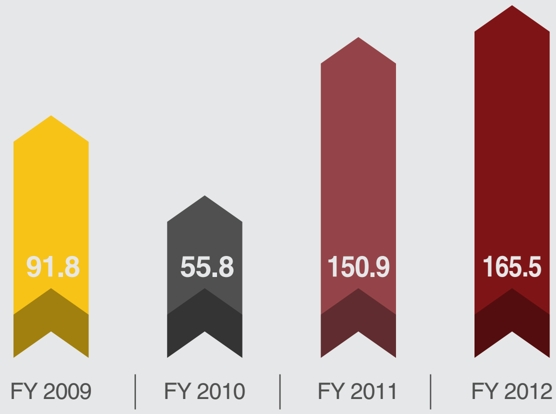
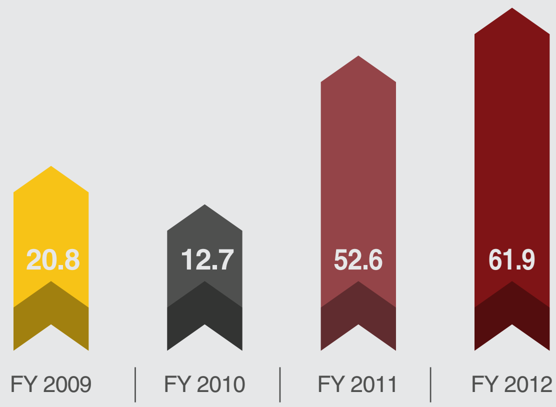
COAL ENERGY S.A.

Annual report FY 2012

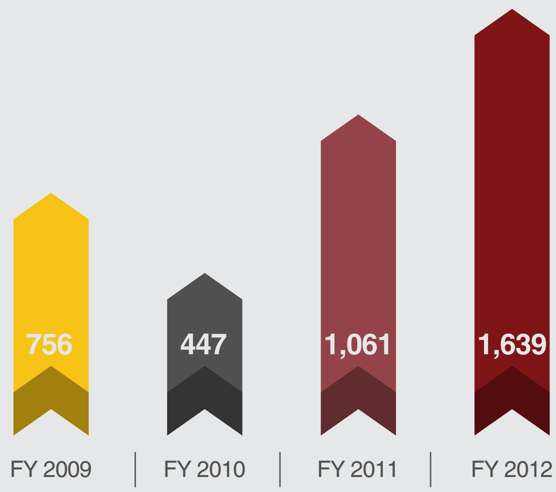
Revenue
US$ million



EBITDA
US$ million



Coal mining volumes
thousand tonnes



Content

Dear Shareholders,

We are proud of the opportunity to present Group's results for FY2012 after its first year of being public and listed on the Warsaw Stock Exchange and address further development of Coal Energy in the coming years.

Initial public offering was an important milestone in the history of the Group. Our management team acted with high responsibility and devotion to meet your expectation for the performance of the Group. Increasing long-term value of Shareholders' investments as the ultimate target was driving all the managerial decisions on operational and strategic levels during FY2012.

Past year was typified by high volatility in the mining markets and dimmed global sentiments influenced by Europe almost sliding back into recession and China economy cooling down. Amid the uncertainties in the Group's core markets we remained nimble and managed to achieve sustainable operational and financial results. This became possible due to the forehanded alterations in the sales and production strategy as well as reasonable adjustments in the capital investment program.

Major accomplishments of the Group in FY2012 are:

- increased share of thermal coal in sales (excluding sales of middlings in FY2011) from 1,175 thousand tonnes in FY2011 to 1,472 thousand tonnes in FY2012, or by 25.3%, and in total mining output (increase to 81.1% in FY2012 from 74.9% in FY2011),
- financial results demonstrated sound growth: the revenues rose from US$150.9 million in FY2011 to US$165.5 million in FY2012, or by 9.7% y-o-y. EBITDA reached US$61.9 million comparing to US$52.6 million in FY2011, or increased by 17.7% y-o-y, net profit for the financial year composed US$38.4 million compared to US$36.8 million in FY2011. Profitability margins showed moderate growth: gross profit margin increased by 6.1 percentage points to 42.3%, EBITDA margin increased by 2.5 percentage points to 37.4%,
- coal production from underground mining has grown compared to FY2011 and reached 1,639 thousand tonnes of run-of-mine coal, or 54.5% growth y-o-y,
- accomplishment of the investment program in amount of US$57.4 millions which was going together with the increasing productivity of mines: CwAL LE "Sh/U Blagoveshenskoe" (renamed CwAL LE Sh/U Chapaeva) by 57.9% y-o-y, Eximenergo PEK LLC increased by 39.4% y-o-y, Donprombusiness LLC more than doubled output y-o-y (all of the mentioned produce thermal coal) and CwAL LE "Mine St. Matrona Moskovskaya" (renamed CwAL LE Novodzerzhynskaya Mine, coking coal producer) by 31.1% y-o-y. Investments in these mines amounted to 68.0% of total capital expenditures in FY2012.

Due to the uncertainty about the demand stability and aspiration to keep the solvent and liquid balance sheet we had to review our plans and to decrease mining output in FY2012 to 1.6 million tonnes from 2.0 million tonnes. Revising respectively our output estimations we come to 2.2 million tonnes of underground mining output in FY2013 (previously 2.8 million tonnes), and to 3.8 million tonnes till the end of FY2016 (previously 4.8 million tonnes).

In case the markets revive in terms of volume and price the Group is able to operatively increase its production output to cover any growing demand.

Major factors beyond the Group's control which challenged the management activity particularly in the second half of FY2012 and affected the results through unexpected decrease of sales were:

- concerns about the world economic growth which decreased expectations for energy demand and together with other factors led to price reduction on export markets for thermal coal,
- threats of the world steel market consumption decreased demand for production in the export markets and added to the volatility of the coking coal prices which were gradually descending to their 2-year lows. Global decrease of prices favored substitution of the locally produced coking coal for more qualitative coking coal from Russia by the local steel enterprises which additionally squeezed the volume of coking coal sales by all the domestic companies,

- adverse weather conditions disabled transportation and loading facilities of the Ukrainian sea ports leading to export sales halt in the 3Q FY2012 and creating inventory surplus.

During 4Q FY2012 we managed to dispose such additional inventory surplus of coking and thermal coal at the same time having the coal production at the record level compared to other reporting periods of FY2012. In order to market additional production we proposed favorable trade credit conditions to our customers. Having unleveraged balance sheet we consider this was a reasonable step to maintain relations with our long-term customers in the face of unstable short-term coal industry outlook.

Healthy business mix between coal mining and coal waste piles processing together with prioritizing thermal coal production helped to withstand the adverse influence of difficult market conditions. Currently substantial share of our sales is based on fixed price long term sales agreements and we expect to continue this practice further.

All these significantly supported our efforts to reach the Group's targets in FY2012 and laid the groundwork for even better results in future.

Responding to the changes in the business environment in FY2012 and considering coal industry outlook we have entered FY2013 and estimate the following core areas and principles for the management's activity to secure strategic goal to become a leading coal producer in the region within the next 5 years:

- ruling principle of "estimated market demand will adjust production and investment": in the short-term the Group will take a wait-and-see approach regarding the increase of coking coal output, but will concentrate on further development of thermal coal segment. Decisions for further diversifications within the existing business segments, like any potential construction of another beneficiation plant and expanding coal waste processing capacities, etc., will be taken in line with the same principle,
- timely realisation of our investment projects adjusted to the market potential to absorb the produced volumes. We are considering options to expand our coal waste processing business, to improve quality of assets by optimising their capacity and location (construction of the coking coal beneficiation plant at CwAL LE "Mine St. Matrona Moskovskaya" (renamed CwAL LE Novodzerzhynskaya Mine), continue mechanisation of CwAL LE "Sh/U Blagoveshenskoe" (renamed CwAL LE Sh/U Chapaeva) and to implement energy efficiency projects,
- operational excellence in productivity, process and safety working conditions improvement leading to operations without injuries and fatalities,
- maintaining balanced and flexible capital structure ready to support our both long-term plans as well as short-term needs. In early FY2013 the Group started negotiations with local and international banks on long-term (not less than 5 years) financing of working capital and capital expenditure program in FY2013-FY2015. In October 2012 the Group passed the structure review on the long-term financing from the European Bank for Reconstruction and Development in amount up to US$ 70.0 million aiming the above mentioned investment program.

FY2013 should open vast opportunities for growth and business expansion in a number of attractive projects to capitalize on growing demand and scarcity of energy. These inter alia include privatization/concession of the state coal mines as well as of thermal and heating power generations. Spotting and capturing any business combinations will be carefully considered by the management in a focused effort to get the most attractive opportunities in terms of risk and return and in general to mitigate Group's business risks. We are committed to our long-term strategic goals i.e. to continue sustainable growth and to secure value creation for our Shareholders.

Viktor Vyshnevetskyy

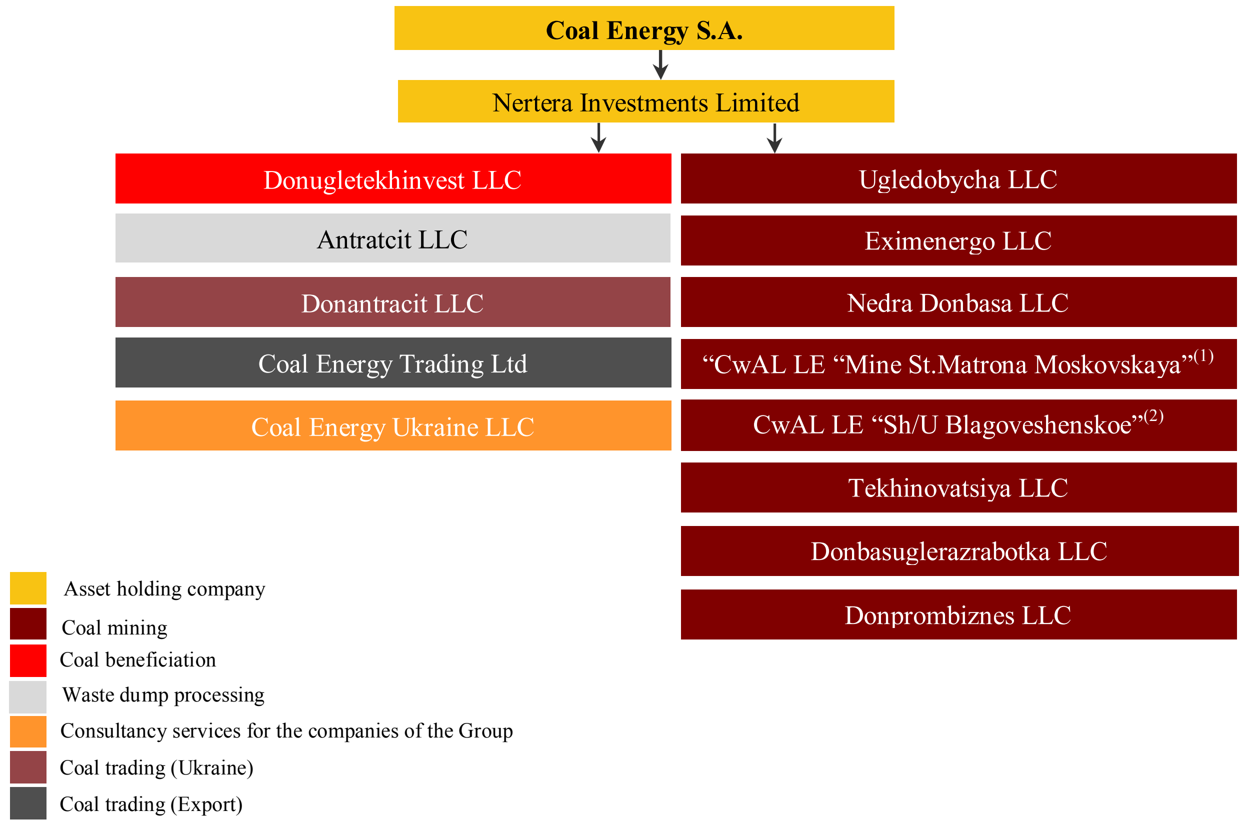
Chairman of the Board of Directors
and Chief Executive Officer

Business overview and history of development of the Group

Business overview

Coal Energy S.A. incorporated in the Grand Duchy of Luxembourg is a holding company for a group of 14 companies operating in the mining industry. The Group started its history in 1995 (establishing Donprombiznes LLC). In 2001 the Group acquired the first mine Prepodobnogo Sergiya Radonezhskogo. During the following years Coal Energy acquired 10 mines, beneficiation plant and integrated waste dump processing business into the Group. In July 2011 the Group successfully went through the procedure of initial public offering and placed 25% of its shares on the Warsaw Stock Exchange.

Structure of the Coal Energy Group



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

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

The Group's principal business comprises the following segments: underground coal mining, processing of coal waste dumps, beneficiation and sale of thermal and coking coal. All of the business segments were profitable and dynamically developing during FY2012.

Production overview

Coal Energy demonstrated sustainable growth of its production results in FY2012. The Group finished FY2012 with 1.9 million tonnes of thermal and coking coal produced, or 18.8% higher than in FY2011. Coal mining represents the key element of Coal Energy production growth. At the same time we uphold development of our coal waste processing and beneficiation segments within our integrated business model.

