consolidated and Separate Financial Statements, and IAS 28 (revised), Investments in Associates and Joint Ventures. Application of these standards is mandatory for annual periods beginning on or after January 1, 2014;
IFRS 12 Disclosure of Interest in Other Entities that applies to an entity that has interest in subsidiaries, joint arrangements, associates and/or structured entities (effective from 1 January 2014);
IFRS 13 Fair Value Measurement describes how to measure fair value where fair value required or permitted by IFRS (effective from 1 January 2014);
The Group anticipates that the adoption of these standards and amendments in future periods will have no material impact on its financial statements. The Group currently does not plan early application of the above standards and interpretations.

IAS 19 Employee Benefits
The Group has assessed its accounting policy with regard to the recognition of actuarial gains and losses arising from its defined benefit plan obligations. The Group previously recognized only the net cumulative unrecognized actuarial gains and losses of the previous period, which exceeded 10% of the defined benefit obligation in accordance with IAS 19.93. Therefore, the Group's statement of financial position did not reflect a significant part of the unrecognized net actuarial gains and losses.
During 2012, the Group determined that it would change its accounting policy to recognize actuarial gains and losses in the period in which they occur in total in other comprehensive income, as it believes this policy is more consistent with the practice of its industry peers. Changes have been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, resulting in the adjustment of prior year financial information.
As a result of the voluntary accounting policy change, the following adjustments were made to the financial statements:
As of 1 July 2011:
Increase in defined benefit obligation: USD 76 thousand;
Increase in deferred tax asset: USD 12 thousand;
Net decrease in opening retained earnings: USD 64 thousand.
As of and for the year ended 30 June 2012:
Increase in defined benefit obligation: USD 2,380 thousand;
Net increase in deferred tax asset: USD 379 thousand;
Net expense recognized in other comprehensive income: USD 2,639 thousand;
Net increase in income tax expenses: USD 136 thousand;
Net increase in profit after tax: USD 699 thousand.
As of and for the year ended 30 June 2013:
Increase in defined benefit obligation: USD 1,841 thousand;
Net decrease in deferred tax liability: USD 293 thousand;
Net expense recognized in other comprehensive income: USD 135 thousand;
Net increase in income tax expense: USD 61 thousand;
Net decrease in loss after tax: USD 320 thousand.

The effect on earnings per share related to the restatement in 2012 and 2013 financial years was less than 5%.

3 Summary of significant accounting policies

The accounting policies, significant accounting judgments, estimates and assumptions adopted in the preparation of the annual consolidated financial statements are consistent with those followed in the preparation of the Group`s annual financial statements for the year ended 30 June 2012.

3.1 Currency translation

(a) Functional and presentation currency
All items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The national currency of Ukraine, Ukrainian Hryvnia ("UAH") is the functional currency for the Group's entities that operate in Ukraine. For the entities that operate in Cyprus, Luxembourg and British Virgin Islands (BVI) the functional currency is US dollar ("USD"). These consolidated financial statements are presented in thousands of US dollars, unless otherwise stated.
(b) Foreign currency transactions
Exchange rates used in the preparation of these annual consolidated financial statements were as follows:

Currency	30 June 2013	Average for year ended 30 June 2013	30 June 2012	Average for year ended 30 June 2012	30 June 2011
UAH/USD	7.9930	7.9930	7.9925	7.9831	7.9723

(c) Translation into presentation currency:
- all assets and liabilities, both monetary and non-monetary, are converted at closing exchange rates at the dates of each statements of financial position presented;
- income and expense items are converted at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case exchange rates at the date of transactions are used;
- all equity items are converted at the historical exchange rates;
- all resulting exchange differences are recognized as a separate component in other comprehensive income;
- in the consolidated statements of cash flows, cash balances and beginning and end of each period presented are converted at exchange rates at the respective dates. All cash flows are converted at the average exchange rates for the periods presented. Resulting exchange differences are presented as effect of conversion to presentation currency.

3.2 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, the revenue can be reliably measured and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.
(a) Sales of goods
The Group principal activities are stated in Note 1. Revenue from sales of goods is recognized when all criteria are satisfied:
- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The transfer of the risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer.
(b) Rendering of services
Revenue from rendering services is recognized on the basis of the stage of work completion under each contract. When financial result can be measured reliably, revenue is recognized only to the extent of the amount of incurred charges, which can be recovered.
(c) Interest income
For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.
(d) Emission rights
Due to high level of uncertainty income from sale of Emission Reduction Units recognized in other operating income on cash basis and do not recognized as intangible asset.

3.3 Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.
Income tax is recognized as an expense or income in profit and loss in the consolidated statements of comprehensive income, except when it relates to items recognized directly in other comprehensive income, or where they arise from the initial accounting for a business combination.
(a) Current tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to estimate the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3 Summary of significant accounting policies (continued)

(b) Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognized for all taxable temporary differences, except:
- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:
- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.
Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.4 Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Major renewals and improvements are capitalized and the assets replaced are retired. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in item 'Other non-operating income (expenses)' in the statement of comprehensive income.
Depreciation is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as follows:

-	Underground mining	40 - 80 years
-	Buildings and constructions	35 - 50 years
-	Machinery, equipment and vehicles	5 - 10 years
-	Other	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.
Mine development costs are capitalized and classified as capital construction-in-progress. Mine development costs are transferred to mining assets when a new mine reaches commercial production quantities. In addition capital construction-in-progress comprises costs directly related to construction of buildings, infrastructure, machinery and equipment. Cost also includes finance charges capitalized during construction period where such costs are financed by borrowings. Depreciation of these assets commences when the assets are put into operation.

3.5 Leases
(a) Group as a lessee
Leases of property, plant and equipment in which substantially all the risks and rewards incidental to ownership are transferred to the Group are classified as finance leases. The assets leased are capitalized in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit and loss in the consolidated statements of comprehensive income. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating lease payments are recognized as an expense in the income statements on a straight line basis over the lease term.
(b) Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

3 Summary of significant accounting policies (continued)

3.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the period in which the expenditure is incurred. Research costs are recognized as an expense as incurred. Costs incurred on development (relating to the design, construction and testing of new or improved devices, products, processes or systems) are recognized as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of adequate resources to complete the development, and the ability to measure reliably the expenditure during the development. Other development expenditures are recognized as an expense as incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is charged on a straight-line basis over the following economic useful lives of these assets:

- Licences, special permissions and patent rights 5 - 20 years
- Other intangible assets 5 - 10 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level.

3.8 Impairment of non-current assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less cost to sell and value-in-use.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statements of comprehensive income.

Where an impairment loss subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognized in prior periods. A reversal of an impairment loss is recognized in the consolidated statements of the comprehensive income.

3.9 Financial assets

(1) Initial recognition and measurement

The Group classifies its financial assets as financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; available for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date. The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(2) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables include trade and other receivables. Loans are financial assets arising as a result of provision of funds to borrower.

(c) Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity that management has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Group, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the reporting date, which are classified as current assets.

3 Summary of significant accounting policies (continued)

(d) Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Available-for-sale financial assets are accounted at fair value through equity.

Subsequent to initial recognition all financial assets at fair value through profit or loss and all available-for-sale instruments are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

Loans and receivables and held-to-maturity assets are measured at amortized cost less impairment losses. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Receivables are accounted at net realizable value, less the allowance for doubtful debts. The amount of allowance for doubtful debts is accounted by using the method of total amount of doubtful debts.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in the income statement in finance costs and removed from the available-for-sale reserve.

(3) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, loans issued where the carrying amount is reduced through the use of an allowance for impairment. When a trade or other or loans issued receivables is considered uncollectible, it is written off against the allowance. On basis of the facts confirming that receivables or loans issued, previously recognized as doubtful, at the reporting date are not doubtful, the amount of previously charged reserve is reflected in income of the reporting period. Except for available-for-sale assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss reverses directly through profit and loss account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

When a decline in fair value of an available-for-sale investment has been recognized directly in other comprehensive income and there is objective evidence that investment is impaired, the cumulative loss that had been recognized directly in other comprehensive income is removed from other comprehensive income and recognized in profit or loss in the consolidated statements of comprehensive income even though the investment has not been derecognized. Impairment losses previously recognized through profit or loss in the consolidated statements of comprehensive income are not reversed. Any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

(4) Derecognition of financial assets

The Group derecognizes financial assets when:

- the assets are redeemed or the rights to cash flows from the assets have otherwise expired;
- or the Group has transferred substantially all the risks and rewards of ownership of the assets;
- or the Group has neither transferred not retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

3.10 Inventories

Inventories are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is assigned by using the FIFO cost formula.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods includes costs of raw materials, direct labour and other direct productions costs and related production overheads (based on normal operating capacity).

