



Unaudited interim consolidated report  
for the nine months FY2013 ended  
31<sup>st</sup> March 2013

# COAL ENERGY S.A., 9M FY2013 REPORT

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**Dear Shareholders,**

We are presenting our 9 months FY 2013 financial performance results.

Over the last quarters macroeconomic factors negatively influenced performance of the coal industry. Aggressive thermal coal output expansion mainly driven by the last years' positive industrial output dynamics, growing heat and power energy consumption as well as increasing coal exports guaranteed excessive coal supply.

Neither domestic nor foreign markets were able to absorb all the coal production in the last quarter. The slowdown in the Ukrainian economy (industrial output down by 5% in the 1Q 2013 y-o-y) together with unusually warm winter temperatures led to reduced power and heat consumption (electricity consumption down by 4.5% in the 1Q 2013 y-o-y).

The world globally was facing similar challenges with coal overproduction and hindered demand – hence diminished Ukrainian export opportunities executed additional pressure on the domestic and export prices.

Coking coal segment remained under the influence of the limited world steel demand in the past quarter and in our opinion has stabilized short-term at the existing price and volume levels.

Facing declining sales the Ukrainian total mining output in the 1Q 2013 decreased by 5.7% y-o-y and 2.9% q-o-q.

Major financial performance highlights of the 3Q FY2013 and the reporting period are as follows:

- **Mining output.** In the 3Q FY2013 thermal coal output reached 245.6 thousand tonnes (36.4% decrease q-o-q), mining of coking coal composed 47.1 thousand tonnes (23.3% decrease q-o-q). *Production is balanced at the level of the Company's estimated sales in order to keep inventory and trade account receivables at a stable level,*
  - ♦ for the 9M FY2013 mining of thermal coal increased by 8.2% y-o-y to 1032.2 thousand tonnes, while mining of coking coal decreased by 22.6% y-o-y to 181.3 thousand tonnes following the demand in the steel industry. *As stated previously our expectations for annual mining output in FY2013 are at 1.5 million tonnes. Production plans for FY2014-FY2016 remain unchanged, at the level of 2.9 million tonnes in FY2014; at 3.4 million tonnes in FY2015 and 3.8 million tonnes in FY2016.*
- **Coal sales.** In the 3Q FY2013 total sales volume reached 184.4 thousand tonnes. Sales of thermal coal reached 142.2 thousand tonnes (66.8% decrease q-o-q), coking coal sales composed 42.2 thousand tonnes (45.1% decrease q-o-q),
  - ♦ for the 9M FY2013 thermal coal sales reached 945.0 thousand tonnes (2.5% decrease y-o-y), coking coal sales comprised 183.8 thousand tonnes (2.0% decrease y-o-y). *We are expecting stronger demand recovery starting FY2014 (3Q 2013 calendar year).*
- **Revenue.** In the 3Q FY2013 revenues were depressed by reduced demand and low coal prices and thus amounted to US\$17.4 million (63.2% decrease q-o-q),
  - ♦ for the 9M FY2013 revenue reached US\$104.1 million (10.5% decrease y-o-y)
- **EBITDA.** The existing revenue in the 3Q FY2013 allowed to almost breakeven at the EBITDA level. EBITDA comprised –US\$0.9 million mainly due to declining coal

## COAL ENERGY S.A., 9M FY2013 REPORT

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prices/volumes and due to conditionally fixed production overheads at the existing production level.

- ♦ EBITDA for the reporting period constituted US\$23.2 million, which represents a 45.3% decline y-o-y.

The Company draw the first tranche of the loan from the European Bank for Reconstruction and Development (hereinafter – “EBRD”) in the amount of US\$35.0 million in February 2013 and utilized it partially for working capital needs. As described further in the report we are planning to start construction of the new beneficiation plant in the 1Q FY2014 with the proceeds of this tranche.

Safe and healthy working conditions of our employees are one of the key areas of continues attention of the Company. Recently the Company has appointed “TUV Nord Ukraine” LLC (part of TÜV Nord Group) for elaboration of additional measures in respect of health and safety standards at the priority mines.

We hold on to our investments in order to reach the announced production program for FY2014-FY2016 but extend it in time as informed in the previous interim financial report. Although current markets are tough we continue cost saving initiatives and investigating various price attractive opportunities in coal reserves and energy assets acquisitions in order to win from cost optimization strategies and from securing sales for the Company.

We see the following factors for the Ukrainian coal market reloading till the end of 2013 calendar year:

- industrial output, demand for electricity, heat and steel are expected to be at least at the level of 2012,
- import quotas introduction starting June 01, 2013 on coking coal in amount of 10.2 million tonnes in 2013 (in 2012 Ukraine imported 13.5 million tonnes of coking coal) are expected to increase demand for domestic coking and dual purpose coals,
- capital repairs start at one of the nuclear blocks of Yuzhno-Ukrainskaya nuclear power plants at the end of 2013 (for appr. 6 months with potential of creating additional demand for coal amounting to 1.7 million tonnes in this period according to our estimates),
- further construction of the coal gasification plants (the first one has been put into operations in April 2013).

Medium- and long- term perspectives of the global and local coal markets are good and our efforts are focused on positioning the Company for sales growth and improved profitability upon revival of the demand, in our opinion, from FY2014.

*Viktor Vyshnevetskyy*

*Chairman of the Board of Directors and Chief Executive Officer*

# COAL ENERGY S.A., 9M FY2013 REPORT

## *Review of financial and operational results for the 9M FY2013*

The Company's performance in the 3Q FY2013 was challenged by both global and local negative market environment which continue to affect the mining sector in FY2013.

### *Revenue*

Total revenue reached US\$104.1 million for 9M FY2013 compared to US\$116.3 million for the 9M FY2012 revealing a 10.5% decline y-o-y due to low revenue figures of the 3Q FY2013: quarterly revenue composed US\$17.4 million, or a 63.2% decline q-o-q. Decreasing sales volumes and coal prices due to the macroeconomic factors described in the Letter to the Shareholders resulted in lower revenue figures.

Revenue from domestic sales composed 90.8% of total revenue versus 64.0% in the 9M FY2012. Revenue from export sales decreased by 77.2% y-o-y and by 30.0% q-o-q reflecting current global markets situation.

Revenue from trading activity composed 13.5% in total revenue for the 9M FY2013 compared to 3.7% in the 9M FY2012.

Thermal coal sales prevail comprising 77.2% of total tonnage sales in the 3Q FY2013 and 83.7% in the 9M FY2013.

The following table summarizes dynamics of coal sales in thousand tonnes:

<i>in thousand tonnes</i>	3Q FY13	3Q FY12	change,%	9M FY13	9M FY12	change,%
Thermal	142	302	(53.0%)	945	969	(2.5%)
Coking	42	57	(26.3%)	184	187	(1.6%)
Total	184	359	(48.7%)	1,129	1,156	(2.3%)

We expect tonnage sales increase in the 4Q FY2013 q-o-q. Increase of sales volumes, revenue and profitability is also expected further starting FY2014.

<i>in thousand tonnes</i>	3Q FY13	2Q FY13	change,%
Thermal	142	428	(66.8%)
Coking	42	77	(45.5%)
Total	184	505	(63.6%)

### *Cost of sales*

During the 9M FY2013 cost of sales increased to US\$77.3 million from US\$67.4 million in the comparable period of the FY2012, demonstrating a 14.7% increase y-o-y caused mainly by the increased trading activity and stable level expenses of conditionally fixed nature to support the mining capacity.

Cash costs of mining per 1 tonne in the 9M FY2013 decreased slightly to US\$49.0 per tonne, or by 3.7%, as compared to the 9M FY2012. The following table shows cost of production by each

## COAL ENERGY S.A., 9M FY2013 REPORT

of the main segments of the Group in the 9M FY2013 compared to the same period of the FY2012:

<i>in thousands of US\$</i>	9M FY13	9M FY12
<b>Cost of sales</b>	<b>77,344</b>	<b>67,408</b>
Less:		
Cost of merchandising inventory	(13,821)	(3,134)
Change in inventories	10,171	8,224
Cost of other services	(310)	(230)
Depreciation and amortization	(8,206)	(6,078)
<b>Total cash cost of production</b>	<b>65,178</b>	<b>66,190</b>
<i>Including:</i>		
<i>Total cash cost of mining</i>	59,490	60,494
<i>Total cash cost of beneficiation</i>	2,443	1,917
<i>Total cash cost of waste dumps processing</i>	3,246	3,779
<i>in US\$ per tonne</i>		
<i>Cash cost of mining per 1 tonne of ROM coal</i>	49.0	50.9
<i>Cash cost of beneficiation per 1 tonne of ROM coal</i>	14.4	8.5
<i>Cash cost of waste processing per 1 tonne of saleable coal from waste dumps</i>	27.8	24.0

### *Gross profit/loss*

Gross profit totaled US\$26.8 million in the 9M FY2013 compared to US\$48.9 million in the 9M FY2012, revealing 45.2% decrease y-o-y. For the nine months of FY2013 the gross profit margin decreased by 16.3 percentage points to 25.7% from 42.0% for the 9M FY2012.

The declining profitability with revenue remaining at the comparable level y-o-y and gross loss for the 3Q FY2013 of US\$0.1 million reflected the unstable market environment: decreasing coal prices, shifts within the coking coal segment (towards dual purpose coal which price is lower than of pure coking coal) and certain cost of sales expenditures (wages and salaries, energy costs, etc.) of conditionally fixed nature which were unchanged for the sake of mining capacity maintenance.

### *Operating expenses*

Selling and distribution expenses decreased to US\$6.1 million during the 9M FY2013 from US\$8.8 million in the 9M FY2012, or by 30.7% y-o-y, due to decreased domestic and export sales of coal and export sales without inclusion of the transportation tariff. Selling and distribution costs comprised 5.9% in relation to revenue in the 9M FY2013 compared to 7.6% in the 9M FY2012.