Coal mining

Mining output increased from 1,061 thousand tonnes of coal in FY2011 to 1,639 thousand tonnes of coal in FY2012, by 54.5% y-o-y. Coal output increased among other measures as a result of launching the new longwalls on Donprombiznes LLC (6^{th} Western longwall of the seam L_4), Eximenergo PEK LLC (1^{st} Western longwall of the seam $m^4{}_4$), Donbasuglerazrabotka LLC (1^{st} Southern longwall of the seam L_7), CwAL LE “Mine St. Matrona Moskovskaya” (renamed CwAL LE Novodzerzhinskaya mine) (longwall no.83 (“Kirpichevka”) of the seam L_2) and improving efficiency of our operations (assembling of the process chain on rock hoisting to the surface by skips on CwAL LE “Mine St. Matrona Moskovskaya” (renamed CwAL LE Novodzerzhinskaya mine); installation of conveyor equipment and equipment of the central substation and mine drainage, reconstruction of the inclined conveyor shaft and loading camera on Chapaeva mine of CwAL LE “Sh/U Blagoveschenskoe”).

In the past year the Group flexibly shifted focus of its investments into increasing extraction at thermal coal mining assets proactively anticipating more stable demand in this sector on the domestic thermal coal market. As a result thermal coal output increased from 794 thousand tonnes in FY2011 to 1,329 thousand tonnes in FY2012, implying y-o-y increase of 67.4%. Coking and dual purpose coal output increased from 267 thousand tonnes in FY2011 to 310 thousand tonnes in FY2012, or by 16.1% y-o-y.

The table below shows mining volumes by each legal entity that operates the Group’s mines:

in thousands of tonnes	Coal type	FY2010	FY2011	FY2012
Donbasuglerazrabotka LLC	Thermal	33	29	39
Donprombiznes LLC	Thermal	82	115	269
Eximenergo PEK LLC	Thermal	177	180	251
Ugledobycha LLC	Thermal	154	107	197
CwAL LE "Sh/U Blagoveshenskoe" (2)	Thermal	n/a	363	573
Nedra Donbasa LLC	Coking	1	37	32
Tekhinnovatsiya LLC	Dual-purpose	-	63	59
CwAL LE "Mine St.Matrona Moskovskaya"(1)	Coking	n/a	167	219
Total		**447**	**1,061**	**1,639**

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

During FY2012 the Group accomplished acquisition of the license for LLC Nedra Donbasa for additional coal reserves of 24.8 million tonnes of hard coking reserves (under the Ukrainian methodology) and increased the total Coal Energy reserves to 331.5 million tonnes under the Ukrainian methodology.

Processing of coal waste dumps

Since 2005 the Company carried out waste processing business within Snezhnyanskaya No. 1 waste processing plant operated by Antracit LLC. However in FY2012 Coal Energy commenced the construction works on new coal waste processing plant Prepodobnih Antoniya and Feodosiya of Kievo-Pechersk (renamed Snezhnyanskaya-2 coal waste processing plant) and

Snezhnyanskaya No.1 plant depleted its prescribed resources and was disassembled after 7 years of operations in 4Q FY2012.

Coal waste processing plant Prepodobnih Antoniya and Feodosiya of Kievo-Pechersk is situated directly at one of the three coal waste piles (coal waste for processing in amount of 7.2 million tonnes) located in city Snezhnoe. Operating capacity of the plant amounts to 1,400 thousand tonnes of coal waste p.a.. The new plant will work on environment harmless technologies. The production process implements closed hydro-middling cycle without discharge of industrial water into the environment. Activities from this coal waste processing business is expected to reduce the dust pollution by 6.4 thousand tonnes p.a. together with reduction of greenhouse gas and other harmful emissions.

The new coal waste processing plant was commissioned and launched for start-up works subsequently on October 19, 2012. The plant is expected to reach its full production capacity by the end of calendar year 2012.

The table below shows products received from recycling of coal waste piles for sales:

in thousands of tonnes	FY2010	FY2011	FY2012
Coal concentrate	134	168	157
Middlings	-	400	60*
Total coal beneficiation	0	**568**	**217**

*- 105 thousands of tonnes of middlings were further beneficiated at Postnikovskaya beneficiation plant into 60 thousand tonnes of concentrate in FY2012.

Production of coal concentrate in this business segment grew from 168 thousand tonnes in FY2011 to 217 thousand tonnes, or by 29.2% in FY2012 (at former Snezhnyanskaya-1 in amount of 157 thousand tonnes and at Postnikovskaya beneficiation plant in amount of 60 thousand tonnes from 105 tonnes of middlings). Based on the demand there were no direct sales of middlings in FY2012.

Coal middling is a high ash content intermediate-product (ca. 50-60% ash) produced after the first stage of coal waste processing – screening (initial division by fraction content), which could be either further beneficiated to coal concentrate at processing plant or sold. Demand for middlings arises occasionally from production enterprises, like cement and brick producers, and even other coal producers who may need higher-ash containing coal for their production or trading cycle.

During the construction of the coal waste processing plant Prepodobnih Antoniya and Feodosiya of Kievo-Pechersk Coal Energy established temporary coal waste processing operations at Postnikovskaya beneficiation plant where coal waste were beneficiated into high quality coal concentrate.

The Group's waste dumps processing business is working in accordance with the Joint Implementation Project program arranged by Global Carbon B.V., and is aimed at reducing CO_2 emissions that allows Antracit LLC, asset holder and operator of the coal waste processing plant, to sell Emission Reduction Units according to procedure established by the Kyoto Protocol.

Coal beneficiation

The Group runs its coal beneficiating business in Postnikovskaya coal beneficiation plant operated by Donugletekhinvest LLC.

In April 2012 the Group completed modernization of Postnikovskaya beneficiation plant which allows to process both thermal and coking coals and to switch between beneficiation of different coal grades without significant reinstallation works.

The table below shows coal beneficiation volumes:

in thousands of tonnes	FY2010	FY2011	FY2012
Beneficiation of own coal mined and bought from third parties	108	309	324
Coal beneficiation services to third parties	84	29	-
Total coal beneficiation	**192**	**338**	**324***

*- the amount includes 60 thousand tonnes of coal concentrate beneficiated from 105 thousand tonnes of middlings received from coal waste processing segment.

In FY2012 total coal beneficiation amounted 324 thousand tonnes compared to 338 thousand tonnes in FY2011 (4.1% decrease y-o-y). The major driver of such decline was ceasing beneficiation to the third parties in part due to the necessity to process and beneficiate middlings (with higher ash content compared to regular coal for beneficiation) into coal concentrate in the 4Q FY2012 substituting Snezhnyanskaya No.1 activities and due to uncertain market conditions for coal sales addressed in the next section.

Our markets

Current macroeconomic factors will challenge the performance of the coal industry participants. Nonetheless looking forward to FY2013 and further we believe in the strong prospects for our business.

Coal is the only energy source in Ukraine with large scale deposits and lower cost compared to natural gas to satisfy growing energy needs which we estimated at least at ca. 2.6% p.a. in Ukraine.

Coal is generally regarded as one of the most affordable and sustainable sources of energy in the world and is a major contributor to the world energy supply. Coal has been the fastest growing major fuel source on the planet over the last decades meeting 47.0% of new electricity demand. Total global demand for coal is growing mostly as a result of an increasing demand for power, growing industrial production and the competitiveness of coal as a cost-efficient energy source.
According to International Energy Agency's Medium-Term Coal Market Report-2011 global demand for coal will continue to grow aggressively over the next five years despite public calls in many countries for reducing reliance on the high-carbon fuel as primary energy source as nowadays cost saving seems to have priority in minds over the global warming concerns. Due to the current low price of Emissions Reduction Units the European energy enterprises may also reconsider switching from cheaper coal consumption to alternative sources of energy.
The main reason for growth of global demand for coal as well as coal trade is surging power generation in emerging economies and non-OECD countries with China and India having the majority portion in growth. India has announced plans for construction of additional coal fuelled power stations with 40.2 GWt capacity in 2012-2017 which should increase demand by at least 300 million tonnes p.a. According to the World Energy Outlook 2011 India can become the largest importer of coal by 2020.

Growing demand means that in perspective poorer deposits will have to be exploited which will likely lead to upward pressure on mining costs and therefor on coal prices. While coal has traditionally been considered a cheap and relatively easily accessible resource this could change in the next years. Only six countries (Australia, Indonesia, Russia, USA, RSA and Columbia) account for 80.0% of global coal exports and if demand increases there is a risk that certain infrastructural bottlenecks could influence the supply and additionally push the coal prices up.

With about 34 billion tonnes of proved coal reserves, the Ukrainian coal industry accounts for 4.0% of the global coal reserves. Bituminous coal and anthracite account for 45.0% of the country's total coal reserves. Coal accounts for 31.0% of the total fuel consumption in the country, trailing only natural gas with a 37.5% share.
According to the Ministry of Energy and Coal Industry data in FY2012 Ukraine coal-mining enterprises increased production up to 84.4 million tonnes of coal overall (+6.8% compared to FY2011), including production of thermal coal of 59.4 million tonnes (+9.4% compared to FY2011) and coking coal of 25.0 million tonnes (+1.2% compared to FY2011).
During 1H calendar year 2012 state enterprises produced 12.2 million tonnes of coal (coking and thermal), while private enterprises produced 30.9 million tonnes of coal.

The coal market is made up of two key segments: thermal (or steam) coal, which is used primarily for energy generation and coking (or metallurgical) coal, which is used primarily for steel making. The Ukrainian coal market is marked by a deficit of coking coal, slight excess supply of thermal coal of anthracitic group and deficit of lean coal of grade T demanded by the power generations (and sufficient reserves of which are possessed and mined by the Group's companies Donprombusiness LLC, Eximenergo PEK LLC, Ugledobycha LLC and CwAL LE Sh/U "Blagoveschenskoe").

Thermal coal market

Thermal coal is consumed globally as a primary fuel for base load power generation because of its relatively even allocation of coal deposits in the world and low cost on a heat content-comparable basis relative to other fossil fuels such as oil and natural gas. Globally thermal coal prices in 2011 calendar year were steadily rising throughout producing regions as weather and other issues have negatively impacted supply. By the end of FY2011 global coal prices were nearly 30.0% higher than at the beginning of FY2011. Since that time till the end FY2012 the global prices were declining fully consuming the previous increase fuelled by uncertainties about the economic slowdown in China and fears about implementation of the coal substitutes.
Demand on the local market is determined by the Ukrainian power generating and thermal power plants. Due to relatively high prices for industrial gas used in Ukraine the country's thermal power plants switched to burning coal and completely shut down their gas-fired power units in 2010 calendar year.
Despite the world market fluctuations the Ukrainian thermal coal prices are less volatile and show consequent increase since 2010 as there are no other big alternatives for coal substitution. In the nearest future we do not expect any changes in such a demand/supply outlay.

In summer 2012 the Ukrainian government in line with general direction towards reduction of the Ukrainian economy dependence from the Russian fuels announced construction of several coal gasification plants. The Shell Corporation technology already successfully tested in China is expected to be applied in these plants. The first agreements for the project start are expected to be signed in 4Q of 2012.

These steps follow the targets previously set by the government to reach growth rate for coal production at 10.0% annually. 100.0 million tonnes of ROM coal production annually is considered a mid-term goal.

Thermal coal price increase is expected to result from the privatisation of the coal mining sector and elimination of state subsidies to unprofitable state mines. According to the government plans all the state mines should become private by 2016.

Hence we see strong domestic demand for thermal coal which was less affected by the macro-environment and we believe the trend to continue. We expect to see price and sales volume increase from these initiatives in the thermal coal market in our balance sheet already in 2H FY2013 / 1H FY2014.
Despite the difficult environment larger coal producers, incl. Coal Energy, have better sales and revenue generation ability as they can guarantee sustainable supply which allows to contract sales volumes on longer-term bases. On the contrary smaller coal producers are forced to operate predominantly on the spot market and to depend heavily on the market fluctuations.

Coking coal market

There is a dearth of coking coal in Ukraine, which explains why this commodity meets strong demand on the domestic market.
Ukraine's coking coal is primarily used by the domestic steel industry. In general, the iron and steel industry account for approximately 90.0% of total coking coal demand with the remaining balance used by the foundry industry and other small industrial users. The shortage has been exacerbated by both the declining domestic output due to exploiting poorer deposits and its lower quality. Therefore the domestic coke producers have to import coal of higher quality (approximately 1/3 of coking coal, consumed by Ukrainian coke producers is imported, mainly from Russia) and the share of imported coking coal is increasing.

The price decrease of coking coal during FY2012 in the Ukrainian market was in line with the worldwide trends. The prices declined by almost 37.6%: from 202 US$/tonne to 126 US$/tonne for grade Zh. Deterioration of the global macroeconomic situation, especially in 1Q FY2012, caused significant decrease of steel prices and of steel production both globally and in Ukraine and subsequently caused apportioning of such steal price decrease to the coking coal prices.
We expect the demand and prices for coking coal to stabilize at least at the level of 2Q FY2013.

Future development and plans for FY2012

Considering the strong middle and long-term industry outlook mining will be the core business of the Group in FY2013 and the coming years. Major efforts of the management will be concentrated on mining in order to realize the Group's strategy for production output.

Besides gradual development of the existing assets the Group may consider taking advantages over privatization plans in the mining industry and adjacent segments closely interacting with it – thermal and heating power generation which could constitute a natural symbiosis with the coal mining and may create a higher added value of the produced coal and result in the Group's value increase in the coming years.