The Group periodically analyses inventories to determine whether they are damaged, obsolete or slow-moving or if their net realizable value has declined, and makes an allowance for such inventories. If such situation occurred, the sum remissive the cost of inventories should be reflected in statements of comprehensive income.

At the date of financial statements preparation the Group estimates the balances of finished products to determine whether there is any evidence of impairment. Amount of impairment is measured on the basis of the analysis of prices in the market of such inventories, existed at the reporting date and issued in official sources.

3 Summary of significant accounting policies (continued)

3.11 Value added tax (VAT)
VAT output equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received. Revenue, expenses and assets are recognized less VAT amount, except cases, when VAT arising on purchases of assets or services, is not recoverable by tax authority; in this case VAT is recognized as part of purchase costs or part of item of expenses respectively. Net amount of VAT, recoverable by tax authority or paid, is included into accounts receivable and payable, reflected in consolidated statements of financial position.

3.12 Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.
For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash and short term deposits as defined above, net of outstanding bank overdrafts.

3.13 Share capital
Ordinary shares are classified as equity. Nominal value of share capital of Parent company is specified in Note 24.

3.14. Legal reserve
Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

3.15 Financial liabilities
(1) Initial recognition and measurement
The Group classifies its contractual obligations as financial liabilities at fair value through profit or loss, loans and borrowings. The Group classifies its financial liabilities at initial recognition. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction cost.
The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings.
(2) Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:
(a) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated at initial recognition as liabilities at fair value through profit or loss.
(b) Loans and borrowings
Loans and borrowings are financial liabilities which the Group has after borrowings attraction. Loans and borrowings are classified as current liabilities except when the Group has unconditional right to delay settlement of obligation at least for 12 months from reporting date.
(3) Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized through profit or loss.

3.16 Defined benefits plan obligations
The Group contributes to the Ukrainian state pension scheme, social insurance and employment funds in respect of its employees. The Group's pension scheme contributions are expensed as incurred. The contributions are included in expenses for wages and salaries. Companies comprising the Group provide additional post-employment benefits to those employees who are engaged in the industry with particularly detrimental and oppressive conditions of work. Under the Ukrainian legislation employees engaged in hazardous industry may retire earlier than usual terms stipulated by Employee Retirement Income Security Law. The Group reimburses to the State Pension Fund all pension payments which are to be paid to the employees until usual statutory date of retirement. In addition, according to the legislation, the Group makes payments related to providing the employees with domestic fuel (coal). The Group recognizes the liabilities in amount of this payment.
The liability recognized in the statement of financial position in respect of post-employment benefits is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognized actuarial gains or losses. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.
Actuarial gains and losses are recognized in the other comprehensive income statements in the period in which they occur.

3.17 Provisions
Provisions are recognized when the Group has legal or constructive obligations as the result of past event for which it is probable that an outflow of economic benefits can be required to settle the obligations, and the amount of the obligations can be reliably estimated. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Use of discounting results in recognition of financial expenses and increase in provision.
Management created provision for the payment of potential tax liabilities related to settlement of financial assets and liabilities. Though if the controlling authorities classify such transactions as a subject of taxation and apply such classification to the companies of the Group, actual taxes and penalties may differ from the Management assessment.

3 Summary of significant accounting policies (continued)

3.18 Environmental obligations

Environmental obligations include decommissioning and land restoration costs. The Group evaluates the provisions associated with ecological problems separately on every occasion taking into account the requirements of the relevant legislative acts.

Future decommissioning costs, discounted to net present value, are capitalized and the corresponding decommissioning obligations are raised as soon as the constructive obligation to incur such costs arises and the future decommissioning cost can be reliably estimated. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the asset.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the comprehensive income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Provision for land restoration, representing the cost of restoring land damage after the commencement of commercial production, is estimated at net present value of the expenditures expected to settle the obligation. Change in provision and unwinding of discount on land restoration are recognized in the consolidated statements of comprehensive income. Ongoing rehabilitation costs are expensed when incurred.

3.19 Financial guarantee contracts

Management on annual basis assesses probability of risks that can be arising in relation of financial guarantee contracts through financial analysis of counterparties. If the risk is significant – financial guarantee contracts must be recognized as liabilities in notes to consolidated financial statements in accordance with IAS 37. Otherwise – if risk is insignificant – financial guarantee contracts liabilities must be disclosed as off-balance sheet liabilities.

4 Significant accounting judgments, estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognized in these consolidated financial statements:

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recognized in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the recognized fair value of financial instruments.

(b) Remaining useful life of property, plant and equipment

Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and estimated period when these assets bring economic benefit to the Group.

(c) Impairment of non-current assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the growth rate used for extrapolation purposes (coal price, sales volume) and to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(d) Defined benefits plan obligations

For the purpose of estimation of defined benefit obligation, the projected unit credit method was used, which includes the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high-quality government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases and pension increases are based on expected future inflation rates.

(e) Environmental obligations

The Group's mining and processing activities are susceptible to various environmental laws and regulations changes. The Group estimates environmental obligations based on management's understanding of the current legal requirements, terms of the license agreements and internally generated estimates. Provision is made, based on net present values, for decommissioning and land restoration costs as soon as the obligation arises. Actual costs incurred in future periods could differ materially from the amounts provided. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

(f) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position and results of operations may be negatively affected.

5 Information on operational segments

The group defines the following business segments that include goods and services distinguished by the level of risk and terms of acquisition of income:

- mineral resource and processing industry — includes income from sale of own coal products and income from coal beneficiation;
- trade activity - includes income from sale of merchandises;
- other activity - includes income from rendering of other works and services.

Management controls the results of operating segments separately for the purpose of decision making about allocation of resources and performance measurement. The results of segments are estimated on profit/(loss) before tax.

Information about the segments of business for the **year ended 30 June 2013:**

	Business segments				
	Mineral resource and processing industry	**Trade activity**	**Other activity**	**Assets and liabilities not included in segments**	**Total**
Revenue					
Sales to external customers	110,372	14,950	647	-	**125,969**
	110,372	**14,950**	**647**	**-**	**125,969**
Loss before tax of the segment	**(13,135)**	**437**	**261**	**-**	**(12,437)**
Depreciation and amortization expenses	(11,490)	-	-	-	**(11,490)**
Defined benefits plan obligations expenses	(4,571)	-	-	-	**(4,571)**
Impairment of inventories	(300)	-	-	-	**(300)**
Operational assets	**217,766**	**3,032**	**425**	**23,190**	**244,413**
Operational liabilities	**(129,246)**	**(227)**	**(213)**	**(10,070)**	**(139,756)**
Disclosure of other information					
Capital expenditure	60,504	-	-	-	**60,504**

As at 30 June 2013 assets of segments do not include financial assets (USD 15,462 thousand), cash (USD 3,278 thousand), other taxes receivable (USD 3,318 thousand), as well as deferred tax assets (USD 1,132 thousand), since management of these assets is carried out at the Group's level.
As at 30 June 2013 liabilities of segments do not include deferred tax liabilities (USD 3,036 thousand), other taxes payable (USD 3,510 thousand), income tax payables (USD 1,152 thousand), provision on tax liabilities (USD 2,372 thousand), since management of these liabilities is carried out at the Group's level.

Information about the segments of business for the **year ended 30 June 2012**

	Business segments				
	Mineral resource and processing industry	**Trade activity**	**Other activity**	**Assets and liabilities not included in segments**	**Total**
Revenue					
Sales to external customers	162,253	2,783	418	-	**165,454**
	162,253	**2,783**	**418**	**-**	**165,454**
Profit before tax of the segment	**45,725**	**211**	**83**	**-**	**46,019**
Depreciation and amortization expenses	(8,437)	-	-	-	**(8,437)**
Impairment of inventories	(3)	-	-	-	**(3)**
Defined benefits plan obligations expenses	(217)	-	-	-	**(217)**
Operational assets	**141,549**	**139**	**15**	**37,332**	**179,035**
Operational liabilities	**(45,268)**	**(840)**	**(14)**	**(11,479)**	**(57,601)**
Disclosure of other information					
Capital expenditure	57,445	**-**	-	-	**57,445**

As at 30 June 2012 assets of segments do not include financial assets (USD 27,899 thousand), cash (USD 5,226 thousand), other taxes receivable (USD 1,646 thousand), as well as deferred tax assets (USD 2,561 thousand), since management of these assets is carried out at the Group's level.
As at 30 June 2012 liabilities of segments do not include deferred tax liabilities (USD 2,343 thousand), other taxes payable (USD 4,126 thousand), income tax payables (USD 472 thousand), provision on tax liabilities (USD 4,538 thousand), since management of these liabilities is carried out at the Group's level.