General and administrative expenses increased up to US\$5.6 million in the 9M FY2013 from US\$4.7 million in the 9M FY2012, or by 19.1% y-o-y, mainly from increase in salaries of the administrative personnel to US\$3.7 million from US\$2.5 million. General and administrative expenses constituted 5.4% of revenue in the 9M FY2013 versus 4.0% in the 9M FY2012.

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## *Operating profit/loss*

Operating profit (EBIT) constituted US\$14.8 million in the 9M FY2013 versus US\$36.1 million in the 9M FY2012, revealing a 59.0% decline. Thus EBIT margin amounted 14.2% in the 9M FY2013 versus 31.0% in the 9M FY2012.

## *Other non-operating income/expenses*

In the 9M FY2013 the Company reported US\$3.2 million of non-operating expenses as compared to a non-operating income in the same period of the FY2012 in amount of US\$0.6 million.

## *Net profit (losses)*

The Company recorded net profit of US\$5.2 million (profit margin of 5.0%) in the reporting period declining from US\$25.2 million (profit margin of 21.7%) for 9M FY2012. Given the above explained reasons net losses for the 3Q FY2013 were in amount of US\$6.7 million.

## *Key margins and ratios*

The following table summarizes the Group's key ratios for the 3Q FY2013, 2Q FY2013, 9M FY2013 and 9M FY2012:

<i>in millions of US\$</i>	3Q FY13	2Q FY13	Relative change q-o-q	9M FY13	9M FY12	Relative change y-o-y
Revenue	17.4	47.3	(63.2%)	104.1	116.3	(10.5%)
Gross loss/profit	(0.1)	11.9	(100.8%)	26.8	48.9	(45.2%)
EBIT	(3.8)	7.6	(150.0%)	14.8	36.1	(59.0%)
EBITDA	(0.9)	10.7	(108.4%)	23.2	42.4	(45.3%)
Net loss/profit	(6.7)	4.4	(252.3%)	5.2	25.2	(79.4%)
<i>as a percentage of revenue</i>			$\Delta$ percentage points			$\Delta$ percentage points
Gross margin %	(0.6%)	25.2%	(25.7)	25.7%	42.0%	(16.3)
EBIT %	(21.8%)	16.1%	(37.9)	14.2%	31.0%	(16.8)
EBITDA %	(5.2%)	22.6%	(27.8)	22.3%	36.5%	(14.2)
Net loss/earnings %	(38.5%)	9.3%	(47.8)	5.0%	21.7%	(16.7)
<b>Ratios:</b>						
EBITDA/Financial costs	(0.3)	13.4		4.2	5.8	
Debt/EBITDA*	2.5	1.0		2.5	0.2	
Net debt/EBITDA*	1.3	0.7		1.3	n/a	

\*- EBITDA for Debt/EBITDA and Net debt/EBITDA ratios calculation is taken for the last 4 consecutive quarters

## *Production results*

Coal Energy total production amounted 1330.0 thousand tonnes of coal in the reporting period, decreased by 1.2% as compared to the 9M FY2012.

*Underground mining.* During 9M FY2013 mining output increased up to 1213.5 thousand tonnes as compared to 1188.5 thousand tonnes during 9M FY2012, or by 2.1% y-o-y.

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Mining of thermal coal increased by 8.2% y-o-y to 1032.2 thousand tonnes while mining output of coking and dual-purpose coal decreased by 22.6% y-o-y to 181.3 thousand tonnes.

As a result of macroeconomic factors influencing demand for coal the Company adjusted its production volumes to the level of the short-term sales opportunities. The minimum expected production level is considered to be at 80.0 thousand tonnes per month. Such level of production should allow not to increase coal on stock and to dispose excess inventory to the previous levels upon the markets recovery. Total thermal and coking coal mining output in the 3Q FY2013 composed 292.7 thousand tonnes, or 34.6% reduction q-o-q.

The table below shows mining volumes by each operating entity:

<i>in thousands of tonnes</i>	Coal type	9M FY13	9M FY12	change, %
Donbasuglerazrabotka LLC	Thermal	32.9	22.6	45.6%
Donprombiznes LLC	Thermal	231.1	192.3	20.2%
Eximenergo LLC	Thermal	266.8	161.5	65.2%
Ugledobycha LLC	Thermal	122.1	153.9	(20.7%)
CwAL LE "Sh/U Blagoveshenskoe"	Thermal	379.3	424.1	(10.6%)
<i>Sub-total thermal</i>		<i>1032.2</i>	<i>954.4</i>	<i>8.2%</i>
Nedra Donbasa LLC	Coking	13.1	27.0	(51.5%)
Tekhinovatsiya LLC	Dual-purpose	28.0	43.4	(35.5%)
CwAL LE "Mine St.Matrona Moskovskaya"	Coking	140.2	163.7	(14.4%)
<i>Sub-total coking and dual-purpose</i>		<i>181.3</i>	<i>234.1</i>	<i>(22.6%)</i>
<b>Total mining</b>		<b>1213.5</b>	<b>1188.5</b>	<b>2.1%</b>
Antracit LLC	Coal concentrate	116.5	157.4	(26.0%)
<b>Total production</b>		<b>1330.0</b>	<b>1345.9</b>	<b>(1.2%)</b>

*Coal waste dumps processing.* In the 9M FY2013 116.5 thousand tonnes of coal concentrate were produced, including 46.0 thousand tonnes that were produced during 2Q and 3Q FY2013 at the new coal waste processing plant Prepodobnih Antoniya and Feodosiya of Kievo-Pechersk (LLC Antracit) and 70.5 thousand tonnes of concentrate that were produced at Postnikovskaya beneficiation plant in the 1Q FY2013 (from 123.2 thousand tonnes of middlings).

Coal concentrate processed in the 3Q FY2013 composed 28.0 thousand tonnes, or 55.6% increase q-o-q.

*Beneficiation.* Beneficiation of own coal mined and bought from the third parties decreased by 25.2% y-o-y to 169.4 thousand tonnes in the 9M FY2013 compared to the 9M FY2012.

### ***Inventories***

Given the reasons of the macroeconomic nature described above the amount of coal inventories went up by 57.4% q-o-q and by 59.8% y-o-y. Based on the decision of the management to decrease the level of production to the level of the anticipated sales and given the expectations for sales volumes increase the level of inventories may decrease respectively.

## COAL ENERGY S.A., 9M FY2013 REPORT

<i>in thousand tonnes</i>	3Q FY13	2Q FY13	q-o-q change, %	3Q FY12	y-o-y change, %
Thermal	347.4	218.2	59.2%	179.8	93.2%
Coking	9.5	8.6	10.5%	35.2	(73.0%)
<b>Total</b>	<b>356.9</b>	<b>226.8</b>	<b>57.4%</b>	<b>215.0</b>	<b>66.0%</b>

### *Key events in the reporting period and outlook for the upcoming quarter*

- In October 2012 the Company sold next portion of Emission Reduction Units under the Kyoto protocol for US\$227 thousand.
- In October 2012 the new coal waste processing plant Prepodobnih Antoniia and Feodosiia of Kievo-Pechersk (renamed Snezhnyanskaya-2 plant, owned by LLC Antratcit) was commissioned.
- In December 2012 works at the 6<sup>th</sup> Eastern longwall of the seam L4 at Prepodobnogo Sergiia Radonezhskogo mine (Donprombiznes LLC) with the coal production capacity of 9.0 thousand tonnes p.m. were completed.
- In December 2012 the Company has timely applied for the thermal coal license extension for 20 years at Donprombiznes LLC (the existing license expires in the 1Q FY2014) as well as for the thermal coal license extension for 20 years at Eximenergo LLC (the existing license expires in the 2Q FY2014) respectively.
- In December 2012 Coal Energy signed the loan agreement with the EBRD. The projects to be financed will be aimed at financing of the development of Coal Energy's waste coal recycling and beneficiation businesses, as well as mechanization, energy efficiency and environmental, health and safety upgrades at its priority mines. The investment program is structured in two parts. The first tranche of the loan will finance exclusively above ground assets and working capital requirements. The above ground assets include development of waste coal recycling business and a new beneficiation plant to process and improve the quality of coal mined and bought-in. The second tranche will finance further development of the waste coal recycling business, the environmental, health and safety upgrades and mechanization of Chapaeva mine (part of CwAL LE "Sh/U Blagoveshenskoe") and energy efficiency program at priority mines. In February 2013 the 1<sup>st</sup> tranche of the European Bank for Reconstruction and Development loan was fully disbursed. Principal repayments start in December 2015.
- In January 2013 lifting machine was launched at the 22nd horizon of the Central panel of Chapaeva mine (part of the CwAL LE "Sh/U Blagoveshenskoe"). The lifting machine will be used for drawing coal from the active longwalls and securing deposits opening of the underlying horizons.
- In February 2013 works at the new longwall of the seam K<sub>8</sub> "Kamenka" of CwAL LE "Mine St. Matrona Moskovskaya" with the coal production capacity of 9.0 thousand tonnes p.m. were completed.



## COAL ENERGY S.A., 9M FY2013 REPORT

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- Design works for the new beneficiation plant adjacent to CwAL LE “Mine St. Matrona Moskovskaya” are completed. Commencing of construction is scheduled for the 1Q FY2014. Construction is expected to be financed from the proceeds of the drawn EBRD tranche.
- The project of the opening of the deposits on the new horizon 645 meters at CwAL LE “Mine St. Matrona Moskovskaya” was approved. The expected capacity of the new horizon is 45.0 thousand tones p.m. of coal grade Zh. The works are planned to start in May 2013.

### ***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. Sales price 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 thermal and coking coal markets are a bit isolated from the world markets, still global financial crises may influence the Ukrainian coal prices. In case of contracting opportunities in export markets excess coal supply may be directed to the domestic market putting pressure on prices and sales volumes of its participants.

While prices are out of 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 of the existing reserves. Many of these changes may be beyond the Group’s control.

*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 generated 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 and/or lag investments in time until the devaluation effects are accounted by the market.

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Devaluation may provide opportunities for the Group on the export markets. Additionally depending on the scale of the devaluation and time period for its absorption by the market prices the Group may have positive effect on the expense side. Major expenditures of the Group, like wages and salaries, raw materials, maintenance costs and CAPEX are expensed in the local currency.