Coal mining segment:

The Group is expecting to produce up to 2.2 million tonnes of thermal and coking coal in FY2013, out of which 1.9 million tonnes will come from normal business operations based on the previously accomplished investments. The rest is expected to be generated from expanding capacities of the existing mines and output process optimisation fuelled by the output increase in the following mines:

- **Prepodobnogo Sergiya Radonezhskogo mine** operated by Donprombiznes LLC schedules to launch the 6^{th} Eastern longwall of the seam L_4 till the end of calendar year 2012 with the expected additional coal output of 9.0 thousand tonnes p.m. Therefore on the seam L_4 there will be 4 longwalls. Further output increase is expected to follow from works either on the seam L_3 or L_6 depending on their productivity capacity,

- **Svyato-Nikolaevskaya mine** operated by Ugledobycha LLC schedules to complete the 1^{st} Western longwall of the seam M_3 in 2Q FY2013 with the expected additional coal output of 5.0 thousand tonnes p.m.. Perspective developments are considered further on seams m_3 and L_4,

- **CwAL LE "Mine St. Matrona Moskovskaya"** (renamed CwAL LE Novodzerzynskaya mine) is expected to launch the new longwall of the seam K_8 "Kamenka" till the end of calendar year 2012 with the planned additional coal output of 6.0 thousand tonnes p.m.. Realisation of the current mechanisation plans may increase the monthly output of this mine by additional 9.0-13.0 thousand tonnes in FY2013. Moreover the Group is planning to undertake works on development and preparation of deposits on the horizon 645,

- **CwAL LE "Sh/U Blagoveshenskoe"** (renamed CwAL LE Sh/U Chapaeva) capitalizes the major part of investments of the Group and its mechanization is the Group's strategic goal. Finalizing installation of conveyor equipment and equipment of central substation and mine drainage, reconstruction of the inclined conveyor shaft of the seam K_2 and loading camera will allow to increase output on the existing longwalls of the Central panel (25th Eastern and 25th Western longwalls of the seam K_2) by additional 13.5 thousand tonnes p.m.,
  The Group continues works on further mechanization of the Eastern panel (the 25^{th} Eastern longwall and the 25^{th} Western longwall of the seam K_2) which is expected to provide additional output of 30.0 thousand tonnes p.m..
  The Group schedules the launch of the 25^{th} Eastern longwall of the Eastern panel in 4Q FY2013 and of the second mechanized 25^{th} Western longwall in June-July 2013. Estimations of the investment program for CwAL LE "Sh/U Blagoveshenskoe" for FY2013 amount to around US$30.0 million. The Group is considering utilisation of the existing infrastructure for preparing further longwalls on the seam K_3 of the Eastern panel.

Total CAPEX expenditures in the underground mining is expected to be around US$63.0 million in FY2013.

Following successful acquisition of the license by LLC Nedra Donbasa for additional coal reserves of 24.8 million tonnes of hard coking reserves (under the Ukrainian methodology) the Group may consider applying for additional licenses to organize adding of the deposits at the existing mines, like at Donbassuglerazrabotka LLC operating Svyatitelya Vasiliya Velikogo mine, Eximenergo PEK LLC operating Svyato-Andreevskaya mine and others (saving on the infrastructural costs) and as the case may purchase/lease new mines if economically more efficient.

Following the incentive to decrease the cash cost of mining which among other reasons depends on the extensive use of electricity the management may consider investing in the energy efficiency programs within FY2013-FY2014. Preliminary estimations suggest that rough amount of such investments at CwAL LE “Sh/U Blagoveshenskoe”, CwAL LE “Mine St. Matrona Moskovskaya” and Svyato-Andreevskaya mine may reach US$4.0 million during the period FY2013-FY2014. Payback period of such initiatives is estimated to be not more than 3 years.

CAPEX and optimisation program for underground mining will chiefly financed with own funds and long-term financing from the third parties.

Waste dump processing and coal beneficiation segments

Both segments play important roles in diversification of our business.
In October 2012 the Company commissioned the coal waste processing plant Prepodobnih Antoniya and Feodosiya of Kievo-Pechersk (renamed Snezhnyanskaya No. 2). We expect that its capacities will be 100% loaded starting 3Q FY2013 producing 20-30 thousand tonnes of concentrate per month. Furthermore we may consider construction of another coal waste processing plant of similar capacity as Prepodobnih Antoniya and Feodosiya of Kievo-Pechersk processing plant and/or purchase of waste coal piles in addition to the already existing ones in FY2013-FY2014. Amount of investment in the coal waste dumps if undertaken will depend on their location and coal content in the rock.
We also may consider investments in the expansion of our coking coal segment. These could include investment in the coking coal mines purchases (if we see opportunities proposed by the market conditions) as well as in the construction of a modern coking coal beneficiation facility close to our major coking coal mine CwAL LE “Mine St. Matrona Moskovskaya” (former CwAL LE Novodzerzhynskaya mine) in addition to the existing Postnikovskaya beneficiation plant (and to save on the transport and vehicle amortisation costs). Such investments might amount to around US$4.5 million within FY2013-FY2014.

Amount and timing of the investments will depend on the Group’s estimations for demand and realisation of other long-term goals set by the management.

Trading segment

In FY2012 coal trading activity was a non-core segment for the Group.

Nevertheless the current difficult market situation favours larger producers and enables them to contract higher sales volumes and thus to take away part of the sales from the smaller producers. Although the Group has no long-term contracts for coal purchase from the third parties with obligatory buy-out option, we have already increased coal trading volumes received from the third parties in the 1Q FY2013.

People

In FY2012 the Group employed more than 7,000 employees.
The process of employment of highly experienced production and management professionals started in FY2012 will continue in FY2013 organically with the growth of business. The

Company has already started and will continue certain reorganisations of internal processes and responsibilities in order to enhance Group's management accounting and reporting capabilities.
Additional information concerning the average number of the Group's employees by category for FY2010, FY2011 and FY2012 is set forth in the table below:

	FY2010	FY2011	% change	FY2012	% change
Mining	1,495	2,982	99.5%	3,367	12.9%
Support production	2,137	3,284	53.7%	2,892	-11.9%
Administrative and sales personnel	297	546	83.8%	759	39.0%
Total	**3,929**	**6,812**	73.4%	**7,018**	3.0%

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

Environment

The Group is in compliance with Ukrainian environmental laws relating to environmental protection and, in particular, to use of natural resources, emissions into the atmosphere and water, as well as waste disposal. The Group holds a number of environmental licenses and permits, including permits for atmospheric emission control, solid waste disposal, mine waste disposal and special use of fresh water.
The Group's mining and production facilities are also subject to environmental monitoring and regulation with respect to, among other things, monitoring air, dust and gas emissions, waste disposal and storage as well as water usage and water quality monitoring by environmental regulators. The Group considers environmental issues as one of its social responsibilities and is consistently working on improvement of energy, safety and environmental efficiency of its mining and production operations. Investments in these areas will continue in FY2013.

Financial overview

Overview

FY2012 resulted in sustainable financial performance of Coal Energy despite difficult business environment. The Group maintained high profitability and improved financial results.

The following table summarizes the Group's key margins and ratios for the FY2011 and FY2012.

in millions of US$	FY2011	FY2012	Relative change y-o-y
Revenue	150.9	165.5	9.7%
Gross profit	54.7	70.0	28.0%
EBIT	46.8	53.5	14.3%
EBITDA	52.6	61.9	17.7%
Net profit	36.8	38.4	4.3%
as a percentage of revenue			∆ percentage points
Gross margin %	36.2%	42.3%	6.1
EBIT %	31.0%	32.3%	1.3
EBITDA %	34.9%	37.4%	2.5
Net earnings %	24.4%	23.2%	(1.2)
Ratios:			
EBITDA/Finance costs	7.0	6.6	
Debt/EBITDA	0.8	0.2	
Net debt/EBITDA	0.8	0.1	

**-Debt and Net Debt include loans and finance lease liabilities (discounted future finance charges denominated in UAH for lease of the state-property integral complex GC Shakhtoupravlinnia named after V.I.Chapaeva and integral property complex GC Novodzerzynskaya Mine) in amount of USD 7.842 million in FY 2011 and USD 7.822 million in FY 2012.*

Revenue

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

- anthracite (grade A) is supplied to energy generation plants, when thermal lean coal (grade T) is supplied both to energy generation plants and cement plants,
- thermal long-flame gas coal (grade DG) is supplied predominantly to households and municipalities,
- coking fat coal (grade Zh) is supplied to coking plants,
- dual-purpose gas coal (grade G), that can be applied as thermal or coking coal by customers, is supplied to coking plants where it is blended with coking fat coal (grade Zh) or other coking coal grades during coke production process.

In FY2012 sales composed US$165.5 million, the Group sold 67.1% of products in the Ukrainian market. 57.8% of revenue were generated by the three industrial groups of customers with which Coal Energy has long-term relations and contracts.

The following table shows sales of the Group by segments:

in thousands of US$, except percentages	FY2011	FY2012	% change to 2011
Sales			
Coal from own mining and waste processing	140,220	162,253	15.7%
Trading activities	10,336	2,783	(73.1)%
Other activities	311	418	34.4%
Total sales	**150,867**	**165,454**	9.7%

Sales of thermal coal (excluding sales of middlings in amount of 400 thousand tonnes in FY2011 which at that time contributed to the sales of thermal coal) grew from 1,175 thousand tonnes in FY2011 to 1,472 thousand tonnes in FY2012, or by 25.3%:

in thousand tonnes	FY2010	FY2011	FY2012
Thermal	818	1,575	1,472
Coking	84	264	261
Total	902	1,839	1,733

While coking coal was sold in the domestic market, thermal coal was sold both in the domestic market to power generation plants in the Eastern Ukraine and was exported in FY2011 and FY2012. The share of export in total revenue comprised 32.9% in FY2012 versus 25.6% in FY2011.
The following table shows the Group's domestic and export sales:

in thousands of US$, except percentages	FY2011	FY2012	change in %
Ukraine	112,311	110,952	(1.2)%
Export	38,556	54,502	41.4%
Total	**150,867**	**165,454**	**9.7%**

In FY2012 export sales were hindered by several factors described below, which reduced the potential financial and operating results of the Group.
First, while the export price remained attractive there were adverse weather conditions in the 3Q FY2012 which hindered coal transportation to the Ukrainian seaports and disabled their loading facilities. As a consequence the Group faced substantial inventory surplus mainly of thermal coal compared to 2Q FY2012. This inventory surplus was successfully in 4Q FY2012.
Second, the export price starting from 3Q FY2012 began to decline below the price in the domestic market making export sales unattractive. In 1H FY2013 the latter tendency is still observed in sales limiting the export activity although the pace of the decline slowed.

Cost of sales
Cost of sales remained practically unchanged in FY2012 (US$95.4 million) in comparison to the previous year (US$96.2 million).
The following table shows cost of production by each of the main segments of the Group in FY2011 and FY2012:

in thousands of US$	FY2011	FY2012
Cost of sales	**96,192**	**95,408**
Less:		
Cost of merchandising inventory	5,674	2,572
Change in inventories	10,562	(4,547)
Cost of other services	-	334
Depreciation and amortization	5,698	8,127
Total cash cost of production	**74,258**	**88,922**
Including:		
Total cash cost of mining	68,222	80,409
Total cash cost of beneficiation	1,960	2,777
Total cash cost of waste dumps processing	4,076	5,736
in US$ per tonne		
Cash cost of mining per 1 tonne of ROM coal	64.3	49.1
Cash cost of beneficiation per 1 tonne of ROM coal	5.8	8.6
Cash cost of waste processing per 1 tonne of saleable coal from waste dumps	24.3	26.3

**- US$24.3 per tonne in FY2011 accounts for cash cost per tonne of coal waste processing from coal bearing rock and is given in order to present the data on comparable basis in FY2011 and FY2012 as there were no middling sales in FY2012 while in FY2011 400 thousand tonnes of middlings were sold. US$7.2 per tonne in FY2011 comprised cash cost for final combined products from waste processing, coal and middlings together. In FY2011 production and sales of middlings in amount of 400 thousand tonnes required insignificant production cost and its production cost outweighted production cost of saleable coal from waste processing).*

Reasons for the increase in inventories were addressed in the market overview section.

Energy consumption grew from US$9.6 million to US$13.1 million in FY2012, or by 36.5% mainly as a result of the increased ROM coal output (by 54,5% in FY2012) and growth of electricity tariffs by appr. 15% on average.

Decrease of the average cash cost of mining per 1 tonne of ROM coal in FY2012 resulted from enhanced control over the usage of raw materials, repeated use of materials from depleted mining fields and increased productivity of the personnel employed in FY2011.

For FY2012, cash cost per one tonne of beneficiated ROM coal increased by US$2.8 per tonne as compared to FY2011 due to processing of coal waste dumps (higher ash content) at the coal beneficiation facilities in 4Q FY2012.

Cash costs per 1 tonne of saleable coal from waste dumps processing increased from US$24.3 per tonne in FY2011 to US$26.3 per tonne in FY2012. Cash cost of waste processing was decreasing throughout FY2012, but in 4Q FY2012 increased significantly due to additional transportation costs of middlings to processing facilities at Postnikovskaya beneficiation plant for further processing into saleable coal.
We expect these costs to decrease at least to the previous levels with the launch of the new coal waste processing plant Prepodobnih Antoniya and Feodosiya of Kievo-Pechersk (former Snezhnyanskaya No. 2) in October 2012. Expected increase of the production volumes should further stimulate reduction of cash cost of coal waste processing per 1 tonne of saleable coal.

Gross profit

Gross profit increased from US$54.7 million in FY2011 to US$70.0 million in FY2012, which implies 28.0% y-o-y growth due to increase in the produced volumes. Gross margin increased from 36.2% to 42.3% for FY2011 and FY2012, respectively, as a result of cost reduction of production operations.

Operating expenses

General and administrative expenses

General and administrative expenses increased from US$4.6 million in FY2011 to US$6.6 million in FY2012, or by 43.5%.
The major line of these expenses is wages and salaries of administrative personnel (62.1% share in expenses in FY2012 compared to 58.7% in FY2011). Increase in these expenses composed from US$2.7 million in FY2011 to US$4.1 million in FY2012, or 51.9% growth as a result of administrative and sales personnel headcount increase from 546 to 759 people, or by 39.0%, and average remuneration per employee growth.