5 Information on operational segments (continued)

	Year ended 30 June 2013	Year ended 30 June 2012
Revenue received from sale of finished goods	110,372	162,253
Revenue from trading activity	14,950	2,783
Revenue from other activity	647	418
	125,969	**165,454**

Geographic information

Revenue from external customers	Year ended 30 June 2013	Year ended 30 June 2012
Ukraine	114,598	110,952
Countries other than Ukraine and CIS	11,105	54,437
Countries of the CIS	266	65
	125,969	**165,454**

Specific of the Group's activity implies that the Clients, revenue from which is more than 10% of Group`s Revenue (three main clients as at 30 June 2012) composed USD 92,437 thousand as at 30 June 2013 and presented in table below:

	Year ended 30 June 2013	Year ended 30 June 2012
Client 1	39,704	4,842
Client 2	30,949	48,390
Client 3	21,784	13,659
Client 4	4,442[1]	24,243
Client 5	-	22,962
	96,879	**114,096**

[1]- share in total Revenue is less than 10%.

This revenue is applicable to mineral resource and processing industry segment. It is impossible to identify customers of Trade activity segment, revenue from which is equal or more than 10% of Group`s Revenue.
All non-current assets of the Group are located in Ukraine.

6 Cost of sales

	Year ended 30 June 2013	Year ended 30 June 2012
Wages and salaries of operating personnel	(36,443)	(35,927)
Raw materials	(27,447)	(28,412)
Cost of merchandising inventory	(14,513)	(2,572)
Energy supply	(12,713)	(13,112)
Depreciation and amortization expenses	(10,757)	(8,127)
Subcontractors services	(5,582)	(8,420)
Other expenses	(2,627)	(2,550)
Change in finished goods	9,428	4,547
	(100,654)	**(94,573)**

7 General and administrative expenses

	Year ended 30 June 2013	Year ended 30 June 2012
Wages and salaries of administrative personnel	(4,855)	(4,055)
Subcontractors services	(1,500)	(1,599)
Bank services	(514)	(475)
Depreciation and amortization expenses	(137)	(136)
Other expenses	(163)	(316)
	(7,169)	**(6,581)**

8 Selling and distribution expenses

	Year ended 30 June 2013	Year ended 30 June 2012
Delivery costs	(6,101)	(9,316)
Wages and salaries of distribution personnel	(590)	(690)
Subcontractors services	(396)	(903)
Depreciation and amortization expenses	(147)	(122)
Other expenses	(83)	(61)
	(7,317)	**(11,092)**

9 Other operating income/expenses

	Year ended 30 June 2013	Year ended 30 June 2012
Other operating income	211	190
Income from Emission Reduction Units sale	228	858
Profit from exchange differences	3	336
Other operating expenses	(14)	(39)
(Expenses)/Reversal of doubtful debts expenses	(115)	27
Writing-off of VAT	(400)	(216)
Expenses due to idle capacity	(1,087)	-
	(1,174)	**1,156**

10 Other non-operating income/expenses

	Year ended 30 June 2013	Year ended 30 June 2012
Cash write-off	(2,344)	-
Expenses attributable to allowance for receivables on sale of property, plant and equipment	(2,197)	-
Writing-off of non-current assets	(599)	(1,120)
Wages and salaries of non-operating personnel	(725)	(272)
Social sphere expenses	(465)	(397)
Other non-operating expenses	(471)	(386)
(Loss)/Income from sale of property, plant and equipment	(221)	1,481
Recognized penalties, fines, charges	(170)	(171)
Depreciation of non-operating property, plant and equipment	(76)	(52)
Other non-operating income	668	1,057
	(6,600)	**140**

On 29 March 2013 the Central Bank of Cyprus has issued Decrees relating to Laiki Bank and Bank of Cyprus implementing measures for these two banks under the Resolution of Credit and Other Institutions Law of 2013. The Company's cash held with banks affected from the above measures were USD 2,582 thousand as at the relevant date for implementation of the decisions.

On 18 May 2013 total amount USD 2,344 thousand was written down from Nertera Investments Limited and Coal Energy Trading Limited accounts in Laiki Bank.

11 Depreciation and amortization expenses

Depreciation	Year ended 30 June 2013	Year ended 30 June 2012
Cost of sales	(9,834)	(7,229)
Depreciation of property, plant and equipment which are temporarily not used	(373)	-
General and administrative expenses	(137)	(136)
Selling and distribution expenses	(147)	(122)
Depreciation of non-operating property, plant and equipment	(76)	(52)
	(10,567)	**(7,539)**
Amortization		
Cost of sales	(923)	(898)
	(923)	**(898)**
	(11,490)	**(8,437)**

12 Financial income

	Year ended 30 June 2013	Year ended 30 June 2012
Interest income	1,312	27
Gain from non-operational exchange differences	1,112	-
Income from measurement of financial assets at amortized cost	727	867
	3,151	**894**

13 Financial costs

	Year ended 30 June 2013	Year ended 30 June 2012
Impairment loss of loans issued (Note 17)	(10,958)	(1,418)
Interest expenses	(7,998)	(1,269)
Finance lease expenses	(1,459)	(1,588)
Expenses from measurement of financial assets at amortized cost	-	(1,206)
Expenses from measurement of financial liabilities at amortized cost	(268)	(1,031)
Unwinding of discount expenses	(752)	(743)
Effect of provision reversal and changes in estimates	2,792	-
Loss from sale of assets held-to-maturity	-	(601)
Loss from non-operational exchange differences	-	(1,523)
	(18,643)	**(9,379)**

14 Income tax expenses

	Year ended 30 June 2013	Year ended 30 June 2012
Current income tax (rate 23%)	-	(2,518)
Current income tax (rate 21%)	(1,371)	(685)
Current income tax (rate 19%)	(995)	-
Deferred tax	(2,096)	(3,682)
Income tax expenses	**(4,462)**	**(6,885)**
At the beginning of the period	**(472)**	**(1,941)**
Current income tax charge (rate 23%)	-	(2,518)
Current income tax charge (rate 21%)	(1,371)	(685)
Current income tax charge (rate 19%)	(995)	-
Amount paid in the period	1,686	4,673
Effect of translation to presentation currency	-	(1)
At the end of the period	**(1,152)**	**(472)**
Effect		
Profit before tax (rate 23%)	-	24,136
Profit before tax (rate 21%)	15,148	21,883
Loss before tax (rate 19%)	(27,585)	-
Income tax (rate 23%)	-	(5,551)
Income tax (rate 21%)	(3,181)	(4,595)
Income tax (rate 19%)	5,241	
Effect of different statutory tax rates of overseas jurisdictions	211	-
Effect of change in income tax rate	129	
Tax effect of permanent differences	(6,862)	3,261
Income tax expenses	**(4,462)**	**(6,885)**

The Ukrainian Parliament adopted a new Tax Code, which became effective on 1 January 2011. According to the new Tax Code, a tax rate of 23% is applied starting from 1 April 2011, 21% – from 1 January 2012, 19% – from 1 January 2013 and 16% – from 1 January 2014. When estimating deferred taxes as at 30 June 2013, the Group accounted for the decrease in the income tax rate and other implications of the new Tax Code.

Due to changes in Ukrainian tax legislation related to income tax computation since 01 January 2013, current income tax in the consolidated financial statements for the year ended 30 June 2013 was recognized in following amounts:

- For the six months ended 31 December 2012 in amount of current income tax according to the income tax declaration for the corresponding period;
- For the six months ended 30 June 2013 in amount of income tax advance payments, occurred in the corresponding period. Income tax advance payments were estimated on the basis of the total amount of current income tax charged for the year ended 31 December 2012. Management of the Group doesn't expect significant increase in current income tax for the year ended 31 December 2013.

14 Income tax income/expenses (continued)

Recognized tax assets and liabilities

	30 June 2012	Recognized in profit (loss)	Effect of deferred tax expense from comprehensive income	Effect of translation to presentation currency	30 June 2013
Effect of temporary differences on deferred tax assets					
Property, plant and equipment, intangible assets	337	(168)	-	-	169
Inventories	562	503	-	-	1,065
Provisions	607	20	-	-	627
Defined benefit plan obligations	2,925	434	(25)	-	3,334
Charged vacation expenses	621	(123)	-	(1)	497
Folded on individual Companies' level	(2,491)				(4,560)
Total deferred tax assets	**2,561**	**666**	**(25)**	**(1)**	**1,132**
Effect of temporary differences on deferred tax liabilities					
Property, plant and equipment, intangible assets	(4,470)	(2,940)	-	(1)	(7,411)
Financial instruments	(364)	178	-	1	(185)
Folded on individual Companies' level	2,491				4,560
Total deferred tax liabilities	**(2,343)**	**(2,762)**	**-**	**-**	**(3,036)**
Net deferred tax asset/(liability)	**218**	**(2,096)**	**(25)**	**(1)**	**(1,904)**

Deferred tax assets and liabilities are measured at the income tax rates, which are expected to be applied in the periods when an asset is realized or liability is calculated in accordance with the tax rates provided by the Tax Code.