**COAL ENERGY S.A.**

**9m 2013FY**

CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE NINE MONTHS  
ENDED MARCH 31, 2013



**Coal Energy S.A.**

9m 2013FY

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**Statement of Management responsibility**

To the best of our knowledge, consolidated financial statements as of 31 March 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 nine months ended 31 March 2013 as required under article 4(3) of the Law. The interim 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:

Directors B:

\_\_\_\_\_  
Chairman of the Board of Directors  
Viktor Vyshnevetsky

\_\_\_\_\_  
Independent Non-executive Director  
Jacob Mudde

\_\_\_\_\_  
Chief Operating Officer  
Mykhailo Zolotarov

\_\_\_\_\_  
Independent Non-executive Director  
Gwenaëlle Bernadette Andrée Dominique Cousin

\_\_\_\_\_  
Business Development Director  
Oleksandr Rezyk

\_\_\_\_\_  
Independent Non-executive Director  
Arthur David Johnson

Luxembourg, 24 May 2013

**Coal Energy S.A.****Management report for the nine months ended 31 March 2013**

Management of the Company hereby presents its consolidated financial statements for the nine months ended on 31 March 2013.

1. Results and developments during the nine months ended 31 March 2013.

For the nine months ended 31 March 2013 the Group recorded an EBITDA profit of USD 23,203 thousands (USD 42,384 thousands – for the nine months ended 31 March 2012). After depreciation, amortization, finance costs and finance income the final profit for the nine months ended 31 March 2013 after taxation was USD 5,199 thousands (USD 25,160 thousands – for the nine months ended 31 March 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 31 March 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:

Directors B:

\_\_\_\_\_  
Chairman of the Board of Directors  
Viktor Vyshnevetsky

\_\_\_\_\_  
Independent Non-Executive Director  
Jacob Mudde

\_\_\_\_\_  
Chief Operating Officer  
Mykhailo Zolotarov

\_\_\_\_\_  
Independent Non-Executive Director  
Gwenaëlle Bernadette Andrée Dominique Cousin

\_\_\_\_\_  
Business Development Director  
Oleksandr Reznik

\_\_\_\_\_  
Independent Non-Executive Director  
Arthur David Johnson

Luxembourg, 24 May 2013

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 31 MARCH 2013

(in thousands USD, unless otherwise stated)

	Note	9 months ended 31 March 2013 (unaudited)	3 months ended 31 March 2013 (unaudited)	12 months ended 30 June 2012 (audited)	9 months ended 31 March 2012 (unaudited)	3 months ended 31 March 2012 (unaudited)
Revenue	6	104,097	17,371	165,454	116,313	33,901
Cost of Sales	7	(77,344)	(17,484)	(95,408)	(67,408)	(21,775)
<b>GROSS PROFIT/(LOSS)</b>		<b>26,753</b>	<b>(113)</b>	<b>70,046</b>	<b>48,905</b>	<b>12,126</b>
General and administrative expenses	8	(5,637)	(1,974)	(6,581)	(4,662)	(1,466)
Selling and distribution expenses	9	(6,091)	(1,476)	(11,092)	(8,775)	(3,244)
Other operational income/(expenses)	10	(247)	(189)	1,156	660	101
<b>OPERATING PROFIT/(LOSS)</b>		<b>14,778</b>	<b>(3,752)</b>	<b>53,529</b>	<b>36,128</b>	<b>7,517</b>
Other non-operating (expenses)/ income	11	(3,212)	(806)	140	624	(123)
Financial income	13	2,762	886	894	648	334
Financial costs	14	(5,373)	(2,521)	(9,379)	(7,280)	(1,744)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>8,955</b>	<b>(6,193)</b>	<b>45,184</b>	<b>30,120</b>	<b>5,984</b>
Income tax expenses	15	(3,756)	(525)	(6,749)	(4,960)	(1,546)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>5,199</b>	<b>(6,718)</b>	<b>38,435</b>	<b>25,160</b>	<b>4,438</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS):</b>						
Effect of foreign currency translation		(11)	-	(56)	3	32
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>(11)</b>	<b>-</b>	<b>(56)</b>	<b>3</b>	<b>32</b>
<b>TOTAL COMPREHENSIVE INCOME/LOSS:</b>		<b>5,188</b>	<b>(6,718)</b>	<b>38,379</b>	<b>25,163</b>	<b>4,470</b>
<b>PROFIT/LOSS FOR THE PERIOD ATTRIBUTABLE TO:</b>						
Equity holders of the parent		5,126	(6,678)	35,940	22,771	4,418
Non-controlling interests		73	(40)	2,495	2,389	20
		<b>5,199</b>	<b>(6,718)</b>	<b>38,435</b>	<b>25,160</b>	<b>4,438</b>
<b>COMPREHENSIVE INCOME/LOSS ATTRIBUTABLE TO:</b>						
Equity holders of the parent		5,116	(6,678)	35,884	22,774	4,449
Non-controlling interests		72	(40)	2,495	2,389	21
		<b>5,188</b>	<b>(6,718)</b>	<b>38,379</b>	<b>25,163</b>	<b>4,470</b>
Weighted average number of ordinary shares outstanding		45,011,120	45,011,120	44,271,211	44,025,475	45,011,120
<b>BASIC EARNINGS PER ORDINARY SHARE</b>		<b>11.39</b>	<b>(14.84)</b>	<b>81.18</b>	<b>51.72</b>	<b>9.81</b>

(expressed in USD cents)

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

Notes on pages 9 to 32 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013**
*(in thousands USD, unless otherwise stated)*

	Note	As at 31 March 2013 (unaudited)	As at 30 June 2012 (audited)	As at 31 March 2012 (unaudited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	16	129,946	90,538	76,528
Intangible assets	17	8,095	8,727	9,061
Financial assets	18	4,034	3,862	3,774
Deferred tax assets	15	1,677	2,094	2,609
		<b>143,752</b>	<b>105,221</b>	<b>91,972</b>
<b>Current assets</b>				
Inventories	19	19,950	8,991	15,164
Trade and other receivables	20	34,671	32,683	10,703
Prepayments and prepaid expenses	21	2,362	764	1,644
Financial assets	18	22,496	24,037	27,938
Other taxes receivables	23	3,045	1,646	2,871
Cash and cash equivalents	24	48,277	5,226	12,300
		<b>130,801</b>	<b>73,347</b>	<b>70,620</b>
<b>TOTAL ASSETS</b>		<b>274,553</b>	<b>178,568</b>	<b>162,592</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	25	450	450	450
Share premium		77,578	77,578	77,578
Retained earnings		56,707	51,581	37,413
Effect of foreign currency translation		(6,624)	(6,614)	(6,555)
<b>Equity attributable to equity holders of the parent</b>		<b>128,111</b>	<b>122,995</b>	<b>108,886</b>
Non-controlling interest		514	442	1,313
<b>TOTAL EQUITY</b>		<b>128,625</b>	<b>123,437</b>	<b>110,199</b>
<b>Non-current liabilities</b>				
Loans and borrowings	26	59,539	34	33
Finance lease liabilities	27	6,542	6,542	6,547
Defined benefit obligation		15,915	15,903	16,607
Trade and other payables	29	296	487	546
Other tax payable	23	207	244	270
Provisions	28	6,659	8,335	8,098
Deferred tax liabilities	15	3,787	2,255	1,100
		<b>92,945</b>	<b>33,800</b>	<b>33,201</b>
<b>Current liabilities</b>				
Loans and borrowings	26	38,288	5,878	3,631
Finance lease liabilities	27	1,280	1,280	1,281
Trade and other payables	29	9,450	9,819	9,900
Income tax payables	15	785	472	743
Other tax payables	23	3,180	3,882	3,637
		<b>52,983</b>	<b>21,331</b>	<b>19,192</b>
<b>TOTAL LIABILITIES</b>		<b>145,928</b>	<b>55,131</b>	<b>52,393</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>274,553</b>	<b>178,568</b>	<b>162,592</b>

Notes on pages 9 to 32 are an integral part of these consolidated financial statements



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 31 MARCH 2013**
*(in thousands USD, unless otherwise stated)*

	Equity attributable to equity holders of the parent				Total	NCI	Total equity
	Share capital	Share premium	Retained earnings	Effect of foreign currency translation			
<b>As at 30 June 2011</b>	<b>338</b>	<b>-</b>	<b>14,642</b>	<b>(6,558)</b>	<b>8,422</b>	<b>(1,076)</b>	<b>7,346</b>
Profit for the period	-	-	35,940	-	35,940	2,495	38,435
Other comprehensive income	-	-	-	(56)	(56)	-	(56)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>35,940</b>	<b>(56)</b>	<b>35,884</b>	<b>2,495</b>	<b>38,379</b>
Increase in share capital	112	80,541	-	-	80,653	-	80,653
Expenses related to IPO <sup>1</sup>	-	(2,963)	-	-	(2,963)	-	(2,963)
Changes in share in subsidiaries	-	-	999	-	999	(977)	22
<b>As at 30 June 2012</b>	<b>450</b>	<b>77,578</b>	<b>51,581</b>	<b>(6,614)</b>	<b>122,995</b>	<b>442</b>	<b>123,437</b>
Profit for the period	-	-	5,126	-	5,126	73	5,199
Other comprehensive income	-	-	-	(10)	(10)	(1)	(11)
<b>As at 31 March 2013</b>	<b>450</b>	<b>77,578</b>	<b>56,707</b>	<b>(6,624)</b>	<b>128,111</b>	<b>514</b>	<b>128,625</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 31 MARCH 2012**
*(in thousands USD, unless otherwise stated)*

	Equity attributable to equity holders of the parent				Total	NCI	Total equity
	Share capital	Share premium	Retained earnings	Effect of foreign currency translation			
<b>As at 30 June 2010</b>	<b>38</b>	<b>-</b>	<b>22,750</b>	<b>(6,455)</b>	<b>16,333</b>	<b>(145)</b>	<b>16,188</b>
Profit for the period	-	-	35,273	-	35,273	1,575	36,848
Other comprehensive income	-	-	-	(103)	(103)	4	(99)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>35,273</b>	<b>(103)</b>	<b>35,170</b>	<b>1,579</b>	<b>36,749</b>
Addition of subsidiary	300	-	-	-	300	-	300
Disposal of subsidiary	-	-	591	-	591	202	793
Equity distribution	-	-	(43,972)	-	(43,972)	(2,712)	(46,684)
<b>As at 30 June 2011</b>	<b>338</b>	<b>-</b>	<b>14,642</b>	<b>(6,558)</b>	<b>8,422</b>	<b>(1,076)</b>	<b>7,346</b>
Profit for the period	-	-	22,771	-	22,771	2,389	25,160
Other comprehensive income	-	-	-	3	3	-	3
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>22,771</b>	<b>3</b>	<b>22,774</b>	<b>2,389</b>	<b>25,163</b>
Increase in share capital	112	80,541	-	-	80,653	-	80,653
Expenses related to IPO <sup>2</sup>	-	(2,963)	-	-	(2,963)	-	(2,963)
<b>As at 31 March 2012</b>	<b>450</b>	<b>77,578</b>	<b>37,413</b>	<b>(6,555)</b>	<b>108,886</b>	<b>1,313</b>	<b>110,199</b>

<sup>1</sup> – Initial public offering.