Selling and distribution expenses

Selling and distribution expenses increased from US$7.2 million in FY2011 to US$11.1 million in FY2012, or by 54.2%, primarily due to increase of delivery costs by US$3.1 million which comprised 83.8% in FY2012 vs. 86.1% in FY011 of this type of selling and distribution expenses. Such 50.0% y-o-y growth correlated with growth of export sales and the rest of the increase was caused by growth of tariffs for railway transportation to the sea ports.

Other operating income/expenses

Other operating income (expenses) net decreased from US$4.0 million in FY2011 to US$1.2 million in FY2012. The decrease mainly reflects lower amount of Emission Reduction Units (ERU) being sold in FY2012 as compared to FY2011. ERUs are being generated by the Group and activity on their sales will depend on ERUs' price dynamics in the open market as well as worldwide prolongation of the ERUs compensation principle after the year 2012.

Operating profit/loss

Operating profit increased from US$46.8 million in FY2011 to US$53.5 million of operating profit in FY2012, representing a 14.3% y-o-y increase.
The degree of operating leverage (computed as a ratio of percentage change of EBIT to percentage change of sales over the period) was 1.48 meaning given 1% rise in Group's sales its operating income increases by 1.48%.

Finance income

During FY2012 finance income decreased from US$2.1 million in FY2011 to US$0.9 million. Finance income is composed mainly of non-cash items.

Finance costs

Finance costs increased from US$7.5 million in FY2011 to US$9.4 million in FY2012 mainly from increase in non-cash items which comprised more than 55% of finance costs in FY2012.

Worth mentioning is the decrease of interest expenses by US$2.9 million down to US$1.3 million due to repayment of interest bearing debt mainly in the beginning of FY2012.
On the other side, increases of costs were observed in currency translation differences by US$1.1 million and other adjustments to financial assets and liabilities (all non-cash).

Profit before tax

Profit before tax increased from US$39.5 million in FY2011 to US$45.2 million in FY2012, demonstrating a 14.4% y-o-y increase.

Income tax expense

In FY2012 the Group had US$6.7 million of income tax expenses compared to US$2.6 million of income tax expense in FY2011 due to increase of profit before tax nevertheless still having significant tax shield.

Net income

Net profit increased from US$36.8 million in FY2011 to US$38.4 million in FY2012, or 4.3% y-o-y increase.

Cash Flow

The following table summarizes the Group's statement of cash flow for the financial years ended June 30, 2011 and 2012, respectively:

in thousands of US$	**FY2011**	**FY2012**
Net cash flow from operating activities	72,966	19,720
Net cash flow from investing activities	(16,416)	(60,106)
Net cash flow from financing activities	(55,053)	45,377
Net increase in cash and cash equivalents	**1,497**	**4,991**

Net cash flow from operating activities

The Group demonstrated decline in net cash inflow from operating activity from US$73.0 million in FY2011 to US$19.7 million in FY2012.
Although cash flow before working capital changes increased by 8.0% y-o-y, from US$55.2 million to US$59.6 million working capital adjustments resulted in the outflow of US$35.2 million in FY2012.
Major outflow amounting to US$27.6 million, came from sales of coal on credit term bases (out of which US$22.0 million of trade account receivables were created in the 4Q FY2012 while sales in 4Q FY2012 were US$49.2 million).
Second largest outflow item diverting cash was increase of inventory by US$3.2 million. Increase in both trade account receivables was dictated by the market environment addressed in the market overview section.

Despite the decrease of net cash flow from operating activities the Group is able to meet its financial liabilities and payments and has sufficient coverage of them by the cash-flow from operating activity.

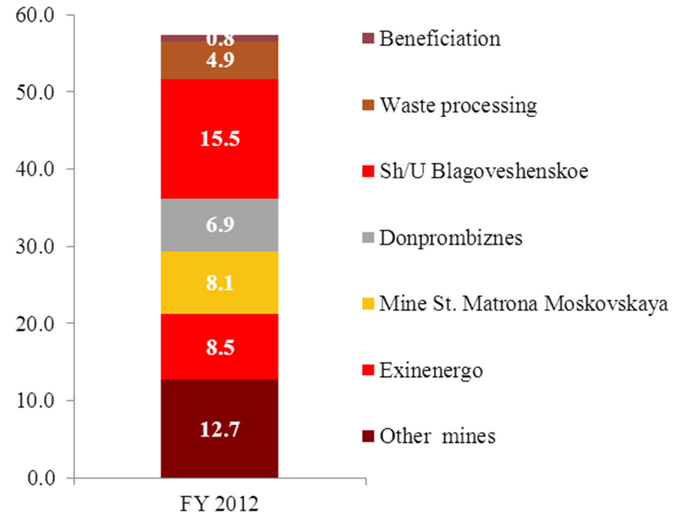
Net cash flow from investing activities

Net cash outflow from investing activity of the Group increased from US$16.4 million in FY2011 to US$60.1 million in FY2012. Increase in non-current assets (property, plant and equipment and intangible assets) was the principal element of cash outflow amounting to US$57.6 million.

IPO proceeds overview

At the beginning of FY2012 Coal Energy attracted US$77.6 million of net IPO proceeds. CAPEX in amount of US$57.4 million comprised of development of the existing mines, waste dump processing and coal beneficiation segments and was the largest element in the use of IPO proceeds.

Breakdown of CAPEX investments in FY2012 is presented in the table:



Comparing the production output on y-o-y basis: in FY2012 CwAL LE "Sh/U Blagoveshenskoe" (renamed CwAL LE Sh/U Chapaeva) increased its output by 57.9%, CwAL LE "Mine St. Matrona Moskovskaya" renamed CwAL LE Novodzerzhynskaya mine) increased output by 31.1%, Eximenergo PEK LLC (Svyato-Andreevskaya mine) increased output by 39.4%, Donprombusiness LLC (Prepodobnogo Sergiya Radonezhskogo mine) increased its output by 133.9%.

Other mines include Svyatitelya Vasiliya Velikogo mine, Svyato-Serafimovskaya mine, Svyato-Nikolaevskaya mine and Svyato-Pokrovskaya mines operated by the Group companies mentioned in the business overview section. Combined effect from the investments in these mines was production increase in FY2012 by 38.5% y-o-y.

Other investment targets of the IPO proceeds utilisation, including acquisition of the licenses, partial repayment of the bank loans and liabilities as well as working capital financing have been also accomplished.

Net cash flow from financing activities

Net cash flow from financing activities in FY2012 were positive and composed US$45.4 million (as opposed to US$55.1 million of net outflow in FY2011), mainly due to proceeds attracted through IPO (net amount comprised US$77.6 million).

Risks and uncertainties

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

The Group's business is dependent on the global market price of coal. Sale prices and volumes in the worldwide coal market depend predominantly on the prevailing and expected levels of demand for and supply of coal, mainly from energy and steel manufacturers. Though the Ukrainian coal market is a bit isolated, still global financial crises may influence the Ukrainian coal prices. To mitigate such risk, the Group diversifies its customer base both on local and export markets and signs long-term framework contracts for coal supply.
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 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 conducted in the local currency. Therefore local currency devaluation may inflate the amount of liabilities on the balance sheet. The Group will follow careful borrowing policy by striving for long-term financing in order to smoothen negative effects of any currency devaluation process.
Depending on the scale of the devaluation and time lag for its absorption by the market the Group may have positive effect on the expense side. Major expenditures of the Group, like wages and salaries, raw materials, maintenance expenditures and CAPEX are linked to the local currency and these are not expected to be adjusted simultaneously and in full scope.

Corporate Governance Report

The Company has decided to observe the majority of the WSE Corporate Governance Rules included in the Code of Best Practice for WSE Listed Companies to the form and extent determined by the Resolution No. 20/1287/2011 of the Exchange Supervisory Board dated October 19, 2011. However, certain principles apply to the Company accordingly, with due observance of Luxembourg corporate law and the Company's corporate structure, especially the single board structure as opposed to the two-tier system that the WSE Corporate Governance Rules assume. The Company does not have two separate governing bodies (supervisory board and management board) which are obligatory in Polish joint stock companies. Instead, the Board of Directors of the Company performs both the management and supervisory functions. As a result, the Company applies those principles of the WSE Corporate Governance Rules which refer to relations between supervisory board and management board not directly, but accordingly. In all cases, the Company endeavours to create procedures maintaining the spirit of all rules applied accordingly. Therefore, the Company is of an opinion that it complies with the rules that refer to relations between supervisory board and management board or to the functioning of those bodies.

RULE	STATUS IN THE COMPANY
I. Recommendations for Best Practice for Listed Companies	
1. A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular: - maintain a company website whose scope and method of presentation should be based on the model investor relations service available at http://naszmodel.gpw.pl/; - ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication; - enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website.	Complies with the reservation that the Articles of Association of the Company provide that all the meetings take place in Luxembourg, in the place specified in the convening note and the Company has not implemented the technology enabling on-line broadcasting. The Company however supports its shareholders to exercise their voting rights by authorizing the proxies who are bound by instruction or a third party. The Company’s website is not identical with the scope specified by naszmodel.gpw.pl, however the Company is in the process of constructing a new website in line with development of its corporate structure and corporate events in order to meet the expectations of the investors and shareholders.
3. A company should make every effort to ensure that any cancellation of a General Meeting or change of its date should not prevent or restrict the exercise of the shareholders’ right to participate in a General Meeting	Complies
4. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of	Not applicable, the Company’s securities are listed and traded on the WSE only

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

functions in companies, thus reinforcing the creativity and innovation of the companies' economic business	General Meeting of Shareholders and therefore the compliance with this recommendation depends on the shareholders' future decisions
10. If a company supports different forms or artistic and cultural expression, sport activities, educational or scientific activities, and considers its activity in this area to be a part of its business mission and development strategy, impacting the innovativeness and competitiveness of the enterprise, it is good practice to publish, in a mode adopted by the company, the rules of its activity in this area.	Complies
11. As part of a listed company's due care for the adequate quality of reporting practice, the company should take a position, expressed in a communication published on its website, unless the company considers other measures to be more adequate, wherever with regard to the company: - published information is untrue or partly untrue from the beginning or at a later time; - publicly expressed opinions are not based on material objective grounds from the beginning or as a result of later circumstances. This rule concerns opinions and information expressed publicly by company representatives in the broad sense or by other persons whose statements may have an opinion-making effect, whether such information or opinions contain suggestions advantageous or disadvantageous to the company	Complies
12. A company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) real-life broadcast of General Meetings; 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting; 3) exercise their right to vote during a General Meeting either in person or through a plenipotentiary.	Currently, the Company complies with this recommendation partially. Articles of Association of the Company provide that all the meetings take place in Luxembourg, in the place specified in the convening note and the Company has not implemented the technology enabling on-line broadcasting. The Company however supports its shareholders to exercise their voting rights by authorizing the proxies who are bound by instruction or a third party.
II. Best Practice for Management Boards of Listed Companies	
1. A company should operate a corporate website and publish on it, in addition to information required by legal regulations:	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company.

1) basic corporate regulations, in particular the statutes and internal regulations of its governing bodies; 2) professional CVs of the members of its governing bodies; 2a)on an annual basis, in the fourth quarter – information about the participation of women and men respectively in the Management Board and in the Supervisory Board of the company in the last two years; 3) current and periodic reports; 4) *deleted* 5) where members of the company's governing body are elected by the General Meeting – the basis for proposed candidates for the company's Management Board and Supervisory Board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an informed decision on a resolution; 6) annual reports on the activity of the Supervisory Board taking account of the work of its committees together with the evaluation of the internal control system and the significant risk management system submitted by the Supervisory Board; 7) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions; 8) information about the reasons for cancellation of a General Meeting, change of its date or agenda together with grounds; 9) information about breaks in a General Meetings and the grounds of those breaks; 10) information on corporate events such as payment of the dividend, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. Such information should be published within a timeframe enabling investors to make investment decisions; 11) information known to the Management	Currently, the Company has not adopted rules of changing the company authorised to audit financial statements - rule II.1.14). The Company does not exclude that the rules will be adopted in the future.

Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting; 12) where the company has introduced an employee incentive scheme based on shares or similar instruments – information about the projected cost to be incurred by the company from its introduction; 13) a statement on compliance with the corporate governance rules contained in the last published annual report, as well as the report referred to in § 29.5 of the Exchange Rules, if published; 14) information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule.	
2. A company should ensure that its website is also available in English, at least to the extent described in section II.1.	Complies
3. Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the company with a subsidiary where the company holds a majority stake.	Not applicable. According to the Luxembourg corporate law there is a single board structure in the Company.
4. A member of the Management Board should provide notification of any conflicts of interest which have arisen or may arise, to the Management Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company. The Articles of Association address the conflict of interest issue in article 14.
6. A General Meeting should be attended by members of the Management Board who can answer questions submitted at the General Meeting.	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company.
7. A company shall set the place and date of a General Meeting so as to enable the	Complies

participation of the highest possible number of shareholders.	
8. If a company's Management Board is informed that a General Meeting has been summoned pursuant to Article 399 § 2–4 of the Code of Commercial Partnerships and Companies, the company's Management Board shall immediately perform the actions it is required to take in connection with organising and conducting a General Meeting. This rule shall also apply if a General Meeting is summoned on the basis of authorisation given by the registration court pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies.	Complies with the reservation that the Code of Commercial Partnerships and Companies is not applicable to the Luxembourg based companies and according to the Luxembourg corporate law there is a single board structure in the Company. Nonetheless the Articles of Association in article 15.3. state that shareholders representing one tenth of the subscribed share capital may, in compliance with the law of 10 August, as amended, on commercial companies, request the Board of Directors to call a General Meeting of shareholders.
III. Best Practice for Supervisory Board Members	
1. In addition to its responsibilities laid down in legal provisions the Supervisory Board should: 1) once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and the significant risk management system; 2) *deleted* 3) review and present opinions on issues subject to resolutions of the General Meeting.	Not applicable. According to the Luxembourg corporate law there is a single board structure in the Company. The Board of Directors reports are available together with the auditor report and the annual accounts prior to the Annual General Meeting.
2. A member of the Supervisory Board should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.	Not applicable. According to the Luxembourg corporate law there is a single board structure in the Company.
3. A General Meeting should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.	Complies
4. A member of the Supervisory Board should notify any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company. The Articles of Association address the conflict of interest issue in article 14.

adoption of a resolution on the issue which gives rise to such a conflict of interest.	
5. A member of the Supervisory Board should not resign from this function if this action could have a negative impact on the Supervisory Board's capacity to act, including the adoption of resolutions by the Supervisory Board.	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company.
6. At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the *Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board*. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.	Complies with the reservation that according to the Luxembourg corporate law there is a single board structure in the Company. 3 members of the Board of Directors are independent.
8. Annex I to the *Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors…* should apply to the tasks and the operation of the committees of the Supervisory Board.	Complies partially. The Board of Directors established from among its members the Audit Committee. The Company did not establish the Remuneration Committee. The tasks and duties contemplated by a remuneration committee and selection and appointment committee were performed by the entire Board of Directors
9. Execution by the company of an agreement/ transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board.	Not applicable. According to the Luxembourg corporate law there is a single board structure in the Company.
IV. Best Practices of Shareholders	
1. Presence of representatives of the media should be allowed at General Meetings.	Complies
2. The rules of General Meetings should not restrict the participation of shareholders in	Complies

General Meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next General Meeting.	
4. A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting it or obligate the competent body to set it before the date of subscription rights within a timeframe enabling an investment decision.	Complies
5. Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events.	Complies
6. The date of setting the right to dividend and the date of dividend payment should be set so to ensure the shortest possible period between them, in each case not longer than 15 business days. A longer period between these dates requires detailed grounds.	Complies
7. A resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment must take place before the date of setting the right to dividend.	Complies
9. A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a level which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.	Complies
10. A company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) real-life broadcast of General Meetings; 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting; 3) exercise their right to vote during a General Meeting either in person or through a plenipotentiary.	Currently, the Company complies with this recommendation partially. Articles of Association of the Company provide that all the meetings take place in Luxembourg, in the place specified in the convening note and the Company has not implemented the technology enabling on-line broadcasting. The Company however supports its shareholders to exercise their voting rights by authorizing the proxies who are bound by instruction or a third party. This rule should be applied not later than 1 January 2013.

Board of Directors

The Company has a one-tier corporate governance structure and is administered and managed by the Board of Directors.
In FY2012 Company's Board of Directors was composed of 6 directors. The information below sets forth the names, positions, election date, and terms of office of the members of the Board of Directors, discharging their responsibilities as for reporting date of 30th June 2012.

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

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

On the date of the issuing of financial statement, i.e. October 31, 2012, the Company's Board of Directors composed of 6 directors as Mr. Andrey Bolshakov submitted his resignation from the office on September 20, 2011. The resignation came into force on September 21, 2011.

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

Committees of the Board of Directors

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

Audit Committee

In accordance with Article 13.2 of the Issuer's Articles of Association, the Audit Committee shall be composed of at least one independent member of the Board of Directors. The Audit Committee is composed of the following directors: Mr. David Johnson, Mrs. Gwenaelle, Bernadette, Andree, Dominique Cousin and Mr. Jacob Mudde. The Audit Committee will assist in supervising the activities of the Board of Directors with respect to:
• monitoring the integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting methods used by the Issuer and the Group (including the criteria for the consolidation of the accounts of companies in the Group),

• reviewing at least annually the internal control and risk management systems, with a view to ensuring that the main risks (including those related to compliance with existing legislation and regulations) are properly identified, managed and disclosed,
• ensuring the effectiveness of the internal audit function (if such is appointed in the Company), in particular by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the department's budget, and by monitoring the responsiveness of management to its findings and recommendations.

General Meeting of Shareholders

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

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

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

Management statement

Management Statement

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

On behalf of management

Directors A:

Chairman of the Board of Directors
Viktor Vyshnevetskyy

Chief Operating Officer
Mykhailo Zolotarov

Business Development Director
Oleksandr Reznyk

Independent Non-executive Director
Arthur David Johnson

Directors B:

Independent Non-executive Director
Jacob Mudde

Independent Non-executive Director
Gwenaëlle Bernadette Andrèe Dominique Cousin

Luxembourg, 29 October 2012

COAL ENERGY S.A.

2012FY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Coal Energy S.A.

2012FY

Contents

Statement of Management responsibility

To the best of our knowledge, consolidated financial statements as of 30 June 2012 of Coal Energy S.A. which have been prepared in accordance with the international financial reporting standards, give a true and fair view of the assets, liabilities, financial position and result of its operations for the year ended 30 June 2012 as required under article 4(3) of the Law. The annual management report includes a fair review of the information required under article 4(4) of the Law.

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

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

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

On behalf of management

Directors A:

Chairman of the Board of Directors
Viktor Vyshnevetskyy

Chief Operating Officer
Mykhailo Zolotarov

Business Development Director
Oleksandr Reznyk

Independent Non-executive Director
Arthur David Johnson

Directors B:

Independent Non-executive Director
Jacob Mudde

Independent Non-executive Director
Gwenaëlle Bernadette Andrée Dominique Cousin

Luxembourg, 29 October 2012

interaudit

Cabinet de révision agréé

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

Independent auditor's report (Réviseur d'Entreprises Agréé) on the consolidated financial statements as at June 30, 2012

We have audited the accompanying consolidated financial statements of COAL ENERGY S.A. and its subsidiaries (the «Group» hereinafter), which comprise the consolidated statement of financial position as at June 30, 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' Responsibility

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at June 30, 2012, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

Without qualifying our opinion, we draw your attention to:

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

Note 31 'Related party transactions' describes that the Group concludes a significant portion of its transactions with related parties.

As stated in Note 32 "Management of financial risks", the Group conducts its customer credit assessments partly on the basis of publically available information. As at June 30, 2012, trade receivables include a balance amounting to USD 12 089 thousand owed by a customer for whom little information is publically available. Payment terms for the outstanding balance had not expired and a portion of the initial balance has been repaid as of the date of the approval of the consolidated financial statements. Directors are of the opinion that the remaining balance is fully recoverable.

Report on other legal and regulatory requirements

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

Luxembourg, October 29, 2012

INTERAUDIT S.à r.l.
Cabinet de révision agréé

Edward KOSTKA
Managing partner

Coal Energy S.A.

Management report for the year ended 30 June 2012

Management of the Company hereby presents its audited consolidated financial statements for the year ended on 30 June 2012.

1. Consolidation scope.

The consolidated financial statements include the balance of Coal Energy Trading Limited and Coal Energy Ukraine LLC subsidiaries that were incorporated as at 27 September 2011 and 15 November 2011 respectively. During the year no companies were liquidated.

2. Results and developments during the year.

For the year ended 30 June 2012 the Group recorded an EBITDA profit of USD 61,914 thousands (USD 52,614 thousands – for the year ended 30 June 2011). After depreciation, amortization, finance costs and finance income the final profit for the year ended 30 June 2012 after taxation was USD 38,435 thousands (USD 36,848 thousands – for the year ended 30 June 2011).

3. Future developments of the Group.

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

4. Activity in the field of research and development.

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

5. Own shares.

During the period ended 30 June 2012, the Company and its affiliates have not repurchased of shares of Coal Energy S.A.

6. 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.

7. 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.

All financial market risks are managed in accordance with the treasury and financial risk management policies, as described in Note 32 of the consolidated financial statements.

The Group does not use hedging derivatives.

Exposure to each category of risk is detailed in Note 32 of consolidated financial statements.

For Coal Energy S.A.:

Directors A:

Chairman of the Board of Directors
Viktor Vyshnevetskyy

Chief Operating Officer
Mykhailo Zolotarov

Business Development Director
Oleksandr Reznyk

Independent Non-Executive Director
Arthur David Johnson

Luxembourg, 29 October 2012

Directors B:

Independent Non-Executive Director
Jacob Mudde

Independent Non-Executive Director
Gwenaëlle Bernadette Andrée Dominique Cousin

Coal Energy S.A.

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

Corporate Governance Statement

Directors:

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

Audit Committee:

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

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

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

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

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

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

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

There are no restrictions on voting rights.

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

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

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

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

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

Powers of Directors

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

Rights of the shareholders

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

Transfer of shares

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

Vyktor Vyshnevetskyy
Director A

Gwenaelle Bernadette Andree Dominique Cousin
Director B

Mykhailo Zolotarov
Director A

Jacob Mudde
Director B

Oleksandr Reznyk
Director A

Arthur David Johnson
Director A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

(in thousands USD, unless otherwise stated)

	Note	Year ended 30 June 2012	Year ended 30 June 2011
Revenue	6	165,454	150,867
Cost of Sales	7	(95,408)	(96,192)
GROSS PROFIT		**70,046**	**54,675**
General and administrative expenses	8	(6,581)	(4,598)
Selling and distribution expenses	9	(11,092)	(7,238)
Other operational income/ (expenses)	10	1,156	3,959
OPERATING PROFIT		**53,529**	**46,798**
Other non-operating income/(expenses)	11	140	(1,935)
Financial income	13	894	2,143
Financial costs	14	(9,379)	(7,519)
PROFIT BEFORE TAX		**45,184**	**39,487**
Income tax expenses	15	(6,749)	(2,639)
PROFIT FOR THE PERIOD		**38,435**	**36,848**
OTHER COMPREHENSIVE INCOME:			
Effect of foreign currency translation		(56)	(99)
TOTAL OTHER COMPREHENSIVE INCOME/LOSS		**(56)**	**(99)**
TOTAL COMPREHENSIVE INCOME:		**38,379**	**36,749**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the parent		35,940	35,273
Non-controlling interests		2,495	1,575
		38,435	**36,848**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent		35,884	35,170
Non-controlling interests		2,495	1,579
		38,379	**36,749**
Weighted average number of ordinary shares outstanding		44,271,211	7,973,639
BASIC EARNINGS PER ORDINARY SHARE		81.18	442
(expressed in USD cents)			

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

Notes on pages 13 to 41 are an integral part of these consolidated financial statements

J. Mudde

Director B

D. Cousin

Director B

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012
(in thousands USD, unless otherwise stated)

	Note	As at 30 June 2012	As at 30 June 2011
ASSETS			
Non-current assets			
Property, plant, equipment	16	90,538	43,771
Intangible assets	17	8,727	8,925
Financial assets	18	3,862	3,345
Deferred tax assets	15	2,094	3,525
		105,221	**59,566**
Current assets			
Inventories	19	8,991	4,929
Trade and other receivables	20	32,683	3,838
Prepayments and prepaid expenses	21	764	876
Financial assets	18	24,037	23,786
Other taxes receivables	23	1,646	334
Cash and cash equivalents	24	5,226	1,601
		73,347	**35,364**
TOTAL ASSETS		**178,568**	**94,930**
EQUITY AND LIABILITIES			
Equity			
Share capital	25	450	338
Share premium		77,578	-
Retained earnings		51,581	14,642
Effect of foreign currency translation		(6,614)	(6,558)
Equity attributable to equity holders of the parent		**122,995**	**8,422**
Non-controlling interest		442	(1,076)
TOTAL EQUITY		**123,437**	**7,346**
Non-current liabilities			
Loans and borrowings	26	34	7,711
Finance lease liabilities	27	6,542	6,559
Defined benefit obligation	28	15,903	16,823
Trade and other payables	30	487	1,976
Other tax payable	23	244	387
Provision	29	8,335	7,719
Deferred tax liabilities	15	2,255	137
		33,800	**41,312**
Current liabilities			
Loans and borrowings	26	5,878	27,599
Finance lease liability	27	1,280	1,283
Trade and other payables	30	9,819	11,040
Income tax payables	15	472	1,941
Other tax payables	23	3,882	4,409
		21,331	**46,272**
TOTAL LIABILITIES		**55,131**	**87,584**
TOTAL EQUITY AND LIABILITIES		**178,568**	**94,930**

Notes on pages 13 to 41 are an integral part of these consolidated financial statements

J. Mudde
Director B

G.B.A.D. Cousin
Director B

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012
(in thousands USD, unless otherwise stated)

	Equity attributable to equity holders of the parent						
	Share capital	Share premium	Retained earnings	Effect of foreign currency translation	Total	NCI	Total equity
As at 01 July 2010	**38**	**-**	**22,750**	**(6,455)**	**16,333**	**(145)**	**16,188**
Profit for the period	-	-	35,273	-	**35,273**	1,575	**36,848**
Other comprehensive income	-	-	-	(103)	**(103)**	4	**(99)**
Total comprehensive income	**-**	**-**	**35,273**	**(103)**	**35,170**	**1,579**	**36,749**
Addition of subsidiaries	300	-	-	-	**300**	-	**300**
Disposal of subsidiary	-	-	591	-	**591**	202	**793**
Equity distribution[1]	-	-	(43,972)	-	**(43,972)**	(2,712)	**(46,684)**
As at 30 June 2011	**338**	**-**	**14,642**	**(6,558)**	**8,422**	**(1,076)**	**7,346**
Profit for the period	-	-	35,940	-	**35,940**	2,495	**38,435**
Other comprehensive income	-	-	-	(56)	**(56)**	-	**(56)**
Total comprehensive income	**-**	**-**	**35,940**	**(56)**	**35,884**	**2,495**	**38,379**
Increase in share capital	112	80,541	-	-	**80,653**	-	**80,653**
Expenses related to IPO[2]	-	(2,963)	-	-	**(2,963)**	-	**(2,963)**
Changes in share in subsidiaries	-	-	999	-	999	(977)	22
As at 30 June 2012	**450**	**77,578**	**51,581**	**(6,614)**	**122,995**	**442**	**123,437**

There were no dividends paid during the year ended 30 June 2012.