	30 June 2011	Recognized in profit (loss)	Effect of deferred tax expense from comprehensive income	Effect of translation to presentation currency	30 June 2012
Effect of temporary differences on deferred tax assets					
Property, plant and equipment, intangible assets	1,379	(1,039)	-	(3)	337
Financial instruments	111	(111)	-	-	-
Inventories	99	464	-	(1)	562
Provisions	595	13	-	(1)	607
Defined benefit plan obligations	2,704	(276)	503	(6)	2,925
Charged vacation expenses	529	93	-	(1)	621
Folded on individual Companies' level	(1,880)				(2,491)
Total deferred tax assets	**3,537**	**(856)**	**503**	**(12)**	**2,561**
Effect of temporary differences on deferred tax liabilities					
Property, plant and equipment, intangible assets	(1,207)	(3,271)	-	8	(4,470)
Financial instruments	(810)	445	-	1	(364)
Folded on individual Companies' level	1,880				2,491
Total deferred tax liabilities	**(137)**	**(2,826)**	**-**	**9**	**(2,343)**
Net deferred tax asset/(liability)	**3,400**	**(3,682)**	**503**	**(3)**	**218**

15 Property, plant and equipment

Cost	Underground mining	Buildings and constructions	Machinery, equipment and vehicles	Other	Construction in progress	Total
as at 30 June 2011	**24,574**	**14,247**	**21,441**	**1,353**	**-**	**61,615**
Additions	37,177	3,238	11,323	823	4,159	**56,720**
Disposals	-	(553)	(2,512)	(314)	**-**	**(3,379)**
Effect of translation to presentation currency	(104)	(40)	(63)	(4)	(5)	**(216)**
as at 30 June 2012	**61,647**	**16,892**	**30,189**	**1,858**	**4,154**	**114,740**
Additions	46,800	5,490	6,519	487	1,081	**60,377**
Transfer	439	2,801	915	-	(4,155)	**-**
Disposals	(153)	(185)	(2,694)	(249)	-	**(3,281)**
Effect of translation to presentation currency	(2)	(3)	(3)	4	1	**(3)**
as at 30 June 2013	**108,731**	**24,995**	**34,926**	**2,100**	**1,081**	**171,833**
Accumulated depreciation						
as at 30 June 2011	**(4,743)**	**(3,985)**	**(8,535)**	**(581)**	**-**	**(17,844)**
Depreciation for the period	(1,430)	(664)	(4,720)	(725)	**-**	**(7,539)**
Disposals	-	103	866	157	**-**	**1,126**
Effect of translation to presentation currency	15	11	26	3	**-**	**55**
as at 30 June 2012	**(6,158)**	**(4,535)**	**(12,363)**	**(1,146)**	**-**	**(24,202)**
Depreciation for the period	(3,304)	(1,099)	(5,525)	(639)	-	**(10,567)**
Disposals	89	82	2,152	211	-	**2,534**
Effect of translation to presentation currency	-	1	(1)	6	-	**6**
as at 30 June 2013	**(9,373)**	**(5,551)**	**(15,737)**	**(1,568)**	**-**	**(32,229)**
Net book value						
as at 30 June 2012	**55,489**	**12,357**	**17,826**	**712**	**4,154**	**90,538**
as at 30 June 2013	**99,358**	**19,444**	**19,189**	**532**	**1,081**	**139,604**

As at 30 June 2013 loans and borrowings of the Group were pledged by the property, plant and equipment with carrying amount of USD 22,593 thousand (30 June 2012 – USD 510 thousand): Note 25 "Loans and borrowings".

During the year ended 30 June 2013 any borrowing costs were capitalized as property, plant and equipment.

During the year ended 30 June 2013 any research and development costs were capitalized as property, plant and equipment. The Group's mining activity in current financial year relates to exploitation of the existing mines and mined beds.

There was no expenditure for a plant included in property, plant and equipment at 30 June 2013 in the course of construction (at 30 June 2012: USD 2,463 thousand).

As at the date of presentation of the financial statements the Group contractual commitments are immaterial.

16 Intangible assets

Cost	Licenses, special permissions and patent rights	Other intangible assets	Other projects and permissions	Total
as at 30 June 2011	**9,671**	**47**	**112**	**9,830**
Additions	690	7	28	**725**
Disposals	-	(1)	(7)	**(8)**
Effect of translation to presentation currency	(29)	-	-	**(29)**
as at 30 June 2012	**10,332**	**53**	**133**	**10,518**
Additions	43	5	79	**127**
Disposals	-	(2)	(29)	**(31)**
Effect of translation to presentation currency	(3)	-	2	**(1)**
as at 30 June 2013	**10,372**	**56**	**185**	**10,613**
Accumulated depreciation				
as at 30 June 2011	**(854)**	**(4)**	**(47)**	**(905)**
Amortization charge for the period	(873)	(7)	(18)	**(898)**
Disposal	-	1	5	**6**
Effect of translation to presentation currency	6	-	-	**6**
as at 30 June 2012	**(1,721)**	**(10)**	**(60)**	**(1,791)**
Amortization charge for the period	(890)	(8)	(25)	**(923)**
Disposals	-	1	14	**15**
Effect of translation to presentation currency	1	-	(1)	**-**
as at 30 June 2013	**(2,610)**	**(17)**	**(72)**	**(2,699)**
Net book value				
as at 30 June 2012	**8,611**	**43**	**73**	**8,727**
as at 30 June 2013	**7,762**	**39**	**113**	**7,914**

As at 30 June 2013 licenses and special permissions include special permissions for subsurface use stated below:
-special permissions for subsurface use # 5098 as of 30 December 2009 issued by Ministry of ecology and natural resources of Ukraine for 20 years. Net book value of this permission equals to USD 823 thousand (Tekhinovatsiya LLC);
-special permissions for subsurface use # 4782 as of 18 November 2008 issued by Ministry of ecology and natural resources of Ukraine for 13 years. Net book value of this permission equals to USD 3,207 thousand (CwAL LE "Sh/U Blagoveshenskoe");
-special permissions for subsurface use # 4820 as of 16 December 2008 issued by Ministry of ecology and natural resources of Ukraine for 12 years. Net book value of this permission equals to USD 3,069 thousand (CwAL LE "Sh/U Blagoveshenskoe").
- special permissions for subsurface use # 5438 as of 27 December 2011 issued by Ministry of ecology and natural resources of Ukraine for 20 years. Net book value of this permission equals to USD 633 thousand (Nedra Donbasa LLC).

As at 30 June 2013 there are no pledged intangible assets.
As at 30 June 2013 there are no contractual commitments as for intangible assets of the Group.

17 Financial assets

	As at 30 June 2013	As at 30 June 2012
Non-current financial assets		
Held-to-maturity investments	4,203	3,603
Loans issued	-	259
	4,203	**3,862**
Current financial assets		
Loans issued	22,432	24,037
Allowance for loans issued	(11,173)	-
	11,259	**24,037**

Held-to maturity investments are non-interest notes, issued generally by third parties. These notes are discounted using effective annual interest rate 18% for the year ended 30 June 2013, 2012 and accompanied expenses (incomes) are presented in items 'Financial costs' and 'Financial income'. Management of the Group has the intention to hold these notes to maturity. Held-to maturity investments are not overdue. Loans issued are non-interest loans, generally issued to related parties.
Given the fact that repayment of the financial assets by the Group`s counterparties was postponed by 31 December 2013 and overall uncertainties in the industry, the Company decided to keep conservative approach regarding the financial assets accounting and introduces 50% special allowance on that account in the reporting period.

18 Inventories

	As at 30 June 2013	As at 30 June 2012
Finished goods	15,278	5,850
Raw materials	1,347	2,018
Spare parts	942	945
Merchandise	30	138
Other inventories	17	40
	17,614	**8,991**

As at 30 June 2013 bank loans were secured by finished goods, carrying amount of which is USD 5,500 thousand (as at 30 June 2012 finished goods were pledged as collateral on amount USD 2,584 thousand).

During the year ended 30 June 2013 USD 300 thousand was recognized as an expenses for inventories carried at net realizable value. This is recognized in cost of sales.

As at 30 June 2013 carrying amount of any inventories carried at fair value less costs to sell composed USD 2,815 thousand.