Notes on pages 9 to 32 are an integral part of these consolidated financial statements

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE NINE MONTHS ENDED 31 MARCH 2013

(in thousands USD, unless otherwise stated)

	Nine months ended 31 March 2013 (unaudited)	Year ended 30 June 2012 (audited)	Nine months ended 31 March 2012 (unaudited)
<b>OPERATING ACTIVITIES</b>			
Profit before tax	8,955	45,184	30,120
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expenses	8,478	8,437	6,296
Finance income	(2,762)	(894)	(648)
Finance costs	5,373	9,379	6,936
Expenses for doubtful debts / (Recovery of doubtful debts)	(12)	(27)	344
Income from sale of property, plant and equipment	(181)	(1,481)	(943)
Expenses attributable to allowance for receivables on sale of property, plant and equipment	1,622	-	-
Writing-off of non-current assets	623	1,120	98
(Profit)/loss from exchange differences	(1)	(336)	(181)
Income from writing-off of account payables	(9)	-	-
Movements in defined benefits plan obligations	13	(879)	(186)
Shortages and losses from impairment of inventory	-	3	3
Income from current assets received free of charge	(333)	(876)	(26)
	<b>21,766</b>	<b>59,630</b>	<b>41,813</b>
Working capital adjustments:			
Change in trade and other receivables	(2,239)	(27,627)	(6,750)
Change in advances made and deferred expenses	(1,598)	113	(770)
Change in inventories	(10,626)	(3,207)	(10,228)
Change in trade and other payables	397	(2,471)	(2,642)
Change in other tax balances	(2,232)	(2,045)	(3,421)
	<b>5,468</b>	<b>24,393</b>	<b>18,002</b>
Income tax paid	(1,494)	(4,673)	(4,282)
<b>Net cash flow from operating activity</b>	<b>3,974</b>	<b>19,720</b>	<b>13,720</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and intangible assets	(49,633)	(57,624)	(40,997)
Proceeds from sale of property, plant and equipment and intangible assets	379	150	91
Purchase of financial assets	-	(9,706)	(9,564)
Proceeds from sale of financial assets	2,034	7,074	3,499
<b>Net cash flow from investing activity</b>	<b>(47,220)</b>	<b>(60,106)</b>	<b>(46,971)</b>
<b>FINANCIAL ACTIVITIES</b>			
Proceeds from loans and borrowings	103,679	5,512	1,879
Repayment of loans and borrowings	(11,129)	(19,552)	(18,049)
Proceeds from interest free financial liabilities	44	2,412	2,407
Repayment of interest free financial liabilities and notes issued	-	(17,652)	(17,483)
Emission of share capital	-	112	116
Net proceeds from share issue <sup>1</sup>	-	77,578	77,635
Interest received	755	-	-
Interest paid	(7,046)	(3,033)	(1,149)
<b>Net cash flow from financial activity</b>	<b>86,303</b>	<b>45,377</b>	<b>45,356</b>
<b>NET CASH FLOWS</b>	<b>43,057</b>	<b>4,991</b>	<b>12,105</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5,226</b>	<b>1,601</b>	<b>1,601</b>
Effect of translation to presentation currency	(6)	(1,366)	(1,406)
<b>Cash and cash equivalents at the end of the period</b>	<b>48,277</b>	<b>5,226</b>	<b>12,300</b>

<sup>1</sup> – net proceeds from share issue consist of funds generated from IPO less related expenses (investment advisory services).

Notes on pages 9 to 32 are an integral part of these consolidated financial statements

**Notes to consolidated financial statements for the nine months ended 31 March 2013****1 General information**

For the purposes of these 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	
		31 March 2013	31 March 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
Donugletekhninvest 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
Antracit 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	100,00	100,00
Progress-Vugillya LLC	Ukraine	100,00	-

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.

On 19 December 2011 share capital of CwAL LE “Sh/U Blagoveshenskoe” was increased by Nertera Investments Limited up to UAH 6,655,000 by making additional contribution to share capital of CwAL LE “Sh/U Blagoveshenskoe”. After the increase in the share capital Nertera Investments Limited holds 99% of the total votes of CwAL LE “Sh/U Blagoveshenskoe”.

On 21 December 2011 share capital of CwAL LE “Mine St.Matrona Moskovskaya” was increased by Nertera Investments Limited up to UAH 3,535,000 by making additional contribution to share capital of CwAL LE “Mine St.Matrona Moskovskaya”. After the increase in the share capital Nertera Investments Limited holds 99% of the total votes of CwAL LE “Mine St.Matrona Moskovskaya”.

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 Antracit).

These consolidated financial statements were authorized by the Board of Directors as at 24 May 2013.

**2 Basis of preparation of the interim 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 interim 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:

Amendments to IAS 1, Presentation of Financial Statements, which notably introduce a requirement for entities to present other items of comprehensive income (OCI) that will be reclassified to profit or loss in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss. Application of these is mandatory for annual periods beginning on or after July 1, 2012;

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 2013);

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, 2013;

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 2013);

IFRS 13 Fair Value Measurement describes how to measure fair value where fair value required or permitted by IFRS (effective from 1 January 2013);

Amendments to IAS 12 "Income Taxes" – Limited scope amendment (effective from 1 July 2012).

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.

## 3 Summary of significant accounting policies

The accounting policies, significant accounting judgments, estimates and assumptions adopted in the preparation of the interim 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 and Luxembourg 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 interim consolidated financial statements were as follows:

Currency	31 March 2013	Average for nine months ended 31 March 2013	31 March 2012	Average for nine months ended 31 March 2012	30 June 2012
UAH/USD	7.9930	7.9930	7.9867	7.9809	7.9925

### 3 Summary of significant accounting policies (continued)

(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 a Group's entity has delivered products to the purchaser and there is no unfulfilled obligation that could affect the purchaser's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the purchaser, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

(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.

(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.

### 3 Summary of significant accounting policies (continued)

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.

#### 3.6 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 Summary of significant accounting policies (continued)

#### 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 trade receivables, where the carrying amount is reduced through the use of an allowance for impairment. When a trade receivable is considered uncollectible, it is written off against the allowance. On basis of the facts confirming that receivables, 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 nor 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 25.

#### 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 comprehensive income statements in the period in which they occur. The past service costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately.

#### 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 Incorporation of subsidiaries

On 27 September 2011 a new company within Coal Energy Group was incorporated, the Coal Energy Trading Limited. The main purpose of Coal Energy Trading Limited incorporation was to consolidate coal export flows. Nertera Investments Limited is the sole shareholder of the Coal Energy Trading Limited.

On 15 November 2011 a new company within Coal Energy Group was incorporated, the Coal Energy Ukraine LLC. The main purpose of Coal Energy Ukraine LLC is consulting services (accounting and IT) provided mainly to the Group. Nertera Investments Limited is the sole shareholder of the Coal Energy Ukraine LLC.

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).

### 5 Significant accounting judgments, estimates and assumptions

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 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.

**5 Significant accounting judgments, estimates and assumptions (continued)****(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.

**6 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 operating profit (loss).

Information about the segments of business for the **nine months ended 31 March 2013:**

	Business segments				Total
	Mineral resource and processing industry	Trade activity	Other activity	Assets and liabilities not included in segments	
<b>Revenue</b>					
Sales to external customers	89,474	14,075	548	-	104,097
	<b>89,474</b>	<b>14,075</b>	<b>548</b>	-	<b>104,097</b>
<b>Gross profit of the segment</b>	<b>26,261</b>	<b>254</b>	<b>238</b>	-	<b>26,753</b>
Depreciation and amortization expenses	(8,478)	-	-	-	(8,478)
Defined benefits plan obligations expenses	(13)	-	-	-	(13)
<b>Operational assets</b>	<b>192,108</b>	<b>2,478</b>	<b>438</b>	<b>79,529</b>	<b>274,553</b>
<b>Operational liabilities</b>	<b>(35,838)</b>	<b>(1,232)</b>	<b>(296)</b>	<b>(108,562)</b>	<b>(145,928)</b>
<b>Disclosure of other information</b>					
Capital expenditure	48,559	-	-	-	48,559

Information about the segments of business for the **three months ended 31 March 2013:**

	Business segments				Total
	Mineral resource and processing industry	Trade activity	Other activity	Assets and liabilities not included in segments	
<b>Revenue</b>					
Sales to external customers	14,091	3,135	145	-	17,371
	<b>14,091</b>	<b>3,135</b>	<b>145</b>	-	<b>17,371</b>
<b>Gross profit/(loss) of the segment</b>	<b>(8)</b>	<b>(143)</b>	<b>38</b>	-	<b>(113)</b>
Depreciation and amortization expenses	(2,869)	-	-	-	(2,869)
Defined benefits plan obligations expenses	(53)	-	-	-	(53)
<b>Operational assets</b>	<b>192,108</b>	<b>2,478</b>	<b>438</b>	<b>79,529</b>	<b>274,553</b>
<b>Operational liabilities</b>	<b>(35,838)</b>	<b>(1,232)</b>	<b>(296)</b>	<b>(108,562)</b>	<b>(145,928)</b>
<b>Disclosure of other information</b>					
Capital expenditure	13,429	-	-	-	13,429

As at 31 March 2013 assets of segments do not include financial assets (USD 26,530 thousand), cash (USD 48,277 thousand), other taxes receivable (USD 3,045 thousand), as well as deferred tax assets (USD 1,677 thousand), since management of these assets is carried out at the Group's level.