Notes on pages 13 to 41 are an integral part of these consolidated financial statements

J. Mudde
Director B

G.B.A.D. Cousin
Director Bf

[1] - equity distribution made up to 30 June 2011 represented dividends in substance, which had ceased as at 31 March 2011.
[2] – initial public offering.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2012

(in thousands USD, unless otherwise stated)

	Year ended 30 June 2012	Year ended 30 June 2011
OPERATING ACTIVITIES		
Profit before tax	**45,184**	**39,487**
Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortization expenses	8,437	5,831
Finance income	(894)	(2,143)
Finance costs	9,379	7,519
(Recovery of doubtful debts)/expenses for doubtful debts	(27)	64
Income from sale of property, plant and equipment	(1,481)	(107)
Writing-off of non-current assets	1,120	314
(Profit)/loss from exchange differences	(336)	249
Movements in defined benefits plan obligations	(879)	3,886
Shortages and losses from impairment of inventory	3	118
Income from current assets received free of charge	(876)	(2)
Impairment of non-financial assets	-	3
	59,630	**55,219**
Working capital adjustments:		
Change in trade and other receivables	(27,627)	6,071
Change in advances made and deferred expenses	113	(387)
Change in inventories	(3,207)	14,180
Change in trade and other payables	(2,471)	(4,713)
Change in other tax balances	(2,045)	3,200
	24,393	**73,570**
Income tax paid	(4,673)	(604)
Net cash flow from operating activity	19,720	72,966
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(57,624)	(10,520)
Proceeds from sale of property, plant and equipment and intangible assets	150	266
Purchase of financial assets	(9,706)	(37,962)
Proceeds from sale of financial assets	7,074	31,783
Acquisition of a subsidiaries, net of cash flow acquired	-	17
Net cash flow from investing activity	**(60,106)**	**(16,416)**
FINANCIAL ACTIVITIES		
Proceeds from loans and borrowings	5,512	16,336
Repayment of loans and borrowings	(19,552)	(16,629)
Proceeds from interest free financial liabilities	2,412	45,428
Repayment of interest free financial liabilities and notes issued	(17,652)	(47,637)
Emission of share capital	112	300
Equity distribution	-	(46,684)
Net proceeds from share issue[1]	77,578	-
Interest paid	(3,033)	(6,167)
Net cash flow from financial activity	**45,377**	**(55,053)**
NET CASH FLOWS	4,991	1,497
Cash and cash equivalents at the beginning of the period	**1,601**	**108**
Effect of translation to presentation currency	(1,366)	(4)
Cash and cash equivalents at the end of the period	**5,226**	**1,601**

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

Notes on pages 13 to 41 are an integral part of these consolidated financial statements

J. Mudde
Director B

G.B.A.D. Cousin
Director B

Notes to consolidated financial statements for the year ended 30 June 2012

1 General information

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

Parent company and its subsidiaries	Country of incorporation	Group shareholding, % as at	
		30 June 2012	30 June 2011
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	-
Donbasuglerazrabotka LLC	Ukraine	99,00	99,00
Donugletekhinvest LLC	Ukraine	99,00	99,00
Nedra Donbasa LLC	Ukraine	99,00	99,00
Donprombiznes LLC	Ukraine	99,00	99,00
Ugledobycha LLC	Ukraine	99,99	99,99
Donantracit LLC	Ukraine	99,99	99,99
Tekhinovatsiya LLC	Ukraine	99,99	99,99
Eximenergo LLC	Ukraine	99,00	99,00
Antratcit LLC	Ukraine	99,00	99,00
CwAL LE Sh/U Chapaeva	Ukraine	99,00	86,62
CwAL LE Novodzerzhynskaya Mine	Ukraine	99,00	74,55
Coal Energy Ukraine 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.

The consolidated financial statements include the balance of Coal Energy Trading Limited and Coal Energy Ukraine LLC subsidiaries that were incorporated as at 27 September 2011 and 15 November 2011 respectively.

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

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

These consolidated financial statements were authorized by the Board of Directors as at 29 October 2012.

2 Basis of preparation of the annual consolidated financial statements

2.1 Basis of preparation

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

2.2 Statement of compliance

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

2.3 Basis of consolidation

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

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

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income. Costs, appeared in connection with the purchase of subsidiaries are recognized as expenses.

Inter-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Subsequent to the loss of control of a subsidiary the value of remained share is revalued at fair value that influences the amount of income/loss from the disposal.
Before June 30, 2010 the Parent company did not have direct or indirect ownership interest in consolidated entities included in the consolidated financial statements. The pooling of interest method was applied for business combinations under common control for the earlier periods.

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

2.4 Changes in accounting policy and disclosures
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.
The group has not applied the following standards and IFRIC interpretations and also amendments to them that have been issued but are not yet effective:
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 annual consolidated financial statements are consistent with those followed in the preparation of the Group`s annual financial statements for the year ended 30 June 2011.

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 annual consolidated financial statements were as follows:

Currency	30 June 2012	Average for year ended 30 June 2012	30 June 2011	Average for year ended 30 June 2011	30 June 2010
UAH/USD	7.9925	7.9831	7.9723	7.9368	7.9070

3 Summary of significant accounting policies (continued)

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.
(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 capitalised 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 not retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

3.10 Inventories

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

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

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

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

3 Summary of significant accounting policies (continued)

3.11 Value added tax (VAT)

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

3.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash and short term deposits as defined above, net of outstanding bank overdrafts.

3.13 Share capital

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

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 year ended 30 June 2012

	Business segments				
	Mineral resource and processing industry	**Trade activity**	**Other activity**	**Assets and liabilities not included in segments**	**Total**
Revenue					
Sales to external customers	162,253	2,783	418	-	**165,454**
	162,253	**2,783**	**418**	**-**	**165,454**
Gross profit of the segment	**69,752**	**211**	**83**	**-**	**70,046**
Depreciation and amortization expenses	(8,437)	-	-	-	**(8,437)**
Impairment of inventories	(3)	-	-	-	**(3)**
Defined benefits plan obligations income	879	-	-	-	**879**
Operational assets	**141,549**	**139**	**15**	**36,865**	**178,568**
Operational liabilities	**(36,974)**	**(840)**	**(14)**	**(17,303)**	**(55,131)**
Disclosure of other information					
Capital expenditure	**57,445**	-	-	-	**57,445**

Assets of segments do not include financial assets (USD 27,899 thousand), cash (USD 5,226 thousand), other taxes receivable (USD 1,646 thousand), as well as deferred tax assets (USD 2,094 thousand), since management of these assets is carried out at the Group's level.
Liabilities of segments do not include deferred tax liabilities (USD 2,255 thousand), non-current loans and borrowings (USD 34 thousand), current loans and borrowings (USD 5,878 thousand), other taxes payable (USD 4,126 thousand), income tax payables (USD 472 thousand), provision on tax liabilities (USD 4,538 thousand), since management of these liabilities is carried out at the Group's level.

Information about the segments of business for the year ended 30 June 2011

	Business segments				
	Mineral resource and processing industry	**Trade activity**	**Other activity**	**Assets and liabilities not included in segments**	**Total**
Revenue					
Sales to external customers	140,220	10,336	311	-	150,867
	140,220	**10,336**	**311**	**-**	**150,867**
Gross profit of the segment	**49,702**	**4,662**	**311**	**-**	**54,675**
Depreciation and amortization expenses	(5,831)	-	-	-	**(5,831)**
Defined benefits plan obligations expenses	(3,886)	-	-	-	**(3,886)**
Impairment of inventories	(30)	-	-	-	**(30)**
Operational assets	**60,977**	**1,255**	**107**	**32,591**	**94,930**
Operational liabilities	**(41,009)**	**(394)**	**-**	**(46,181)**	**(87,584)**
Disclosure of other information					
Capital expenditure	**25,766**	-	-	-	**25,766**

6 Information on operational segments (continued)

Assets of segments do not include financial assets (USD 27,131 thousand), cash (USD 1,601 thousand), other taxes receivable (USD 334 thousand), as well as deferred tax assets (USD 3,525 thousand), since management of these assets is carried out at the Group's level.
Liabilities of segments do not include deferred tax liabilities (USD 137 thousand), non-current loans and borrowings (USD 7,711 thousand), current loans and borrowings (USD 27,599 thousand), other taxes payable (USD 4,796 thousand), income tax payables (USD 1,941 thousand), provision on tax liabilities (USD 3,997 thousand), since management of these liabilities is carried out at the Group's level.

	Year ended 30 June 2012	Year ended 30 June 2011
Revenue received from sale of finished goods	162,253	140,220
Revenue from trading activity	2,783	10,336
Revenue from other activity	418	311
	165,454	**150,867**

Geographic information

Revenue from external customers	Year ended 30 June 2012	Year ended 30 June 2011
Ukraine	110,952	112,311
Countries of the CIS	65	1,356
Countries of distant foreignness	54,437	37,200
	165,454	**150,867**

Specific of the Group's activity implies that the Clients, revenue from which is more than 10% (three main clients as at 30 June 2012) composed USD 95,595 thousand as at 30 June 2012 and presented in table below:

	Year ended 30 June 2012	Year ended 30 June 2011
Client 1	48,390	18,915
Client 2	24,243	2,160[1]
Client 3	22,962	18,708
Client 4	13,680[1]	16,389
	109,275	**56,172**

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

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

7 Cost of sales

	Year ended 30 June 2012	Year ended 30 June 2011
Raw materials	(28,412)	(25,864)
Wages and salaries of operating personnel	(36,762)	(32,649)
Change in finished goods	4,547	(10,562)
Energy supply	(13,112)	(9,568)
Cost of merchandising inventory	(2,572)	(5,674)
Subcontractors services	(8,420)	(2,854)
Depreciation and amortization expenses	(8,127)	(5,698)
Repairs and maintenance	(1,100)	(2,428)
Taxes and duties	(1,116)	(718)
Lease	(334)	(177)
	(95,408)	**(96,192)**

8 General and administrative expenses

	Year ended 30 June 2012	Year ended 30 June 2011
Wages and salaries of administrative personnel	(4,055)	(2,692)
Subcontractors services	(1,599)	(1,376)
Bank services	(475)	(207)
Depreciation and amortization expenses	(136)	(66)
Other expenses	(316)	(257)
	(6,581)	**(4,598)**

Audit fees for the year ended 30 June 2012 composed USD 268 thousand (USD 318 thousand for the year ended 30 June 2011) and included in 'Subcontractor services' line.

9 Selling expenses

	Year ended 30 June 2012	Year ended 30 June 2011
Delivery costs	(9,316)	(6,205)
Wages and salaries of distribution personnel	(690)	(659)
Subcontractors services	(903)	(256)
Depreciation and amortization expenses	(122)	(16)
Other expenses	(61)	(102)
	(11,092)	**(7,238)**

10 Other operating income/expenses

	Year ended 30 June 2012	Year ended 30 June 2011
Expenses due to idle capacity	-	(231)
Writing-off of VAT	(216)	(691)
Profit/(loss) from exchange differences	336	(249)
Income/Expenses for doubtful debts	27	(64)
Income from Emission Reduction Units sale	858	5,194
Other operating income	190	-
Other operating expenses	(39)	-
	1,156	**3,959**

11 Other non-operating income/ (expenses)

	Year ended 30 June 2012	Year ended 30 June 2011
Gain/(loss) from sale of property, plant and equipment	1,481	125
Writing-off of non-current assets	(1,120)	(314)
Depreciation of non-operating property, plant and equipment	(52)	(15)
Wages and salaries of non-operating personnel	(272)	(567)
Expenses/Income from recognized penalties, fines, charges	(171)	(217)
Social sphere expenses	(397)	(372)
Other non-operating income	1,057	44
Other non-operating expenses	(386)	(619)
	140	**(1,935)**

During the reporting period, the Company had income arising from scrap metal received during the capital works related to underground mining. As at reporting period it composed USD 617 thousand.

12 Depreciation and amortization expenses

Depreciation	Year ended 30 June 2012	Year ended 30 June 2011
Cost of sales	(7,229)	(4,821)
General and administrative expenses	(136)	(66)
Selling and distribution expenses	(122)	(16)
Depreciation of non-operating property, plant and equipment	(52)	(15)
Depreciation of property, plant and equipment which are temporary not used	-	(36)
	(7,539)	**(4,954)**
Amortization		
Cost of sales	(898)	(877)
	(898)	**(877)**
	(8,437)	**(5,831)**

13 Finance incomes

	Year ended 30 June 2012	Year ended 30 June 2011
Income/(expenses) from measurement of financial assets at amortized cost	867	1,079
Income from initial recognition of financial liabilities at amortized cost	-	1,055
Interest income	27	9
	894	**2,143**

14 Finance costs

	Year ended 30 June 2012	Year ended 30 June 2011
Interest expenses	(1,269)	(4,230)
Finance lease expenses	(1,588)	(1,508)
Unwinding of discount	(743)	(590)
Loss from sale of assets held-to-maturity	(601)	(361)
(Loss)/gain from non-operational exchange differences	(1,523)	(361)
(Expenses)/income from measurement of financial assets at amortized cost	(1,206)	(299)
Expenses from measurement of financial liabilities at amortized cost	(1,031)	(167)
Impairment loss of loans issued	(1,418)	-
Other expenses	-	(3)
	(9,379)	**(7,519)**

15 Income tax income/expenses

	Year ended 30 June 2012	Year ended 30 June 2011
Current income tax (rate 25%)	-	(546)
Current income tax (rate 23%)	(2,518)	(1,943)
Current income tax (rate 21%)	(684)	-
Deferred tax	(3,547)	(150)
Income tax expenses	**(6,749)**	**(2,639)**
At the beginning of the period	**(1,941)**	**(21)**
Current income tax charge (rate 25%)	-	(546)
Current income tax charge (rate 23%)	(2,518)	(1,943)
Current income tax charge (rate 21%)	(684)	-
Increase on acquisition of subsidiary	-	(43)
Amount paid in the period	4,673	604
Effect of translation to presentation currency	(2)	8
At the end of the period	**(472)**	**(1,941)**
Effect		
Profit before tax (rate 25%)	-	30,634
Profit before tax (rate 23%)	(24,136)	8,853
Profit before tax (rate 21%)	(21,048)	-
Income tax (rate 25%)	-	(7,659)
Income tax (rate 23%)	(5,551)	(2,036)
Income tax (rate 21%)	(4,420)	-
Effect from decrease of income tax rate	-	(1,391)
Effect of previously unrecognized temporary differences	2,619	-
Effect of different statutory tax rates of overseas jurisdictions	1,483	-
Tax effect of permanent differences	(880)	8,447
Income tax income/(expenses)	**(6,749)**	**(2,639)**

During the years ended 30 June 2011 Ukrainian corporate income tax was levied on taxable income less allowable expenses at a rate of 25%.
In March 2011, the Ukrainian Parliament adopted a new Tax Code, which became effective on 1 January 2011. According to the new Tax Code, a tax rate of 23% is applied starting from 1 April 2011, 21% – from 1 January 2012, 19% – from 1 January 2013 and 16% – from 1 January 2014. When estimating deferred taxes as at 30 June 2012, the Group accounted for the decrease in the income tax rate and other implications of the new Tax Code.