19 Trade and other receivables

	As at 30 June 2013	As at 30 June 2012
Trade receivables	33,202	30,247
Allowances for trade receivables	(293)	(182)
Receivables on sale of property, plant and equipment	2,206	2,479
Allowances for receivables on sale of property, plant and equipment	(2,197)	-
Interest receivable	186	-
Other receivables	179	148
Allowances for other receivables	(6)	(9)
	33,277	**32,683**

As at 30 June 2013 bank loans were secured by trade receivables, carrying amount of which if USD 839 thousand (as at 30 June 2012 – there are no trade receivables in pledge).

20 Prepayments and prepaid expenses

	As at 30 June 2013	As at 30 June 2012
Advances paid	2,711	676
Deferred expenses	103	88
	2,814	**764**

21 Changes in allowance made

	As at 30 June 2013	As at 30 June 2012
Balance as at the beginning of the period	**(191)**	**(236)**
(Accrual)/Reverse	(13,491)	27
Use of allowances	13	19
Effect of translation to presentation currency	-	(1)
Balance as at the end of the period	**(13,669)**	**(191)**

	As at 30 June 2013	As at 30 June 2012
Allowance for loans issued	(11,173)	-
Allowances for receivables on sale of property, plant and equipment	(2,197)	-
Allowances for trade accounts receivable	(293)	(182)
Allowances for other accounts receivable	(6)	(9)
	(13,669)	**(191)**

22 Other taxes

	As at 30 June 2013	As at 30 June 2012
Current taxes receivable		
VAT recoverable	3,318	1,645
Prepayments for wages and salaries related taxes	-	1
	3,318	**1,646**
Current taxes payable		
VAT payable	(1,470)	(1,860)
Payable for wages and salaries related taxes	(1,462)	(1,587)
Payables for other taxes	(384)	(435)
	(3,316)	**(3,882)**
Non-current taxes payable		
Payables for other taxes	(158)	(191)
Payable for VAT	(36)	(53)
	(194)	**(244)**

As at 30 June 2013 CwAL LE "Mine St.Matrona Moskovskaya" has non-current tax liabilities to Department of the Treasury of Dzerzhinsk city. Total nominal liabilities amounting to USD 397 thousand consist of:
Tax liabilities for dividends: non-current portion presented at amortized cost amounting to USD 23 thousand, date of maturity August 2016.
Tax liabilities for VAT: non-current portion presented at amortized cost amounting to USD 36 thousand, date of maturity November 2016.
Tax liabilities for income tax: non-current portion presented at amortized cost amounting to USD 135 thousand, date of maturity December 2016.
Current portion of non-current tax liabilities amounting to USD 98 thousand includes in current payables for other taxes. Discount rate used by the Group is 18%.

23 Non-current deposit, cash and cash equivalents

	As at 30 June 2013	As at 30 June 2012
Non-current deposit		
Deposit	20,000	-
	20,000	
Cash and cash equivalents		
Cash on deposit	380	-
Cash in bank	2,898	5,226
	3,278	**5,226**

As at 30 June 2013 loans and borrowings of the Group were pledged by cash on deposit with carrying amount of USD 20,000 thousand: Note 25 "Loans and borrowings". The deposit on amount USD 20,000 thousand is placed in Ukrainian Business Bank with interest rate 11%. Deposit currency is USD. Credit rating of Ukrainian Business Bank is BBB+, positive forecast (according to rating decision dated 31 May 2013 of Ukrainian Credit Rating Agency). The term of the deposit is up to 18 September 2017.

24 Share capital

	As at 30 June 2013		As at 30 June 2012	
	%	Amount	%	Amount
Lycaste Holding Limited *	75	338	75	338
Free float	25	112	25	112
	100	**450**	**100**	**450**

* - according to pledge agreement signed as at 11 February 2013 between Lycaste Holding Limited, European Bank For Reconstruction and Development and Coal Energy S.A. 6,747,167 shares owned by Lycaste Holding Limited are pledged.

The following table represents reconciliation of shares outstanding at the beginning and at the end of the year:

	Number of shares outstanding	Share currency	Value of shares outstanding, thousand USD
As at 30 June 2010	**31,000**	**EUR**	**38**
Additional shares issue	200,000	EUR	300
Share currency change and share split	33,527,340	USD	-
As at 30 June 2011	**33,758,340**	**USD**	**338**
Additional share issue	11,252,780	USD	112
As at 30 June 2012	**45,011,120**	**USD**	**450**

Par value per share as at 30 June 2013 was 0,01 USD.
As at 30 June 2012 and as at 30 June 2013 all shares (45,011,120 shares) issued by the Group are fully paid.

During the year ended 30 June 2013 quantity of shares did not change.

25 Loans and borrowings

	As at 30 June 2013	As at 30 June 2012
Non-current loans and borrowings		
Borrowings received	(20,000)	-
Loans received	(39,500)	
Notes issued	-	(34)
	(59,500)	**(34)**
Deducting current portion of long-term borrowings:		
Current portion of long-term borrowings	-	-
Total non-current loans and borrowings	**(59,500)**	**(34)**
Current loans and borrowings		
Bank loans	(30,018)	(5,878)
Total current loans and borrowings	**(30,018)**	**(5,878)**

The amount of non-current loans and borrowings as at 30 June 2013 comprises the followings borrowings:
— loan amounting to USD 4,500 thousand received by Antratcit LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 4,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the property of Donprombiznes LLC, pledging value of which amounts to USD 1,612 thousand. Maturity date is on 15 August 2017.

— loan amounting to USD 20,000 thousand received by CwAL LE "Sh/U Blagoveshenskoe" in USD according to the credit agreement concluded with Loricom Holding Group LTD with credit limit USD 20,000 thousand. Annual interest rate equals to 11,0%. Obligations under this credit agreement are guaranteed by: the corporate rights in share capital of Tekhinovatsiya LLC and property pledged value of which amounts to USD 7,401 thousand; the corporate rights in share capital of Donprombiznes LLC and property pledged value of which amounts to USD 10,389 thousand. Maturity date is on 15 September 2017.

— loan amounting to USD 35,000 thousand received by Coal Energy S.A. in USD according to the credit agreement concluded with European Bank for Reconstruction and Development with credit limit USD 70,000 thousand. Annual interest rate equals to 6m Libor plus 5,85% margin per annum. Obligations under this credit agreement are guaranteed by the property of Antratcit LLC, pledging value of which amounts to USD 3,191 thousand and by 14,99% of total shares in Coal Energy S.A.(6`747`167 shares), also obligations under this credit agreement are guaranteed by 99% of share capital of Antratcit LLC and Progress-Vugillya LLC. Maturity date is on 20 June 2020.

The amount of current loans and borrowings as at 30 June 2013 comprises the followings borrowings:
— loan amounting to USD 5,500 thousand received by Eximenergo LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 5,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the finished goods (coal) in turnover pledged value of which amounts to USD 5,500 thousand. Maturity date is on 06 June 2014.

— loan amounting to USD 765 thousand received by Coal Energy Ukraine LLC in UAH according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 5,880 thousand. Annual interest rate equals to 21,0%. Obligations under this credit agreement are guaranteed by the revenue under the sales contracts amounting to USD 839 thousand. Maturity date is on 31 January 2014.

— loan amounting to USD 20,000 thousand received by CwAL LE "Sh/U Blagoveshenskoe" in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 20,000 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the deposit in Ukrainian Business Bank on amount USD 20,000 thousand. After 30 June 2013 maturity date was changed to 16 September 2014 (Maturity date as at 30 June 2013 – 17 September 2013).

— loan amounting to USD 3,753 thousand received by Donugletekhinvest LLC in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit USD 3,753 thousand. Annual interest rate equals to 22,0%. Obligations under this credit agreement are guaranteed by the property of Ugledobyvayushie Technology LLC pledging value of which amounts to USD 6,140 thousand and by the guarantee of Ugledobyvayushie Technology LLC amounting to USD 3,753 thousand. Maturity date is on 28 May 2014.

The amount of current loans and borrowings as at 30 June 2012 comprises the followings borrowings:
— loan amounting to USD 1,877 thousand received by Donbasuglerazrabotka LLC in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equal USD 1,877 thousand. Under this credit agreement the first tranche was repaid and received new one on the same amount (USD 1,877 thousand). Annual interest rate was changed from 18% to 20,0%. Obligations under this credit agreement are guaranteed by the property of Antratcit LLC, pledging value of which amounts to USD 510 thousand; by the guarantee of individuals Vyshnevetskyy V.V. and Vyshnevetska M.P. amounting to USD 1,877 thousand. Maturity date is on 17 December 2012.