As at 31 March 2013 liabilities of segments do not include deferred tax liabilities (USD 3,787 thousand), non-current loans and borrowings (USD 59,539 thousand), current loans and borrowings (USD 38,288 thousand), other taxes payable (USD 3,387 thousand), income tax payables (USD 785 thousand), provision on tax liabilities (USD 2,776 thousand), since management of these liabilities is carried out at the Group's level.

**6 Information on operational segments (continued)**

 Information about the segments of business for the **nine months ended 31 March 2012**

	Business segments				Total
	Mineral resource and processing industry	Trade activity	Other activity	Assets and liabilities not included in segments	
<b>Revenue</b>					
Sales to external customers	111,210	4,276	827	-	116,313
	<b>111,210</b>	<b>4,276</b>	<b>827</b>	-	<b>116,313</b>
<b>Gross profit of the segment</b>	<b>47,166</b>	<b>1,142</b>	<b>597</b>	-	<b>48,905</b>
Depreciation and amortization expenses	(6,296)	-	-	-	(6,296)
Defined benefits plan obligations income	186	-	-	-	186
<b>Operational assets</b>	<b>105,987</b>	<b>6,974</b>	<b>139</b>	<b>49,492</b>	<b>162,592</b>
<b>Operational liabilities</b>	<b>(37,857)</b>	<b>(809)</b>	-	<b>(13,727)</b>	<b>(52,393)</b>
<b>Disclosure of other information</b>					
Capital expenditure	40,570	-	-	-	40,570

 Information about the segments of business for the **three months ended 31 March 2012**

	Business segments				Total
	Mineral resource and processing industry	Trade activity	Other activity	Assets and liabilities not included in segments	
<b>Revenue</b>					
Sales to external customers	32,110	1,535	256	-	33,901
	<b>32,110</b>	<b>1,535</b>	<b>256</b>	-	<b>33,901</b>
<b>Gross profit of the segment</b>	<b>11,395</b>	<b>541</b>	<b>190</b>	-	<b>12,126</b>
Depreciation and amortization expenses	(1,813)	-	-	-	(1,813)
Defined benefits plan obligations expenses	(38)	-	-	-	(38)
<b>Operational assets</b>	<b>105,987</b>	<b>6,974</b>	<b>139</b>	<b>49,492</b>	<b>162,592</b>
<b>Operational liabilities</b>	<b>(37,857)</b>	<b>(809)</b>	-	<b>(13,727)</b>	<b>(52,393)</b>
<b>Disclosure of other information</b>					
Capital expenditure	14,562	-	-	-	14,562

As at 31 March 2012 assets of segments do not include financial assets (USD 31,712 thousand), cash (USD 12,300 thousand), other taxes receivable (USD 2,871 thousand), as well as deferred tax assets (USD 2,609 thousand), since management of these assets is carried out at the Group's level.

As at 31 March 2012 liabilities of segments do not include deferred tax liabilities (USD 1,100 thousand), non-current loans and borrowings (USD 33 thousand), current loans and borrowings (USD 3,631 thousand), other taxes payable (USD 3,907 thousand), income tax payables (USD 743 thousand), provision on tax liabilities (USD 4,313 thousand), since management of these liabilities is carried out at the Group's level.

	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
Revenue received from sale of finished goods	89,474	14,091	111,210	32,110
Revenue from trading activity	14,075	3,135	4,276	1,535
Revenue from other activity	548	145	827	256
	<b>104,097</b>	<b>17,371</b>	<b>116,313</b>	<b>33,901</b>

Geographic information

Revenue from external customers	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
Ukraine	94,556	14,511	74,419	23,970
Countries of the CIS	48	48	-	-
Countries of distant foreignness	9,493	2,812	41,894	9,931
	<b>104,097</b>	<b>17,371</b>	<b>116,313</b>	<b>33,901</b>

**6 Information on operational segments (continued)**

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 31 March 2013) composed USD 69,721 thousand as at 31 March 2013 and presented in table below:

	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
Client 1	31,629	6,167	-	-
Client 2	25,220	146	35,796	14,163
Client 3	12,872	1,961	-	-
Client 4	4,444	-	16,693	7,445
Client 5	4,015	1,894	-	-
Client 6	3,311	727	-	-
Client 7	-	-	22,973	5,675
Client 8	-	-	11,580	2,085
	<b>81,491</b>	<b>10,895</b>	<b>87,042</b>	<b>29,368</b>

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.

**7 Cost of sales**

	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
Wages and salaries of operating personnel	(27,054)	(7,577)	(28,680)	(9,970)
Raw materials	(21,887)	(6,071)	(18,539)	(7,503)
Cost of merchandising inventory	(13,821)	(3,278)	(3,134)	(994)
Energy supply	(9,811)	(3,210)	(9,775)	(3,960)
Depreciation and amortization expenses	(8,206)	(2,755)	(6,078)	(1,675)
Subcontractors services	(4,726)	(1,566)	(7,596)	(1,614)
Other expenses	(2,010)	(637)	(1,830)	(554)
Change in finished goods	10,171	7,610	8,224	4,495
	<b>(77,344)</b>	<b>(17,484)</b>	<b>(67,408)</b>	<b>(21,775)</b>

**8 General and administrative expenses**

	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
Wages and salaries of administrative personnel	(3,690)	(1,159)	(2,514)	(773)
Subcontractors services	(1,336)	(603)	(1,433)	(421)
Bank services	(375)	(130)	(323)	(118)
Depreciation and amortization expenses	(111)	(36)	(90)	(48)
Other expenses	(125)	(46)	(302)	(106)
	<b>(5,637)</b>	<b>(1,476)</b>	<b>(4,662)</b>	<b>(1,466)</b>

**9 Selling and distribution expenses**

	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
Delivery costs	(5,167)	(1,257)	(7,419)	(2,586)
Wages and salaries of distribution personnel	(439)	(123)	(519)	(180)
Subcontractors services	(311)	(40)	(704)	(395)
Depreciation and amortization expenses	(108)	(36)	(88)	(73)
Other expenses	(66)	(20)	(45)	(10)
	<b>(6,091)</b>	<b>(1,497)</b>	<b>(8,775)</b>	<b>(3,244)</b>

**10 Other operating income/expenses**

	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
Other operating income	228	13	-	-
Income from Emission Reduction Units sale	227	-	858	-
Reversal of doubtful debts expenses	12	212	-	3
Profit from exchange differences	1	-	181	132
Other operating expenses	(16)	(5)	-	-
Writing-off of VAT	(281)	4	(379)	(34)
Expenses due to idle capacity	(418)	(413)	-	-
	<b>(247)</b>	<b>(189)</b>	<b>660</b>	<b>101</b>

**11 Other non-operating income/expenses**

	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
Other non-operating income	365	69	463	166
Income from sale of property, plant and equipment	181	38	943	(117)
Depreciation of non-operating property, plant and equipment	(53)	(42)	(40)	(17)
(Expenses)/income from recognized penalties, fines, charges	(91)	(17)	(120)	(41)
Other non-operating expenses	(317)	(83)	(131)	(13)
Social sphere expenses	(364)	(88)	(242)	(91)
Writing-off of non-current assets	(623)	(74)	(98)	46
Wages and salaries of non-operating personnel	(688)	(209)	(151)	(56)
Expenses attributable to allowance for receivables on sale of property, plant and equipment	(1,622)	(400)	-	-
	<b>(3,212)</b>	<b>(806)</b>	<b>624</b>	<b>(123)</b>

**12 Depreciation and amortization expenses**

	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
<b>Depreciation</b>				
Cost of sales	(7,515)	(2,601)	(5,467)	(1,528)
General and administrative expenses	(111)	(36)	(90)	(48)
Selling and distribution expenses	(108)	(36)	(88)	(73)
Depreciation of non-operating property, plant and equipment	(53)	(42)	(40)	(17)
	<b>(7,787)</b>	<b>(2,715)</b>	<b>(5,685)</b>	<b>(1,666)</b>
<b>Amortization</b>				
Cost of sales	(691)	(154)	(611)	(147)
	<b>(691)</b>	<b>(154)</b>	<b>(611)</b>	<b>(147)</b>
	<b>(8,478)</b>	<b>(2,869)</b>	<b>(6,296)</b>	<b>(1,813)</b>

**13 Finance income**

	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
Income from measurement of financial assets at amortized cost	1,322	149	622	309
Gain from non-operational exchange differences	685	268	-	-
Interest income	754	469	-	-
Income from initial recognition of financial liabilities at amortized cost	1	-	26	25
	<b>2,762</b>	<b>886</b>	<b>648</b>	<b>334</b>

**14 Finance costs**

	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
Interest expenses	(5,138)	(3,341)	(1,083)	(228)
Finance lease expenses	(1,050)	(291)	(1,148)	(379)
Unwinding of discount reversal /(expenses)	1,676	1,616	(393)	(279)
Loss from sale of assets held-to-maturity	-	-	(600)	(6)
Loss from non-operational exchange differences	-	-	(1,746)	79
Expenses from measurement of financial assets at amortized cost/Reversal of expenses	(765)	(26)	(994)	(402)
Expenses from measurement of financial liabilities at amortized cost	(206)	(48)	(972)	(185)
Impairment recovery/(impairment loss) of loans issued	110	(431)	(344)	(344)
	<b>(5,373)</b>	<b>(2,521)</b>	<b>(7,280)</b>	<b>(1,744)</b>