During 2011 financial year the amount of permanent differences mostly includes the effect from transactions aimed to effective taxation rate optimization.

15 Income tax income/expenses (continued)

Recognized tax assets and liabilities

	30 June 2011	Recognized in profit (loss)	Effect of translation to presentation currency	30 June 2012
Effect of temporary differences on deferred tax assets				
Property, plant and equipment, intangible assets	1,379	(1,039)	(3)	337
Inventories	99	464	(1)	562
Financial instruments	111	(111)	-	-
Provisions	595	13	(1)	607
Defined benefit plan obligations	2,692	(141)	(5)	2,546
Charged vacation expenses	529	93	(1)	621
Folded on individual Companies' level	(1,880)			(2,579)
Total deferred tax assets	**3,525**	**(721)**	**(11)**	**2,094**
Effect of temporary differences on deferred tax liabilities				
Property, plant and equipment, intangible assets	(1,207)	(3,271)	8	(4,470)
Financial instruments	(810)	445	1	(364)
Folded on individual Companies' level	1,880			2,579
Total deferred tax liabilities	**(137)**	**(2,826)**	**9**	**(2,255)**
Net deferred tax asset/(liability)	**3,388**	**(3,547)**	**(2)**	**(161)**

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 2010	Recognized in profit (loss)	Effect of translation to presentation currency	Increase as result of acquisition of subsidiary	30 June 2011
Effect of temporary differences on deferred tax assets					
Property, plant and equipment, intangible assets	1,668	(277)	(12)	-	1,379
Inventories	-	100	(1)	-	99
Financial instruments	219	(106)	(2)	-	111
Prepayments received	322	(320)	(2)	-	-
Provisions	513	(229)	(7)	318	595
Defined benefit plan obligations	2,100	(549)	(24)	1,165	2,692
Charged vacation expenses	334	95	(4)	104	529
Transfer of tax allowances at future periods	527	(525)	(2)	-	-
Folded on individual Companies' level	(1,073)	-	-	-	(1,880)
Total deferred tax assets	**4,610**	**(1,811)**	**(54)**	**1,587**	**3,525**
Effect of temporary differences on deferred tax liabilities					
Property, plant and equipment, intangible assets	(1,384)	2,100	18	(1,941)	(1,207)
Financial instruments	(145)	(591)	5	(79)	(810)
Prepayments and deferred expenses	(153)	152	1	-	-
Folded on individual Companies' level	1,073	-	-	-	1,880
Total deferred tax liabilities	**(609)**	**1,661**	**24**	**(2,020)**	**(137)**
Net deferred tax asset	**4,001**	**(150)**	**(30)**	**(433)**	**3,388**

16 Property, plant and equipment

Cost	Underground mining	Buildings and constructions	Machinery, equipment and vehicles	Other	Construction in progress	Total
as at 30 June 2010	**13,920**	**8,745**	**11,235**	**802**	**-**	**34,702**
Additions	1,398	1,781	7,105	525	**-**	**10,809**
Additions from acquisition of subsidiary	9,455	3,996	4,547	113	**-**	**18,111**
Disposals	-	(163)	(1,290)	(79)	**-**	**(1,532)**
Effect of translation to presentation currency	(199)	(112)	(156)	(8)	**-**	**(475)**
as at 30 June 2011	**24,574**	**14,247**	**21,441**	**1,353**	**-**	**61,615**
Additions	37,177	3,238	11,323	823	4,159	**56,720**
Disposals	-	(553)	(2,512)	(314)	**-**	**(3,379)**
Effect of translation to presentation currency	(104)	(40)	(63)	(4)	(5)	**(216)**
as at 30 June 2012	**61,647**	**16,892**	**30,189**	**1,858**	**4,154**	**114,740**
Accumulated depreciation						
as at 30 June 2010	**(3,415)**	**(2,697)**	**(4,366)**	**(295)**	**-**	**(10,773)**
Depreciation for the period	(1,115)	(569)	(3,005)	(265)	**-**	**(4,954)**
Additions from acquisition of subsidiary	(249)	(821)	(2,066)	(58)	**-**	**(3,194)**
Disposals	-	71	840	35	**-**	**946**
Effect of translation to presentation currency	36	31	62	2	**-**	**131**
as at 30 June 2011	**(4,743)**	**(3,985)**	**(8,535)**	**(581)**	**-**	**(17,844)**
Depreciation for the period	(1,430)	(664)	(4,720)	(725)	**-**	**(7,539)**
Disposals	-	103	866	157	**-**	**1,126**
Effect of translation to presentation currency	15	11	26	3	**-**	**55**
as at 30 June 2012	**(6,158)**	**(4,535)**	**(12,363)**	**(1,146)**	**-**	**(24,202)**
Net book value						
as at 30 June 2011	**19,831**	**10,262**	**12,906**	**772**	**-**	**43,771**
as at 30 June 2012	**55,489**	**12,357**	**17,826**	**712**	**4,154**	**90,538**

As at 30 June 2012 loans and borrowings of the Group were pledged by the property, plant and equipment with carrying amount of USD 510 thousand (30 June 2011 – USD 7,529 thousand): Note 26 "Loans and borrowings".

During the year ended 30 June 2012 any borrowing costs were capitalized as property, plant and equipment.

During the year ended 30 June 2012 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.

During 4th quarter of 2012 financial year LLC Antracit has started construction of modular processing complex "Snejnaynskaya 2". As at 30 June 2012 construction in progress related to "Snejnaynskaya 2" composed USD 3,043 thousand and prepayments made as at 30 June 2012 composed USD 1,116 thousand. As at 30 June 2012 capital commitments related to Property, plant and equipment composed USD 450 thousand.

As at the date of presentation of the financial statements the Group contractual commitments are presented in table below.

Subsidiary name	Subject of agreement	Capital commitment as at 30 June 2012
Antratcit LLC	modular concentration plant	289
Antratcit LLC	spiral concentrator system	139
Antratcit LLC	motor-truck scales	22
		450

As at 30 June 12 Group has performed impairment test of Property, plant and equipment and Intangible assets using weighted average cost of capital rate 22%. As the result, impairment loss was not identified.

17 Intangible assets

Cost	Licenses, special permissions and patent rights	Other intangible assets	Other projects and permissions	Total
as at 30 June 2010	**9,751**	**32**	**126**	**9,909**
Additions	3	21	16	**40**
Disposals	(3)	(5)	(28)	**(36)**
Effect of translation to presentation currency	(80)	(1)	(2)	**(83)**
as at 30 June 2011	**9,671**	**47**	**112**	**9,830**
Additions	690	7	28	**725**
Disposals	-	(1)	(7)	**(8)**
Effect of translation to presentation currency	(29)	-	-	**(29)**
as at 30 June 2012	**10,332**	**53**	**133**	**10,518**
Accumulated depreciation				
as at 30 June 2010	**(3)**	**(3)**	**(39)**	**(45)**
Amortization charge for the period	(857)	(2)	(18)	**(877)**
Disposal	-	1	9	**10**
Effect of translation to presentation currency	6	-	1	**7**
as at 30 June 2011	**(854)**	**(4)**	**(47)**	**(905)**
Amortization charge for the period	(873)	(7)	(18)	**(898)**
Disposals	-	1	5	**6**
Effect of translation to presentation currency	6	-	-	**6**
as at 30 June 2012	**(1,721)**	**(10)**	**(60)**	**(1,791)**
Net book value				
as at 30 June 2011	**8,817**	**43**	**65**	**8,925**
as at 30 June 2012	**8,611**	**43**	**73**	**8,727**

As at 30 June 2012 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 854 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 3 584 thousand (CwAL LE Sh/U Chapaeva);
-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 3 492 thousand (CwAL LE Sh/U Chapaeva).
- 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 671 thousand (Nedra Donbasa LLC).
As at 30 June 2012 there are no pledged intangible assets.
As at 30 June 2012 there are no contractual commitments as for intangible assets of the Group.

18 Financial assets

	At 30 June 2012	At 30 June 2011
Non-current financial assets		
Held-to-maturity investments	3,603	3,345
Loans issued	259	-
	3,862	**3,345**
Current financial assets		
Loans issued	24,037	23,786
	24,037	**23,786**

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 year ended 30 June 2012, 2011 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.
Interest free loans issued mainly to related parties were prolonged during the year ended 30 June 2012. After detailed evaluation of each counterparty's financial position management of the Group expects the repayment of loans issued during 2013 financial year.

19 Inventories

	At 30 June 2012	At 30 June 2011
Raw materials	2,018	2,713
Finished goods	5,850	1,347
Spare parts	945	667
Merchandise	138	146
Other inventories	40	56
	8,991	**4,929**

As at 30 June 2012 bank loans were secured by finished goods, carrying amount of which is USD 2,584 thousand (as at 30 June 2011 finished goods were pledged as collateral on amount USD 251 thousand).

20 Trade and other receivables

	At 30 June 2012	At 30 June 2011
Trade receivables	30,247	3,948
Allowances for trade receivables	(182)	(211)
Other receivables	148	98
Allowances for other receivables	(9)	(25)
Receivables on sale of property, plant and equipment	2,479	26
Receivables on sale of financial assets	-	2
	32,683	**3,838**

As at 30 June 2012 there are no trade receivables in pledge (as at 30 June 2011 - trade receivables amounting to USD 1,796 thousands are pledged as collateral).

21 Prepayments and prepaid expenses

	At 30 June 2012	At 30 June 2011
Advances paid	676	835
Deferred expenses	88	41
	764	**876**

22 Changes in allowance made

	At 30 June 2012	At 30 June 2011
Balance as at the beginning of the period	**(236)**	**(181)**
Reverse/(Accrual)	27	(64)
Use of allowances	19	7
Effect of translation to presentation currency	(1)	2
Balance as at the end of the period	**(191)**	**(236)**

	At 30 June 2012	At 30 June 2011
Allowances for trade accounts receivable	(182)	(211)
Allowances for other accounts receivable	(9)	(25)
	(191)	**(236)**

23 Other taxes

	At 30 June 2012	At 30 June 2011
Current taxes receivable		
VAT recoverable	1,645	201
Prepayments for wages and salaries related taxes	1	132
Prepayments for other taxes	-	1
	1,646	**334**
Current taxes payable		
VAT payable	(1,860)	(2,669)
Payable for wages and salaries related taxes	(1,587)	(1,520)
Payables for other taxes	(435)	(220)
	(3,882)	**(4,409)**
Non-current taxes payable		
Payables for other taxes	(191)	(243)
Payable for wages and salaries related taxes	-	(76)
Payable for VAT	(53)	(68)
	(244)	**(387)**

24 Cash and cash equivalents

	At 30 June 2012	At 30 June 2011
Cash in bank	5,226	1,600
Cash in transit	-	1
	5,226	**1,601**

25 Share capital

	At 30 June 2012		At 30 June 2011	
	%	Amount	%	Amount
Lycaste Holding Limited	75	338	100	338
Free float	25	112	-	-
	100	**450**	**100**	**338**

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

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

Par value per share as at 30 June 2012 was 0,01 USD (30 June 2011 – 1 EUR per share).
As at 30 June 2012 all shares issued by the Group are fully paid.

26 Loans and borrowings

	At 30 June 2012	At 30 June 2011
Non-current loans and borrowings		
Borrowings received	-	12,044
Notes issued	34	385
	34	**12,429**
Deducting current portion of long-term borrowings		
Current portion of long-term borrowings	-	4,718
Total non-current loans and borrowings	**34**	**7,711**
Current loans and borrowings		
Bank loans	5,878	7,789
Interest free financial liabilities	-	15,092
Current portion of long-term borrowings	-	4,718
Total current loans and borrowings	**5,878**	**27,599**

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 year ended 30 June 2012. The management of the Group is going to hold notes until the maturity date.

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

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

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

The amount of non-current loans and borrowings as at 30 June 2011 comprises the followings borrowings:
— borrowing amounting to USD 5,250 thousand received by Ugledobycha LLC in USD according to the credit agreement concluded with Katiema Enterprises LTD with credit limit equaling to USD 6,300 thousand. Annual interest rate equals to 15%. Obligations under this credit agreement are guaranteed by the equipment of Ugledobycha LLC, book value of which amounts to USD 514 thousand; by the equipment of Donprombiznes LLC book value of which amounts to USD 425 thousand; by the equipment of Tekhinovatsiya LLC, book value of which amounts to USD 408 thousand. Maturity date is on 19 December 2013. Current portion of the borrowing amounts to USD 2,100 thousand. As at the date of signing financial statements the borrowing was fully repaid.