— loan amounting to USD 1,751 thousand was received by Donantracit LLC in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equaling to USD 1,751 thousand. Under this credit agreement the first tranche was repaid and received new one on the same amount (USD 1,751 thousand). Annual interest rate was changed from 18% to 19,5%. Obligations under this credit agreement are guaranteed by the property of Agro-industrial firm "Aval" LLC pledged value of which amounts to USD 1,979 thousand; by the finished goods (coal) pledged value of which amounts to USD 334 thousand, by the guarantee of individuals Vyshnevetskyy V.V. and Vyshnevetska M.P. amounting to USD 1,751 thousand, by the guarantee of CwAL LE "Sh/U Blagoveshenskoe" amounting to USD 1,751 thousand. Maturity date is 25 October 2012.

25 Loans and borrowings (continued)

— loan amounting to USD 2,250 thousand received by Eximenergo LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 5,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the finished goods (coal in turnover) pledged value of which amounts to USD 2,250 thousand. Maturity date is on 07 June 2013.

Essential terms:

	Currency	Nominal interest rate, %	30 June 2013	30 June 2012
Non-current borrowing	USD	11,00	(20,000)	-
Non-current loan	USD	6-month LIBOR + 5.85%	(35,000)	-
Non-current loan	USD	13,00	(4,500)	-
			(59,500)	**-**

Terms of non-current loans and borrowings (undiscounted flows)

	As at 30 June 2013	As at 30 June 2012
within 1 year	-	-
from 1 to 5 years	(45,500)	(56)
more than 5 years	(14,000)	-
	(59,500)	**(56)**

Terms of current loans and borrowings

	As at 30 June 2013	As at 30 June 2012
Within 3 months	(20,000)*	-
From 3 to 12 months	(10,018)	(5,878)
	(30,018)	**(5,878)**

*** -** After 30 June 2013 maturity date of loan obtained from Ukrainian Business Bank on amount USD 20,000 thousand was changed to 16 September 2014 (Maturity date as at 30 June 2013 – 17 September 2013).

26 Finance lease liabilities

	At 30 June 2013		At 30 June 2012	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Due within 1 year	1,408	1,280	1,408	1,280
From 1 to 5 years	5,633	3,341	5,634	3,342
More than 5 years	56,359	3,200	57,770	3,200
	63,400	**7,821**	**64,812**	**7,822**
Future finance charges	(55,579)	-	(56,990)	-
Present value of lease obligation	**7,821**	**7,821**	**7,822**	**7,822**
Current portion of financial lease liabilities		**(1,280)**		**(1,280)**
Non-current financial lease liabilities		**(6,541)**		**(6,542)**

In 2009 CwAL LE Sh/U Chapaeva (current entity name - CwAL LE "Sh/U Blagoveshenskoe") negotiated the contract of lease of state property-integral property complex GC Shakhtoupravlinnia named after V.I. Chapaeva.
In 2010 CwAL LE Novodzerzhynskaya Mine (current entity name - CwAL LE "Mine St.Matrona Moskovskaya") negotiated the contract of lease of state property-integral property complex – integral property complex GC Novodzerzhynskaya Mine.
According to these contracts, the lessee receives state property for the period of 49 years (current entity name CwAL LE "Sh/U Blagoveshenskoe" - until 11 February 2058, CwAL LE "Mine St.Matrona Moskovskaya" - until 27 April 2059) on fee basis. Such property comprises premises, facilities, mine workings, production equipment, transport, assets under construction and special permissions for subsurface use. Also, as term of agreements, the lessee becomes legal success or of rights and liabilities of GC Shakhtoupravlinnia named after V. I. Chapaeva and GC Novodzerzhynskaya Mine. Additionally, the lessee undertakes current and capital maintenance of property, insurance and dismantling of mines in case of mine stock depletion. Under the agreement of lessor, lessee has a right to give property in to sublease and to transfer own rights and liabilities under this agreement to third parties.
There are fixed payments on this contract, but each consequent lease payment is determined by correction of previous month lease payment on current month inflation rate.
Amendments, addendums or cancellation of this contract are possible under agreement of both parties.

26 Finance lease liabilities (continued)

Net book value of leased assets:

	At 30 June 2013	At 30 June 2012
Property, plant and equipment	52,485	29,076
Intangible assets	6,276	7,151
	58,761	**36,227**

27 Defined benefit plan obligation

	At 30 June 2013	At 30 June 2012 (restated)	At 1 July 2011 (restated)
Long-term defined benefits plan obligations	20,835	18,283	16,899
	20,835	**18,283**	**16,899**

Changes in present value of defined benefits plan obligations:

	Year ended 30 June 2013	Year ended 30 June 2012 (restated)	Year ended 1 July 2011 (restated)
Defined benefits plan obligations at the beginning of the period	**18,283**	**16,899**	**11,512**
Current service cost	2,120	2,223	798
Interest expense	2,430	1,708	569
Actuarial loss/gain	(158)	3,142	(307)
Paid benefits	(1,859)	(1,930)	(215)
Past service cost	21	(3,714)	-
Increase due to purchase of subsidiary	-	-	4,661
Effect of translation to presentation currency	(2)	(45)	(119)
Defined benefits plan obligations at the end of the period	**20,835**	**18,283**	**16,899**

	Year ended 30 June 2013	Year ended 30 June 2012 (restated)	Year ended 1 July 2011 (restated)
Amount in consolidated statement of financial position	20,835	18,283	16,899
Amount in statement of comprehensive income	4,571	217	1,367
Amount in statement in changes in equity as comprehensive income	(158)	3,142	(307)

Amount in consolidated statement of comprehensive income:

	Year ended 30 June 2013	Year ended 30 June 2012 (restated)	Year ended 1 July 2011 (restated)
Current services cost	2,120	2,223	798
Interest expense	2,430	1,708	569
Past service cost	21	(3,714)	-
Total	**4,571**	**217**	**1,367**

Key assumptions used in estimation of defined benefit obligations were as follows:

	At 30 June 2013	At 30 June 2012	At 1 July 2011
Discount rate	14%	14%	14%
Future salary increases	5%	6.5%	10%
Employee turnover	13%	14%	10%

Data attributable to sensitivity analysis of defined benefit obligations determination presented as follows:

Factor	Influence of changes in factor on liability value	
	+1%	**-1%**
Discount rate	-6,6482%	7,5635%
Salary increase	2,9724%	-2,6689%
Employee turnover	-0,0024%	0,0022%

27 Defined benefit plan obligation (continued)

Actuarial gains and losses recognized in other comprehensive income arising from:

Factor	Year ended 30 June 2013
Changes in employee turnover and salary growth – loss	(1,098)
Changes in actuarial assumptions - gain	1,256
	158

Distribution of defined benefits plan obligations by maturities is as follows (undiscounted flows):

as at 30 June 2013	within 1 year	from 2 to 5 years	more than 5 years	Total
Defined benefits plan obligations	2,006	9,026	72,639	**83,671**

28 Provisions

Non-current provisions	At 30 June 2013	At 30 June 2012
Provision on tax liabilities	(2,372)	(4,538)
Provision for land restoration	(3,258)	(3,233)
Dismantling provision	(665)	(564)
	(6,295)	**(8,335)**

The Group liabilities, connected with environmental restoration, notably decommission of property, plant and equipment and land restoration under waste dumps. Estimation of liability bases on estimated prices of decommissions of property, plant and equipment and land restoration under waste dumps procedures. Discount rate used by the Group is 18%.
Management recognized provision for the payment of potential tax liabilities. However, if the tax authorities classify such transactions as subject to taxation and apply such classification to the companies of the Group, actual taxes and penalties may differ from the Management assessment.

Expected timing of economic benefits outflows for provision on tax liabilities are in the period from February 2015 to April 2017
Expected timing of economic benefits outflows for provision for land restoration and dismantling are postponed for long period.

Changes in non-current provisions

	Provision for land restoration	Dismantling provision	Provision on tax liabilities	Total provisions
As at 1 July 2012	**(3,233)**	**(564)**	**(4,538)**	**(8,335)**
Unwinding of discount	(25)	(101)	(626)	(752)
Provision reversed for the period	-	-	1,369	1,369
Effect of decrease CPT rate for financial operation	-	-	1,423	1,423
As at 30 June 2013	**(3,258)**	**(665)**	**(2,372)**	**(6,295)**

29 Trade and other payables

Current trade and other payables:

	As at 30 June 2013	As at 30 June 2012
Payables for unused vacations	(2,625)	(2,959)
Payables for wages and salaries	(1,804)	(2,303)
Trade payables	(1,206)	(2,627)
Other payables	(1,019)	(1,400)
Interest due	(613)	(33)
Payables for acquisition property, plant and equipment	(91)	(395)
Advances received	(5)	(104)
	(7,363)	**(9,821)**

Non-current trade and other payables:

	As at 30 June 2013	As at 30 June 2012
Other payables	(226)	(487)
	(226)	**(487)**

As at 30 June 2013 CwAL LE "Mine St.Matrona Moskovskaya" has non-current liabilities to SE "Regionalnye Elektricheskie Seti" amounting to USD 616 thousand (nominal value). Current portion of non-current liability amounting to USD 292 thousand includes in current other payables. Date of maturity is May 2015. Management of the Group states that there were no other non-current payables. Discount rate used by the Group is 18%.