**15 Income tax expenses**

	Nine months ended 31 March 2013	Three months ended 31 March 2013	Nine months ended 31 March 2012	Three months ended 31 March 2012
Current income tax (rate 23%)	-	-	(2,524)	6
Current income tax (rate 21%)	(1,438)	(810)	(561)	(561)
Current income tax (rate 19%)	(369)	(369)	-	-
Deferred tax	(1,949)	654	(1,875)	(991)
<b>Income tax expenses</b>	<b>(3,756)</b>	<b>(525)</b>	<b>(4,960)</b>	<b>(1,546)</b>

**At the beginning of the period**

	<b>(472)</b>	<b>(177)</b>	<b>(1,941)</b>	<b>(1,196)</b>
Current income tax charge (rate 23%)	-	-	(2,524)	6
Current income tax charge (rate 21%)	(1,438)	(810)	(561)	(561)
Current income tax charge (rate 19%)	(369)	(369)	-	-
Amount paid in the period	1,494	574	4,282	1,010
Effect of translation to presentation currency	-	(3)	1	(2)
<b>At the end of the period</b>	<b>(785)</b>	<b>(785)</b>	<b>(743)</b>	<b>(743)</b>

**Effect**

Profit before tax (rate 23%)	-	-	24,136	-
Profit before tax (rate 21%)	15,148	-	5,984	5,984
Loss before tax (rate 19%)	(6,193)	(6,193)	-	-
Income tax (rate 23%)	-	-	(5,551)	-
Income tax (rate 21%)	(3,181)	-	(1,257)	(1,257)
Income tax (rate 19%)	1,177	1,177	-	-
Effect of previously unrecognized temporary differences	-	-	-	-
Effect from decrease of income tax rate	-	-	(419)	(419)
Effect of different statutory tax rates of overseas jurisdictions	522	(557)	-	-
Tax effect of permanent differences	(2,274)	(1,145)	2,267	130
<b>Income tax expenses</b>	<b>(3,756)</b>	<b>(525)</b>	<b>(4,960)</b>	<b>(1,546)</b>

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 31 March 2013, the Group accounted for the decrease in the income tax rate and other implications of the new Tax Code.



**15 Income tax income/expenses (continued)**
**Recognized tax assets and liabilities**

	30 June 2012	Recognized in profit (loss)	Effect of translation to presentation currency	31 March 2013
<b>Effect of temporary differences on deferred tax assets</b>				
Property, plant and equipment, intangible assets	337	(64)	1	274
Inventories	562	703	1	1,266
Provisions	607	14	-	621
Defined benefit plan obligations	2,546	2	(2)	2,546
Charged vacation expenses	621	(48)	1	574
Folded on individual Companies' level	(2,579)	-	-	(3,604)
<b>Total deferred tax assets</b>	<b>2,094</b>	<b>607</b>	<b>1</b>	<b>1,677</b>
<b>Effect of temporary differences on deferred tax liabilities</b>				
Property, plant and equipment, intangible assets	(4,470)	(2,690)	(1)	(7,161)
Financial instruments	(364)	134	-	(230)
Folded on individual Companies' level	2,579	-	-	3,604
<b>Total deferred tax liabilities</b>	<b>(2,255)</b>	<b>(2,556)</b>	<b>(1)</b>	<b>(3,787)</b>
<b>Net deferred tax asset/(liability)</b>	<b>(161)</b>	<b>(1,949)</b>	<b>-</b>	<b>(2,110)</b>

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 translation to presentation currency	31 March 2012
<b>Effect of temporary differences on deferred tax assets</b>				
Property, plant and equipment, intangible assets	1,379	(283)	(2)	1,094
Inventories	99	(99)	-	-
Financial instruments	111	(111)	-	-
Provisions	595	11	-	606
Defined benefit plan obligations	2,692	(30)	(6)	2,656
Charged vacation expenses	529	116	-	645
Folded on individual Companies' level	(1,880)	-	-	(2,392)
<b>Total deferred tax assets</b>	<b>3,525</b>	<b>(396)</b>	<b>(8)</b>	<b>2,609</b>
<b>Effect of temporary differences on deferred tax liabilities</b>				
Property, plant and equipment, intangible assets	(1,207)	(1,692)	4	(2,895)
Financial instruments	(810)	213	-	(597)
Folded on individual Companies' level	1,880	-	-	2,392
<b>Total deferred tax liabilities</b>	<b>(137)</b>	<b>(1,479)</b>	<b>4</b>	<b>(1,100)</b>
<b>Net deferred tax asset</b>	<b>3,388</b>	<b>(1,875)</b>	<b>(4)</b>	<b>1,509</b>

**16 Property, plant and equipment**

	Underground mining	Buildings and constructions	Machinery, equipment and vehicles	Other	Construction in progress	Total
<b>Cost</b>						
<b>as at 30 June 2011</b>	<b>24,574</b>	<b>14,247</b>	<b>21,441</b>	<b>1,353</b>	-	<b>61,615</b>
Additions	23,770	3,524	11,975	530	-	39,799
Disposals	-	(37)	(1,669)	(276)	-	(1,982)
Effect of translation to presentation currency	(57)	(29)	(46)	(15)	-	(147)
<b>as at 31 March 2012</b>	<b>48,287</b>	<b>17,705</b>	<b>31,701</b>	<b>1,592</b>	-	<b>99,285</b>
<b>as at 30 June 2012</b>	<b>61,647</b>	<b>16,892</b>	<b>30,189</b>	<b>1,858</b>	<b>4,154</b>	<b>114,740</b>
Additions	34,965	7,216	5,840	463	-	48,484
Transfer	341	2,801	871	-	(4,013)	-
Disposals	(43)	(131)	(1,971)	(203)	-	(2,348)
Effect of translation to presentation currency	82	(15)	(76)	(8)	1	(16)
<b>as at 31 March 2013</b>	<b>96,992</b>	<b>26,763</b>	<b>34,853</b>	<b>2,110</b>	<b>142</b>	<b>160,860</b>
<b>Accumulated depreciation</b>						
<b>as at 30 June 2011</b>	<b>(4,743)</b>	<b>(3,985)</b>	<b>(8,535)</b>	<b>(581)</b>	-	<b>(17,844)</b>
Depreciation for the period	(1,198)	(624)	(3,389)	(474)	-	(5,685)
Disposals	-	27	573	137	-	737
Effect of translation to presentation currency	9	8	17	1	-	35
<b>as at 31 March 2012</b>	<b>(5,932)</b>	<b>(4,574)</b>	<b>(11,334)</b>	<b>(917)</b>	-	<b>(22,757)</b>
<b>as at 30 June 2012</b>	<b>(6,158)</b>	<b>(4,535)</b>	<b>(12,363)</b>	<b>(1,146)</b>	-	<b>(24,202)</b>
Depreciation for the period	(2,310)	(846)	(4,076)	(555)	-	(7,787)
Disposals	1	30	863	173	-	1,067
Effect of translation to presentation currency	-	1	-	7	-	8
<b>as at 31 March 2013</b>	<b>(8,467)</b>	<b>(5,350)</b>	<b>(15,576)</b>	<b>(1,521)</b>	-	<b>(30,914)</b>
<b>Net book value</b>						
<b>as at 31 March 2012</b>	<b>42,355</b>	<b>13,131</b>	<b>20,367</b>	<b>675</b>	-	<b>76,528</b>
<b>as at 31 March 2013</b>	<b>88,525</b>	<b>21,413</b>	<b>19,277</b>	<b>589</b>	<b>142</b>	<b>129,946</b>

As at 31 March 2013 loans and borrowings of the Group were pledged by the property, plant and equipment with carrying amount of USD 22,285 thousand (31 March 2012 – USD 776 thousand): Note 26 "Loans and borrowings".

During the nine months ended 31 March 2013 any borrowing costs were capitalized as property, plant and equipment.

During the nine months ended 31 March 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.

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

**17 Intangible assets**

	Licenses, special permissions and patent rights	Other intangible assets	Other projects and permissions	Total
<b>Cost</b>				
<b>as at 30 June 2011</b>	<b>9,671</b>	<b>47</b>	<b>112</b>	<b>9,830</b>
Additions	693	15	63	771
Disposals	-	-	(6)	(6)
Effect of translation to presentation currency	(31)	-	(1)	(32)
<b>as at 31 March 2012</b>	<b>10,333</b>	<b>62</b>	<b>168</b>	<b>10,563</b>
<b>as at 30 June 2012</b>	<b>10,332</b>	<b>53</b>	<b>133</b>	<b>10,518</b>
Additions	28	10	37	75
Disposals	-	(2)	(29)	(31)
Effect of translation to presentation currency	(1)	-	-	(1)
<b>as at 31 March 2013</b>	<b>10,359</b>	<b>61</b>	<b>141</b>	<b>10,561</b>
<b>Accumulated depreciation</b>				
<b>as at 30 June 2011</b>	<b>(854)</b>	<b>(4)</b>	<b>(47)</b>	<b>(905)</b>
Amortization charge for the period	(600)	(3)	(8)	(611)
Disposal	-	-	5	5
Effect of translation to presentation currency	9	-	-	9
<b>as at 31 March 2012</b>	<b>(1,445)</b>	<b>(7)</b>	<b>(50)</b>	<b>(1,502)</b>
<b>as at 30 June 2012</b>	<b>(1,721)</b>	<b>(10)</b>	<b>(60)</b>	<b>(1,791)</b>
Amortization charge for the period	(668)	(7)	(16)	(691)
Disposals	-	1	14	15
Effect of translation to presentation currency	-	1	-	1
<b>as at 31 March 2013</b>	<b>(2,389)</b>	<b>(15)</b>	<b>(62)</b>	<b>(2,466)</b>
<b>Net book value</b>				
<b>as at 31 March 2012</b>	<b>8,888</b>	<b>55</b>	<b>118</b>	<b>9,061</b>
<b>as at 31 March 2013</b>	<b>7,970</b>	<b>46</b>	<b>79</b>	<b>8,095</b>

As at 31 March 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 818 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 3,301 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 3,175 thousand (CwAL LE "Sh/U Blagoveshenskoe").
- special permissions for subsurface use # 9754 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 642 thousand (Nedra Donbasa LLC).

As at 31 March 2013 there are no pledged intangible assets.

As at 31 March 2013 there are no contractual commitments as for intangible assets of the Group.

**18 Financial assets**

	As at 31 March 2013	As at 30 June 2012	As at 31 March 2012
<b>Non-current financial assets</b>			
Held-to-maturity investments	4,034	3,603	3,401
Loans issued	-	259	373
	<b>4,034</b>	<b>3,862</b>	<b>3,774</b>
<b>Current financial assets</b>			
Loans issued	22,496	24,037	27,938
	<b>22,496</b>	<b>24,037</b>	<b>27,938</b>

**18 Financial assets (continued)**

Held-to maturity investments are non-interest notes, issued generally by third parties. These notes are discounted using effective annual interest rate 16-18% for the nine months ended 31 March 2013, 2012 and accompanied expenses (incomes) are presented in items 'Finance costs' and 'Finance 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.

**19 Inventories**

	As at 31 March 2013	As at 30 June 2012	As at 31 March 2012
Finished goods	16,021	5,850	9,535
Raw materials	2,022	2,018	3,853
Spare parts	1,717	945	934
Merchandise	151	138	774
Other inventories	39	40	68
	<b>19,950</b>	<b>8,991</b>	<b>15,164</b>

As at 31 March 2013 bank loans were secured by finished goods, carrying amount of which is USD 5,769 thousand (as at 31 March 2012 finished goods were pledged as collateral on amount USD 174 thousand).

**20 Trade and other receivables**

	As at 31 March 2013	At 30 June 2012	As at 31 March 2012
Trade receivables	31,436	30,247	8,788
Receivables under factoring contracts	2,526	-	-
Allowances for trade receivables	(172)	(182)	(206)
Receivables on sale of property, plant and equipment	2,164	2,479	1,996
Allowances for receivables on sale of property, plant and equipment	(1,622)	-	-
Interest receivable	186	-	-
Other receivables	160	148	151
Allowances for other receivables	(7)	(9)	(26)
	<b>34,671</b>	<b>32,683</b>	<b>10,703</b>

As at 31 March 2013 bank loans were secured by trade receivables, carrying amount of which if USD 15,154 thousand (as at 31 March 2012 - trade receivables amounting to USD 1,519 thousands are pledged as collateral).

**21 Prepayments and prepaid expenses**

	As at 31 March 2013	At 30 June 2012	As at 31 March 2012
Advances paid	2,261	676	1,531
Deferred expenses	101	88	113
	<b>2,362</b>	<b>764</b>	<b>1,644</b>

**22 Changes in allowance made**

	As at 31 March 2013	At 30 June 2012	As at 31 March 2012
<b>Balance as at the beginning of the period</b>	<b>(191)</b>	<b>(236)</b>	<b>(236)</b>
Reverse/(Accrual)	(1,622)	27	(35)
Use of allowances	12	19	40
Effect of translation to presentation currency	-	(1)	(1)
<b>Balance as at the end of the period</b>	<b>(1,801)</b>	<b>(191)</b>	<b>(232)</b>
	<b>As at 31 March 2013</b>	<b>At 30 June 2012</b>	<b>As at 31 March 2012</b>
Allowances for trade accounts receivable	(172)	(182)	(206)
Allowances for other accounts receivable	(7)	(9)	(26)
Allowances for receivables on sale of property, plant and equipment	(1,622)	-	-
	<b>(1,801)</b>	<b>(191)</b>	<b>(232)</b>

**23 Other taxes**

	As at 31 March 2013	At 30 June 2012	As at 31 March 2012
<b>Current taxes receivable</b>			
VAT recoverable	3,044	1,645	2,869
Prepayments for wages and salaries related taxes	1	1	2
	<b>3,045</b>	<b>1,646</b>	<b>2,871</b>
<b>Current taxes payable</b>			
VAT payable	(1,381)	(1,860)	(1,456)
Payable for wages and salaries related taxes	(1,349)	(1,587)	(1,746)
Payables for other taxes	(450)	(435)	(435)
	<b>(3,180)</b>	<b>(3,882)</b>	<b>(3,637)</b>
<b>Non-current taxes payable</b>			
Payables for other taxes	(166)	(191)	(270)
Payable for VAT	(41)	(53)	-
	<b>(207)</b>	<b>(244)</b>	<b>(270)</b>

As at 31 March 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 434 thousands consist of:

Tax liabilities for dividends: non-current portion presented at amortized cost amounting to USD 24 thousands, date of maturity August 2016.

Tax liabilities for VAT: non-current portion presented at amortized cost amounting to USD 41 thousands, date of maturity November 2016.

Tax liabilities for income tax: non-current portion presented at amortized cost amounting to USD 142 thousands, date of maturity December 2016.

Current portion of non-current tax liabilities amounting to USD 109 thousands includes in current payables for other taxes. Discount rate used by the Group is 18%.

**24 Cash and cash equivalents**

	As at 31 March 2013	At 30 June 2012	As at 31 March 2012
Cash in bank	25,695	5,226	12,300
Cash on deposit	20,000	-	-
Restricted cash	2,582	-	-
	<b>48,277</b>	<b>5,226</b>	<b>12,300</b>

As at 31 March 2013 loans and borrowings of the Group were pledged by cash on deposit with carrying amount of USD 20,000 thousand: Note 26 "Loans and borrowings".

As at 31 March 2013 Nertera Investments Limited and Coal Energy Trading Limited had restricted cash on total amount USD 2,582 thousand in Laiki Bank (Republic of Cyprus).

**25 Share capital**

	As at 31 March 2013		As at 30 June 2012		As at 31 March 2012	
	%	Amount	%	Amount	%	Amount
Lycaste Holding Limited *	75	338	75	338	75	338
Free float	25	112	25	112	25	112
	<b>100</b>	<b>450</b>	<b>100</b>	<b>450</b>	<b>100</b>	<b>450</b>

\* - 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.

**26 Loans and borrowings**

	As at 31 March 2013	At 30 June 2012	As at 31 March 2012
<b>Non-current loans and borrowings</b>			
Borrowings received	(59,500)	-	-
Notes issued	(39)	(34)	(33)
	<b>(59,539)</b>	<b>(34)</b>	<b>(33)</b>
Deducting current portion of long-term borrowings:			
Current portion of long-term borrowings	-	-	-
<b>Total non-current loans and borrowings</b>	<b>(59,539)</b>	<b>(34)</b>	<b>(33)</b>
<b>Current loans and borrowings</b>			
Bank loans	(35,718)	(5,878)	(3,631)
Interest free financial liabilities	(44)	-	-
Payables under factoring contract	(2,526)	-	-
<b>Total current loans and borrowings</b>	<b>(38,288)</b>	<b>(5,878)</b>	<b>(3,631)</b>

**26 Loans and borrowings (continued)**

Non-current notes issued are presented by the interest free notes, issued to third parties. These notes are reflected at amortized cost with using effective interest rate 18% for the nine months ended 31 March 2013. The management of the Group is going to hold notes until the maturity date.

**The amount of non-current loans and borrowings as at 31 March 2013 comprises the followings borrowings:**

— loan amounting to USD 4,500 thousand received by Antracit 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 1,761 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 7,547 thousand; the corporate rights in share capital of Donprombiznes LLC and property pledged value of which amounts to USD 8,903 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 Antracit LLC, pledging value of which amounts to USD 3,286 thousand and by 14,99% of total shares in Coal Energy S.A. (6'747'167 shares). Maturity date is on 20 June 2020.

**The amount of current loans and borrowings as at 31 March 2013 comprises the followings borrowings:**

— loan amounting to USD 1,877 thousand received by Donbasuglerazrobotka LLC in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equal USD 1,877 thousand. Annual interest rate 25,0%. Obligations under this credit agreement are guaranteed by the property of Antracit LLC, pledging value of which amounts to USD 788 thousand; by the guarantee of individuals Vyshnevetsky V.V. and Vyshnevetska M.P. amounting to USD 1,877 thousand. Maturity date is on 12 April 2013. After 31 March 2013 till the date of publication of financial report loan agreement was prolonged until 24 March 2014.

— loan amounting to USD 1,752 thousand was received by Donantracit LLC in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equaling to USD 1,752 thousand. Annual interest rate 25,0%. Obligations under this credit agreement are guaranteed by the property of Agro-industrial firm "Aval" LLC pledged value of which amounts to USD 1,843 thousand; by the finished goods (coal) pledged value of which amounts to USD 269 thousand, by the guarantee of individuals Vyshnevetsky V.V. and Vyshnevetska M.P. amounting to USD 1,752 thousand, by the guarantee of CwAL LE "Sh/U Blagoveshenskoe" amounting to USD 1,752 thousand. Maturity date is 17 April 2013. After 31 March 2013 till the date of publication of financial report loan agreement was prolonged until 28 April 2014.

— 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 07 June 2013.

— loan amounting to USD 5,121 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 contracts amounting to USD 5,121 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 pledge of the deposit in Ukrainian Business Bank on amount USD 20,000 thousand. Maturity date is on 17 September 2013.

— loan amounting to USD 1,468 thousand received by Donantracit LLC in UAH according to the credit agreement concluded with OJSC "FUIB" with credit limit equaling to USD 5,000 thousand. Annual interest rate equals to 23,75%. Obligations under this credit agreement are guaranteed by: the revenue under the contracts amounting to USD 7,507 thousand, by the guarantee of CwAL LE "Mine St. Matrona Moskovskaya" and Donprombiznes LLC amounting to USD 5,000 thousand. Maturity date is on 19 December 2013.

— factoring amounting to USD 2,526 thousand received by Donantracit LLC in UAH according to factoring contract concluded with OJSC "OTP Bank" with credit limit equaling to USD 4,904 thousand. Annual interest rate equals to current market rate (23,0%). Obligations under this factoring contract are guaranteed by the revenue under the contracts amounting to USD 2,526 thousand, guarantee of CwAL LE "Sh/U Blagoveshenskoe" and Coal Energy S.A. amounting to USD 4,904 thousand. Maturity date is on 25 December 2013.