30 Related party transactions

According to existing criteria of determination of related parties, the related parties of the Group are divided into the following categories:
- Entities - related parties under common control with the Companies of the Group;
- Entities - related parties, which have joint key management personnel with the Companies of the Group.

Ultimate controlling party is Mr. Vyshnevetskyy V.

The sales of finished goods, merchandises and rendering of the services to related parties are made at terms equivalent to those that prevail in arm's length transactions on market price basis. Provision of loans and operations with notes are made at terms different from the independent parties transactions.

Transactions between related parties attributable to the second category are occasional and not significant, thus, they are not disclosed in these consolidated financial statements.

Details of transactions between entities - related parties under common control with the Companies of the Group are disclosed below:

Items of consolidated statements of comprehensive income

	Year ended 30 June 2013	**Year ended 30 June 2012**
Income from sales of finished products, goods	1,622	2,332
Income from rendering of services	230	171
Income from operating lease	145	4
Income from sale of property, plant and equipment	78	29
Finance expenses from sales assets held for maturity	-	(433)
Operating lease expenses	(347)	(279)
Expenses attributable to allowance for receivables on sale of property, plant and equipment	(1,503)	-
Purchases of services	(1,581)	(4,441)
Purchases of property, plant and equipment	(5,431)	(8,954)
Impairment loss of loans issued	(10,884)	(1,088)
Purchases of inventories	(13,413)	(15,782)

Items of consolidated statements of financial position

	Year ended 30 June 2013	**Year ended 30 June 2012**
Current loans issued	22,281	23,809
Allowances for loans issued	(11,098)	-
Held-to-maturity investments	3,795	3,257
Trade receivables	2,887	1,101
Allowances for trade receivables	(108)	-
Advances paid	709	57
Prepayments for property, plant and equipment	-	439
Non-current loans issued	-	159
Receivables on sale of property, plant and equipment	1,513	1,483
Allowances for receivables on sale of property, plant and equipment	(1,503)	-
Other payables	(56)	(83)
Payables for acquisition property, plant and equipment	(70)	(376)
Trade payables	(253)	(977)

Remuneration of key management personnel

	Year ended 30 June 2013	**Year ended 30 June 2012**
Wages and salaries	(250)	(244)
Bonuses	-	(8)
Contribution to Pension Fund and other social taxes	(112)	(118)
Dismissal benefits	(0)	(12)
	(362)	**(382)**
The average number of key management personnel, persons	**15**	**20**

For the year ended 30 June 2013 there were no other benefits to key management personnel except above listed.

Remuneration of personnel

	Year ended 30 June 2013	**Year ended 30 June 2012**
Wages and salaries of operating personnel	36,443	35,927
Wages and salaries of administrative personnel	4,855	4,055
Wages and salaries of distribution personnel	590	690
Wages and salaries of non-operating personnel	714	272
Wages and salaries of personnel involved in production of property, plant and equipment	1,381	1,720
Wages and salaries of personnel in the period of idle capacity	223	-
The average number of employees, persons	**6,387**	**7,018**

31 Management of financial risks

Operating environment

The operations and earnings of the Group are affected by political, legislative, fiscal and regulatory developments. It is impossible to predict the nature and frequency of these developments and events associated with these risks as well as their effect on future operations and earnings of the Group.

Ukrainian tax legislation is characterized by frequent changes is subject to controversial interpretations. Tax authorities may be taking a more assertive position in their interpretation of the legislation and tax assessments. Such cases create a taxation risk exposure which considerably exceeds that of the countries with more advanced tax systems. Management believes that its interpretation of the relevant legislation as of 30 June 2013 is appropriate and all of the Croup's tax will be sustainable. Though, amount of VAT recoverable, as well as terms of such refunds substantially depends on the position of tax authorities.

The Group is continuing to be subject to reform initiatives in the Ukraine. The future direction and effects of any reforms are the subject of political considerations, which could have a significant but undeterminable, effect on entities operating in the Group.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group. Risks are managed centrally. This note presents information about Group's exposure of each type of risks, objectives of risk management, policy and procedures of assessment and management, as well as approaches to capital management. Additional qualitative and quantitative information are disclosed through overall consolidated financial statements.

Credit risk

Credit risk is a risk of financial loss to the Group, which results from failure of a buyer or a contractor under the financial instrument to fulfill its contractual obligations. Credit risk arises from cash and cash equivalents, deposits in banks as well as credit exposures to customers, including outstanding receivables.

Financial assets are subject to the credit risk of the Group. Management of the Group assesses the credit risk as for financial assets on the year basis taking into account counterparties financial position, credit reputation, background cooperation and other factors.

As at 30 June 2013 Group has 6 major clients (30 June 2012 - 5 Clients) with the balances over USD 1,000 thousand that equals approximately 87% (30 June 2012- 84%) of the total trade and other receivables.

As at 30 June 2013 Group has 2 major counteragents (30 June 2012 - 2 counteragents) with the balances over USD 1,000 thousand that equals approximately 92% (30 June 2012 - 86%) of the total interest free loans issued.

The necessity of impairment is analyzed at each reporting date on an individual basis for every customer.

The Group recognizes allowance for receivables to secure trade and other receivables and loans issued. The calculation of the allowance's amount is based on individual assessment of the financial position of the particular contractor. Group's Management performs monitoring of payback period. In case of delay in payment, its reasons are clarified, and the decision whether to implement a sanction or provide a short-time delay of payment is made. It should be noted that the average delay period in payment for main debtors is 85 days.

Despite the fact that the current business environment may have influence on the customer`s ability to redeem their debts, management considers that recognized allowance for receivables is sufficient.

The maximum exposure to credit risk at the reporting date is represented by the carrying amount of each class of financial assets. Group estimates the concentration of risk in respect of the trade and other receivables and loan issued as high.

Specific of the Group's activity implies that trade receivables are composed of receivables due from wholesale customers.

Carrying amount of financial assets reflects maximum exposure if the Group`s credit risk. The Group`s exposure to credit risk is presented below:

	At 30 June 2013	**At 30 June 2012**
Trade receivables	32,909	30,065
Other receivables	173	139
Receivables on sale of property, plant and equipment	9	2,479
Held-to-maturity investments	4,203	3,603
Loans issued	11,259	24,296
Cash and cash equivalents	23,278	5,226
	71,831	**65,808**

Distribution of trade receivables, other receivables and receivables on sale of property, plant and equipment by maturities is as follows:

	At 30 June 2013	**At 30 June 2012**
Undue	16,003	26,458
Past due but not impaired	17,088	6,225
	33,091	**32,683**

On the basis of analysis of payments for the current period management of the Group considers that there is no need to form allowance for overdue, but not impaired trade receivables.

31 Management of financial risks (continued)

Distribution of past due trade receivables by maturities is as follows:

as at 30 June 2013	within 30 days	from 30 to 90	from 90 to 180	from 180 to 360	more than 360	Total
Past due but not impaired trade receivables	1,734	3,231	2,746	9,377	-	**17,088**

as at 30 June 2012	within 30 days	from 30 to 90	from 90 to 180	from 180 to 360	more than 360	Total
Past due but not impaired trade receivables	3,887	362	-	-	-	**4,249**
Past due but not impaired receivables on sale of property, plant and equipment	2	929	550	495	-	**1,976**

For general evaluation of potential customers Group judges ratings of companies based on public information (if any) from all available sources of information, as well previous experience of business partnership with counterparty is taken for evaluation purposes.

Apart from general evaluation made by management, there is an approval procedures which each potential customer has to follow.

Customer reliability is evaluated and approved by following departments:

- department, which initiated cooperation with counterparty (usually Sales department or Purchase department);
- Financial department;
- Analytical department;
- Audit department;
- Legal department.

As a result of evaluation procedures, approval sheet is completed with sign-offs and comments if any of all stated above departments.

After Management's approval and clarifications of all responsible departments' comments approval sheet is completed. Consequently of asserted Approval sheet, department which initiated cooperation with the counterparty is entitled to sign an agreement.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Approach of the Group to the liquidity management lies in providing, as much as possible, permanent availability of the liquid funds, sufficient for the repayment of liabilities in time, not allowing losses and not exposing to risk of the Group.

Liquidity risk management implies maintaining the availability of funding through an adequate amount of committed credit facilities. Management analyses regularly terms of settlement of obligations and receipts from financial assets, monitors the expected cash flows from operating activities.