**The amount of current loans and borrowings as at 31 March 2012 comprises the followings borrowings:**

— loan amounting to USD 1,878 thousand received by Donbasuglerazrobotka LLC in UAH according to the credit agreement concluded with PJSC "Creditprombank" with limit line of credit tranche equaling to USD 1,878 thousand. Under this credit agreement was repaid the first tranche and received new tranche amounting to USD 1,878 thousand. Annual interest rate equals to 19,5%. Obligations under this credit agreement are guaranteed by the property of Antracit LLC, pledging value of which amounts to USD 776 thousand; by the guarantee of individuals Vyshnevetsky V.V. and Vyshnevetska M.P. amounting to USD 1,878 thousand. Maturity date is on 19 June 2012.

— loan amounting to USD 1,753 thousand was received by Donantracit LLC in UAH according to the credit agreement concluded with PJSC "Creditprombank" with credit limit equaling to USD 1,753 thousand. After reporting period ended this credit agreement was repaid in full and received new tranche amounting to USD 1,753 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 1,980 thousand; by the finished goods (coal) pledged value of which amounts to USD 174 thousand, by the revenue under the contracts amounting to USD 1,519 thousand, by the guarantee of individuals Vyshnevetsky V.V. and Vyshnevetska M.P. amounting to USD 1,753 thousand, by the guarantee of CwAL LE "Sh/U Chapaeva (renamed to CwAL LE "Sh/U Blagoveshenskoe") amounting to USD 1,753 thousand. Maturity date is 27 April 2012.

**26 Loans and borrowings (continued)**
**Essential terms:**

	Currency	Nominal interest rate, %	31 March 2013	30 June 2012	31 March 2012
Non-current borrowings	USD	11,00	20,000	-	-
Non-current borrowings	USD	13,00	4,500	-	-
Non-current borrowings	USD	6-month LIBOR + 5.85%	35,000	-	-
			<b>59,500</b>	<b>-</b>	<b>-</b>

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

	As at 31 March 2013	As at 30 June 2012	As at 31 March 2012
within 1 year	-	-	-
from 1 to 5 years	(38,556)	(56)	(56)
more than 5 years	(21,000)	-	-
	<b>(59,556)</b>	<b>(56)</b>	<b>(56)</b>

**Terms of current loans and borrowings**

	As at 31 March 2013	As at 30 June 2012	As at 31 March 2012
On demand	(44)	-	-
Within 3 months	(13,122)	-	(3,631)
From 3 to 12 months	(25,122)	(5,878)	-
	<b>(38,288)</b>	<b>(5,878)</b>	<b>(3,631)</b>

**27 Finance lease liabilities**

	At 31 March 2013		At 30 June 2012		At 31 March 2012	
	Minimum lease payments	Present value of minimum lease payments	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	1,409	1,281
From 1 to 5 years	5,633	3,342	5,634	3,342	5,638	3,344
More than 5 years	56,711	3,200	57,770	3,200	58,165	3,203
	<b>63,752</b>	<b>7,822</b>	<b>64,812</b>	<b>7,822</b>	<b>65,212</b>	<b>7,828</b>
Future finance charges	(55,930)	-	(56,990)	-	(57,384)	-
Present value of lease obligation	<b>7,822</b>	<b>7,822</b>	<b>7,822</b>	<b>7,822</b>	<b>7,828</b>	<b>7,828</b>
<b>Current portion of financial lease liabilities</b>		<b>(1,280)</b>		<b>(1,280)</b>		<b>(1,281)</b>
<b>Non-current financial lease liabilities</b>		<b>(6,542)</b>		<b>(6,542)</b>		<b>(6,547)</b>

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.

**Net book value of leased assets:**

	At 31 March 2013	At 30 June 2012	At 31 March 2012
Property, plant and equipment	34,557	29,076	27,098
Intangible assets	6,476	7,151	7,459
	<b>41,033</b>	<b>36,227</b>	<b>34,557</b>

**28 Provisions**

	At 31 March 2013	At 30 June 2012	At 31 March 2012
<b>Non-current provisions</b>			
Provision on tax liabilities	(2,776)	(4,538)	(4,313)
Provision for land restoration	(3,245)	(3,233)	(3,244)
Dismantling provision	(638)	(564)	(541)
	<b>(6,659)</b>	<b>(8,335)</b>	<b>(8,098)</b>

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. Though 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.

**Changes in non-current provisions**

	At 31 March 2013	At 30 June 2012	At 31 March 2012
<b>Balance as at the beginning of the period</b>	<b>(8,335)</b>	<b>(7,719)</b>	<b>(7,719)</b>
Unwinding of discount	(672)	(743)	(503)
Provision utilized for the period	532	107	110
Effect of decrease CPT rate for financial operation	1,816	-	-
Effect of translation to presentation currency	-	20	14
<b>Balance as at the end of the period</b>	<b>(6,659)</b>	<b>(8,335)</b>	<b>(8,098)</b>

**29 Trade and other payables**
**Current trade and other payables:**

	At 31 March 2013	At 30 June 2012	At 31 March 2012
Trade payables	(2,465)	(2,627)	(2,584)
Payables for unused vacations	(3,020)	(2,959)	(3,070)
Payables for wages and salaries	(1,834)	(2,303)	(2,233)
Other payables	(943)	(1,400)	(1,189)
Interest due	(859)	(33)	(23)
Payables for acquisition property, plant and equipment	(203)	(395)	(473)
Interest due to factoring contract	(97)	-	-
Advances received	(29)	(102)	(328)
	<b>(9,450)</b>	<b>(9,819)</b>	<b>(9,900)</b>

**Non-current trade and other payables:**

	At 31 March 2013	At 30 June 2012	At 31 March 2012
Other payables	(296)	(487)	(546)
	<b>(296)</b>	<b>(487)</b>	<b>(546)</b>

As at 31 March 2013 CwAL LE "Mine St.Matrona Moskovskaya" has non-current liabilities to SE "Regionalnye Elektricheskie Seti" amounting to USD 734 thousands (nominal value). Current portion of non-current liability amounting to USD 308 thousands 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. Vyshnevetsky 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

	Nine months ended 31 March 2013	Year ended 30 June 2012	Nine months ended 31 March 2012
Income from sales of finished products, goods	1,392	2,332	1,537
Income from rendering of services	186	171	117
Income from operating lease	133	4	3
Bad debts return/(Impairment loss of loans issued)	110	(1,088)	-
Income from sale of property, plant and equipment	71	29	29
Finance expenses from sales assets held for maturity	-	(433)	-
Operating lease expenses	(263)	(279)	(195)
Expenses attributable to allowance for receivables on sale of property, plant and equipment	(1,097)	-	-
Purchases of services	(1,328)	(4,441)	(4,118)
Purchases of property, plant and equipment	(4,255)	(8,954)	(7,255)
Purchases of inventories	(11,172)	(15,782)	(12,128)

#### Items of consolidated statements of financial position

	Nine months ended 31 March 2013	Year ended 30 June 2012	Nine months ended 31 March 2012
Held-to-maturity investments	3,641	3,257	2,984
Current loans issued	22,308	23,809	27,324
Non-current loans issued	-	159	-
Trade receivables	2,650	1,101	805
Receivables on sale of property, plant and equipment	1,464	1,483	1,047
Allowances for receivables on sale of property, plant and equipment	(1,097)	-	-
Advances paid	270	57	676
Prepayments for property, plant and equipment	98	439	-
Trade payables	(244)	(977)	(1,127)
Payables for acquisition property, plant and equipment	(165)	(376)	(442)
Other payables	(5)	(83)	(102)
Current borrowings received from related parties	(44)	-	-

### 31 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.

### 32 Off-balance sheet liabilities

Companies of the Group were engaged in indemnity contracts and guarantee contracts to secure liabilities of third parties.

As at 31 March 2013 contracts of guarantee assuring liabilities LLC "Ugletechnic" amount to USD 10,009 thousands. Maturity date is 15 August 2014.

### 33 Subsequent events

As at 31 March 2013 Nertera Investments Limited and Coal Energy Trading Limited had restricted cash on total amount USD 2,582 thousand in Laiki Bank (Republic of Cyprus).

Cyprus government and the Eurogroup (together with the International Monetary Fund) reached an agreement on 25 March 2013 on the key elements necessary for a future macroeconomic adjustment program which includes the provision of financial assistance to the Republic of Cyprus of up to EUR 10 billion. The program aims to address the exceptional economic challenges that Cyprus is facing and to restore the viability of the financial sector, with the view of restoring sustainable economic growth and sound public finances over the coming years.

### 33 Subsequent events (continued)

The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below EUR 100 thousand in accordance with EU legislation. In addition, the Cypriot authorities have confirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatizations. The Eurogroup requested the Cypriot authorities and the European Commission, in liaison with the European Central Bank, and the International Monetary Fund to finalize the Memorandum of Understanding in April 2013 which will then be followed by the formal approval of the Board of Directors of the European Stability Mechanism as well as by the ratification by Eurozone member states through national parliamentary (or equivalent) approvals.

On 12 April 2013 the Eurogroup welcomed the agreement that has been reached between Cyprus and the Eurogroup regarding the macroeconomic adjustment program for Cyprus and stated that the necessary elements were in place to launch the relevant national procedures required for the formal approval of the European Stability Mechanism financial assistance facility agreement.

On 22 March 2013 the House of Representatives voted legislation relating to capital controls affecting transactions executed through banking institutions operating in Cyprus. The extent of the capital controls are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The Company's operations will be affected by the extent and duration of these capital controls.

The Cyprus House of Representatives voted on 18 April 2013 legislation regarding the increase of the corporate income tax rate from 10% to 12,5% with effect from 1 January 2013. It also voted the increase in the rate of Special Contribution for Defence on interest income for companies and individuals from 15% to 30% in relation to interest income which does not originate from or is not closely related to the ordinary activities of a company.

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.

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