Distribution of financial liabilities by maturities is as follows:

as at 30 June 2013	on demand	within 30 days	from 30 to 90 days	from 90 to 180 days	from 180 to 360 days	from 1 to 5 years	more than 5 years	Total
Trade payables	425	485	179	93	24	-	-	**1,206**
Other payable	135	880	110	107	189	625	-	**2,046**
Non-current loans and borrowings	-	-	-	-	-	45,500	14,000	**59,500**
Current loans and borrowings	-	-	20,000	-	10,018	-	-	**30,018**
Interest payable	-	592	1,097	2,208	3,146	13,139	1,098	**21,280**
Obligation under finance lease	-	117	235	352	704	5,633	56,359	**63,400**
	560	**2,074**	**21,621**	**2,760**	**14,081**	**64,897**	**71,457**	**177,450**

as at 30 June 2012	on demand	within 30 days	from 30 to 90 days	from 90 to 180 days	from 180 to 360 days	from 1 to 5 years	more than 5 years	Total
Trade payables	131	727	265	198	1,306	-	-	**2,627**
Other payable	135	683	273	136	603	722	-	**2,552**
Non-current loans and borrowings	-	-	-	-	-	56	-	**56**
Current loans and borrowings	-	-	-	3,628	2,250	-	-	**5,878**
Interest payable	-	83	167	179	131	-	-	**560**
Obligation under finance lease	-	117	235	352	704	5,634	57,770	**64,812**
	281	**4,798**	**1,828**	**4,788**	**5,867**	**6,415**	**57,770**	**81,747**

31 Management of financial risks (continued)

Market risk

Market risk is a risk that fair value of future cash flows from financial instrument will fluctuate as a result of changes in market prices. There are 3 types of market risk within the Group's activity:
- commodity price risk;
- foreign currency risk;
- interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the Group's functional currency). Such transactions are carried out mainly in USD. The Group's exposure to foreign currency changes for all other currencies is not material.

USD	**At 30 June 2013**	**Increase/decreases in exchange rate**	**Effect on profit before tax**
Cash and cash equivalents	20,987	0,01%	3
		-0,01%	(3)
Trade receivables	76	0,01%	0
		-0,01%	0
Loan and borrowings received	(85,563)	0,01%	(11)
		-0,01%	11
Total effect of change in exchange rate		**Increase**	**(8)**
		Decrease	**8**

According to management assessment, the Group`s exposure to foreign currency risk with any acceptable level, so hedging instruments are not used.

Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible movements in prices for mine and related products, and their impact on the Group's future performance and results of the Group's operations. A decline in the prices could result in a decrease in net income and cash flows. An extended period of low prices could precipitate a decrease in mining activities and ultimately impact the Group's ability to settle own contractual obligations.

Group regularly assesses the potential scenarios of future prices fluctuation in cost of sales components and its influence on operating and investment decisions. The risks of changes in the prices of raw materials and electricity are the most significant risks of the Group, as they are essential cost of sales components.
It should be taken into account that in the current economic situation, Management`s estimates may differ from the actual impact of price's changes on the cost of finished goods and the financial position of the Group.

For the purpose of the commodity price risk assessment Management has used composite index that covers inflation rate, business environment and other factors. Composite index for 2012 financial year was estimated as 5%.

Commodity price risk and its influence on main financial indicators for the period ended 30 June 2012 is presented below:

	Current position	**Change of composite index**	
		+5%	**-5%**
Revenue	125,969	125,969	125,969
Cost of sales	(100,654)	(102,661)	(98,645)
Gross profit	**25,315**	**23,308**	**27,324**
Administrative expenses	(7,169)	(7,169)	(7,169)
Selling expenses	(7,317)	(7,317)	(7,317)
Other operation income	(1,174)	(1,174)	(1,174)
Operating Profit	**9,655**	**7,648**	**11,664**
Other non-operating income/expenses	(6,600)	(6,600)	(6,600)
Financial income	3,151	3,151	3,151
Financial costs	(18,643)	(18,643)	(18,643)
Profit before tax	**(12,437)**	**(14,444)**	**(10,428)**
Income tax	(4,462)	(4,462)	(4,462)
Net profit	**(16,899)**	**(18,906)**	**(14,890)**
EBITDA	**21,069**	**19,062**	**23,078**

31 Management of financial risks (continued)

Interest rate risk
The Group is exposed to the effects of fluctuations in interest rates which may negatively affect the financial results of the Group.
Sensitivity analysis attributable to loan attracted with floating interest rate presented below.

	Amount of financial instrument as at 30 June 2013	Effect on profit before tax	
		+1%	-1%
Interest expenses attributable to loan with floating rate (Libor 6m + 5.85%)	35,000	350	(350)

Financial instruments
Set out below is a comparison by category of carrying amounts and values of financial instruments:

	Carrying amount		Fair values	
	at 30 June 2013	at 30 June 2012	at 30 June 2013	at 30 June 2012
Financial assets				
Non-current financial assets				
Notes receivable	4,203	3,603	4,203	3,603
Loans issued	-	259	-	259
Non-current deposit	20,000	-	20,000	-
Current financial assets				
Loans issued	11,259	24,037	11,259	21,628
Trade and other receivables	33,277	32,683	33,277	32,683
Cash and cash equivalents	3,278	5,226	3,278	5,226
Financial liabilities				
Non-current loans and borrowings				
Borrowings received	59,500	-	59,500	-
Notes issued	-	34	-	34
Non-current trade and other payables	226	487	226	487
Current loans and borrowings				
Bank loans	30,018	5,878	30,018	5,878
Obligation under finance lease	7,821	7,822	7,821	7,822
Trade and other payables	7,363	9,821	7,363	9,821

The following methods and assumption were used to estimate fair values:
Cash and deposits, trade receivables, trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
In comparative period fair value of current loans issued are presented at amortized cost, using 18% as discounting rate.

Receivables are evaluated by the Group based on individual creditworthiness. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at each reporting date, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

The fair value of unquoted instruments, loans from banks, long-term promissory notes issued, obligations under finance leases as well as other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Capital management
Management considers the main elements of capital management are debt and equity. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and adjusts it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may revise its investment program, attract new, repay existing loans and borrowings or adjust the dividend payment to shareholders.

Under the loan agreement, signed with European Bank of Reconstruction and Development, Coal Energy Group is subject to externally imposed capital requirements:

- maintaining a ratio of Financial Debt[1] to equity, of not more than 1,2x. Current Financial Debt to equity ratio composed 0,74.
- maintaining a ratio of Financial Debt[1] to EBITDA of not more than 3,0x. Current Financial Debt to EBITDA ratio is 3,7.
- maintaining a ratio of current assets, to current liabilities, of not less than 1,0x. Current ratio for the year ended 30 June 2013 is 2,1.

[1] – calculating Financial debt cash on deposit amounted USD 20,000 thousand in Ukrainian Business Bank and the loan secured with it are offset in the assets and liabilities while calculating financial debt to equity ratio.

32 Contingent assets and liabilities

As at the date of presentation of the financial statements the Group is not involved in any legal processes that can have material impact on its financial position.

33 Off-balance sheet liabilities

Companies of the Group were engaged in indemnity contracts and guarantee contracts to secure liabilities of third parties.
As at 30 June 2013 contracts of guarantee assuring liabilities LLC "Ugletechnic" amount to USD 10,009 thousands. Maturity date is 15 August 2014.

34 Subsequent events

After the reporting date Donantracit LLC was granted loan in amount USD 1,879 thousand under the agreement signed with OJSC "FUIB". Annual interest rate is 19,75%. Maturity date is 19 December 2013. Loan limit is USD 5,000 thousand. Obligations under this credit agreement are guaranteed by the revenue under the sale contracts amounting to USD 7,507 thousand.

Coal Energy Ukraine LLC was granted loan in amount USD 4,590 under agreement signed with Ukrainian Business Bank. Credit limit is USD 5,880 thousand. Annual interest rate is 21%. Maturity date is 31 January 2014. Obligations under this credit agreement are guaranteed by the revenue under the sale contracts amounting to USD 5,902 thousand.

6th of September 2013 Donantracit LLC signed factoring contract with OJSC "FUIB" with credit limit USD 12,511 thousand. Annual interest rate is 14,5%. Factoring currency is UAH. After the reporting date Company attracted factoring funds in amount USD 10,001 thousand. Maturity date is 1 February 2015. Obligations under this factoring agreement are guaranteed by the revenue under the sale contract amounting to USD 10,001 thousand.

Dontantracit LLC was granted USD 3,433 thousand in accordance with factoring contract signed with OJSC "OTP Bank" in UAH. Credit limit equaling USD 4,904 thousand. Annual interest rate equals to current market rate (16-18%). Maturity date is on 25 December 2013.

Management of the Group states that after the closing date there were no events, for which these consolidated financial statements would require adjustments.