— borrowing amounting to USD 2,795 thousand received by Ugledobycha LLC in USD according to the credit agreement concluded with Katiema Enterprises LTD with credit limit equaling to USD 3,900 thousand. Annual interest rate equals to 15,5%. Obligations under this credit agreement are guaranteed by the property of LLC "Agro-industrial firm "Aval", pledged value of which amounts to USD 11,276 thousand. Maturity date is on 10 March 2014. Current portion of the borrowing amounts to USD 1,017 thousand. As at the date of signing financial statements the borrowing was fully repaid.

— borrowing amounting to USD 3,999 thousand received by Eximenergo LLC in USD according to the credit agreement concluded with Katiema Enterprises LTD with credit limit equaling to USD 4,800 thousand. Annual interest rate equals to 15%. Obligations under this credit agreement are guaranteed by the equipment of Eximenergo LLC, book value of which amounts to USD 4,085 thousand; by the equipment of Ugledobyvauchie Technologies LLC, pledging value of which amounts to USD 3,010 thousand. Maturity date is on 2 December 2013. Current portion of the borrowing amounts to USD 1,601 thousand. As at the date of signing financial statements the borrowing was fully repaid.

The amount of current loans and borrowings as at 30 June 2011 comprises the followings borrowings:

— loan amounting to USD 1,882 thousand received by Donbasuglerazrabotka LLC in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equaling to USD 1,882 thousand. Annual interest rate equals to 18%. Obligations under this credit agreement are guaranteed by the property of Antratcit LLC, pledging value of which amounts to USD 305 thousand; by the guarantee of individuals Vyshnevetskyy V.V. and Vyshnevetska M.P. amounting to USD 1,882 thousand. Maturity date is on 23 March 2012.

— loan amounting to USD 3,136 thousand received by Donantracit LLC in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equaling to USD 3,136 thousand. Annual interest rate equals to 18%. Obligations under this credit agreement are guaranteed by the property of Donbasuglerazrabotka LLC, book value of which amounts to USD 678 thousand, by the property of Nedra Donbasa LLC, book value of which amounts to USD 1,113 thousand. Maturity date is on 4 November 2011.

- loan amounting to USD 1,756 thousand was received by Donantracit in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equaling to USD 1,756 thousand. Annual interest rate equals to 18%. Obligations under this credit agreement are guaranteed by the property of Agro-industrial firm "Aval" LLC, pledged value of which amounts to USD 1,984 thousand; by the finished goods (coal) pledged value of which amounts to USD 251 thousand, by the revenue under the contracts amounting to USD 1,524 thousand, by the guarantee of individuals Vyshnevetskyy V.V. and Vyshnevetska M.P. amounting to USD 1,756 thousand, by the guarantee of CwAL LE Sh/U Chapaeva amounting to USD 1,756 thousand. Maturity date is 27 April 2012.

— borrowing amounting to USD 1,015 thousand received by Antratcit in EUR according to the credit agreement concluded with Ukrainian Business Bank PJSC with credit limit equaling to USD 2,973 thousand. Annual interest rate equals to 16%. Obligations under this credit agreement are guaranteed by the corporate rights on share capital Antratcit LLC equal 100% share capital, property rights of Donprombiznes, pledging value of which amounts to USD 12,606 thousand. Maturity date is on 31 August 2011. As at the date of signing financial statements the borrowing was fully repaid.

26 Loans and borrowings (continued)

Essential terms:

	Currency	Nominal interest rate, %	30 June 2012	30 June 2011
Non-current borrowings	USD	15.00	-	9,249
Non-current borrowings	USD	15.50	-	2,795
			-	**12,044**

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

	At 30 June 2012	At 30 June 2011
within 1 year	-	4,718
from 1 to 5 years	56	8,098
more than 5 years	-	-
	56	**12,816**

Terms of current loans and borrowings

	At 30 June 2012	At 30 June 2011
On demand	-	8,462
Within 3 months	-	7,645
From 3 to 12 months	5,878	6,774
	5,878	**22,881**

27 Finance lease liabilities

	At 30 June 2012		At 30 June 2011	
	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	1,412	1,283
From 1 to 5 years	5,634	3,342	5,648	3,350
More than 5 years	57,770	3,200	59,329	3,209
	64,812	**7,822**	**66,389**	**7,842**
Future finance charges	(56,990)	-	(58,547)	-
Present value of lease obligation	**7,822**	**7,822**	**7,842**	**7,842**
Current portion of financial lease obligation		**(1,280)**		**(1,283)**
Non-current financial lease obligation		**6,542**		**6,559**

In 2009 CwAL LE Sh/U Chapaeva negotiated the contract of lease of state property-integral property complex GC Shakhtoupravlinnia named after V.I. Chapaeva.
In 2010 CwAL LE Novodzerzhynskaya Mine 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 (CwAL LE Sh/U Chapaeva - until 11 February 2058, CwAL LE Novodzerzhynskaya Mine - 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 30 June 2012	At 30 June 2011
Property, plant and equipment	29,076	22,253
Intangible assets	7,151	7,897
	36,227	**30,150**

28 Defined benefit plan obligation

	At 30 June 2012	At 30 June 2011
Long-term defined benefits plan obligations	15,903	16,823
	15,903	**16,823**

Changes in present value of defined benefits plan obligations:

	Year ended 30 June 2012	Year ended 30 June 2011
Defined benefits plan obligations at the beginning of the period	**16,899**	**6,787**
Current service cost	2,223	2,541
Interest expense	1,708	1,775
Actuarial loss/gain	3,142	2,464
Paid benefits	(1,930)	(1,209)
Past service cost	(3,714)	-
Increase due to purchase of subsidiary	-	4,661
Effect of translation to presentation currency	(44)	(120)
Defined benefits plan obligations at the end of the period	**18,284**	**16,899**

Amount in consolidated statement of financial position:

	At 30 June 2012	At 30 June 2011
Present value of unfunded defined benefits plan obligations	18,284	16,899
Unrecognized actuarial gain	(2,953)	185
Unrecognized past service cost	572	(261)
Defined benefits plan obligations	**15,903**	**16,823**

Amount in consolidated statement of comprehensive income:

	Year ended 30 June 2012	Year ended 30 June 2011
Current services cost	2,223	2,541
Recognized actuarial loss/gain	2	714
Interest expense	1,708	1,775
Recognized past service cost	(2,881)	66
Total	**1,052**	**5,096**

Movements in the present value of defined benefit plan obligations were as follows:

	Year ended 30 June 2012	Year ended 30 June 2011
At the beginning of the period	**16,823**	**8,401**
Benefits paid	(1,930)	(1,209)
Net expenses in consolidated statements of comprehensive income	1,052	5,096
Increase due to purchase of subsidiary	-	4,661
Effect of translation to presentation currency	(42)	(126)
At the end of the period	**15,903**	**16,823**

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

	At 30 June 2012	At 30 June 2011
Discount rate	14%	14%
Future salary increases	6.5%	10%
Employee turnover	14%	10%

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

Factor	**Influence of changes in factor on liability value**	
	+1%	**-1%**
Discount rate	-7.3463%	8.4301%
Salary increase	1.3775%	-1.2443%
Employee turnover	4.5875%	0.0004%

29 Provisions

	At 30 June 2012	At 30 June 2011
Non-current provisions		
Provision for land restoration	3,233	3,243
Dismantling provision	564	479
Provision on tax liabilities	4,538	3,997
	8,335	**7,719**

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

	Year ended 30 June 2012	Year ended 30 June 2011
Balance as at the beginning of the period	**7,719**	**2,052**
Unwinding of discount	743	590
Provision utilized for the period	(107)	-
Provision charge for the period	-	112
Increase due to acquisition of subsidiary	-	1,271
Transfer from current provisions	-	3,747
Effect of translation to presentation currency	(20)	(53)
Balance as at the end of the period	**8,335**	**7,719**

30 Trade and other payables

Current trade and other payables:

	At 30 June 2012	At 30 June 2011
Trade payables	2,627	2,642
Advances received	102	1,900
Payables for wages and salaries	2,303	1,728
Payables for unused vacations	2,959	2,302
Payables for acquisition property, plant and equipment	395	990
Interest due	33	209
Payables for financial assets	-	2
Other payables	1,400	1,267
	9,819	**11,040**

Non-current trade and other payables:

	At 30 June 2012	At 30 June 2011
Trade payables	-	1,258
Other payables	487	718
	487	**1,976**

As at 30 June 2012 CwAL LE Novodzerzhynskaya Mine has non-current liabilities to SE "Regionalnye Elektricheskie Seti" amounting to USD 1,053 thousands (nominal value). Current portion of non-current liability amounting to USD 328 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%.

31 Related party transactions

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

Ultimate controlling party is Mr. Vyshnevetskyy V.
The sales of finished goods, merchandises and rendering of the services to related parties are made at terms equivalent to those that prevail in arm's length transactions on market price basis. Provision of loans and operations with notes are made at terms different from the independent parties transactions.
Transactions between related parties attributable to the second category are occasional and not significant, thus, they are not disclosed in these consolidated financial statements.

31 Related party transactions (continued)

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

Items of consolidated statements of comprehensive income

	Year ended 30 June 2012	**Year ended 30 June 2011**
Income from sales of finished products, goods	2,332	14,271
Income from rendering of services	171	31
Income from sale of property, plant and equipment	29	22
Income from operating lease	4	-
Purchases of inventories	15,782	17,388
Purchases of property, plant and equipment	8,954	4,849
Purchases of services	4,441	1,089
Finance expenses from sales assets held for maturity	433	-
Impairment loss of loans issued	1,088	-
Operating lease expenses	279	147

Items of consolidated statements of financial position

	Year ended 30 June 2012	**Year ended 30 June 2011**
Held-to-maturity investments	3,257	2,976
Current loans issued	23,809	23,556
Non-current loans issued	159	-
Trade receivables	1,101	159
Receivables on sale of property, plant and equipment	1,483	26
Other receivables	-	18
Advances paid	57	324
Prepayments for property, plant and equipment	439	-
Trade payables	977	1,031
Payables for acquisition property, plant and equipment	376	593
Other payables	83	170
Interest-free financial liabilities	-	8,109

It should be noted that the average delay period in payment for main debtors is 95 days.

Remuneration of key management personnel

	Year ended 30 June 2012	**Year ended 30 June 2011**
Wages and salaries	(244)	(546)
Bonuses	(8)	(9)
Contribution to Pension Fund and other social taxes	(118)	(36)
Dismissal benefits	(12)	(4)
	(382)	**(595)**
The average number of key management personnel, persons	**20**	**26**

For the year ended 30 June 2012 there were no other benefits to key management personnel except above listed.

Remuneration of personnel

	Year ended 30 June 2012	**Year ended 30 June 2011**
Wages and salaries of operating personnel	36,762	33,649
Wages and salaries of administrative personnel	4,055	2,692
Wages and salaries of distribution personnel	690	659
Wages and salaries of non-operating personnel	272	567
Wages and salaries of personnel involved in production of property, plant and equipment	1,720	319
Wages and salaries of personnel in the period of idle capacity	-	38
The average number of employees, persons	7,018	6,812

32 Management of financial risks

Operating environment

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

Ukrainian tax legislation is characterized by frequent changes is subject to controversial interpretations. Tax authorities may be taking a more assertive position in their interpretation of the legislation and tax assessments. Such cases create a taxation risk exposure which considerably exceeds that of the countries with more advanced tax systems. Management believes that its interpretation of the relevant legislation as of 30 June 2012 is appropriate and all of the Croup's tax will be sustainable. Though, amount of VAT recoverable, as well as terms of such refunds substantially depends on the position of tax authorities.

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

Financial risk factors

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

Credit risk

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

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

As at 30 June 2012 Group has 5 major clients (30 June 2011- 12 Clients) with the balances over USD 1,000 thousand that equals approximately 84% (30 June 2011- 85%) of the total trade and other receivables.

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

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

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

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

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

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

	At 30 June 2012	At 30 June 2011
Trade receivables	30,065	3,737
Other receivables	139	73
Receivables on sale of property, plant and equipment	2,479	26
Held-to-maturity investments	3,603	3,345
Loans issued	24,296	23,786
Cash and cash equivalents	5,226	1,601
	65,808	**32,542**

Distribution of trade receivables and receivables on sale of property, plant and equipment by maturities is as follows:	At 30 June 2012	At 30 June 2011
Undue	26,319	3,518
Past due but not impaired	6,225	219
	32,544	**3,737**

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

32 Management of financial risks (continued)

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

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

as at 30 June 2011	within 30 days	from 30 to 90	from 90 to 180	from 180 to 360	more than 360	Total
Past due but not impaired trade receivables	55	51	91	22	-	**219**

After the reporting date the trade receivables of two main customers of the Group amounting to USD 22,199 thousand was prolonged.
After the reporting date the receivables relates to sale of property, plant and equipment amounting to USD 2,430 thousand was prolonged.

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

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

Customer reliability is evaluated and approved by following departments:

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

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

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

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Approach of the Group to the liquidity management lies in providing, as much as possible, permanent availability of the liquid funds, sufficient for the repayment of liabilities in time, not allowing losses and not exposing to risk of the Group.
Liquidity risk management implies maintaining the availability of funding through an adequate amount of committed credit facilities. Management analyses regularly terms of settlement of obligations and receipts from financial assets, monitors the expected cash flows from operating activities.

Distribution of financial liabilities by maturities is as follows:

as at 30 June 2012	on demand	within 30 days	from 30 to 90 days	from 90 to 180 days	from 180 to 360 days	from 1 to 5 years	more than 5 years	Total
Trade payables	131	727	265	198	1,306	-	-	**2,627**
Other payable	150	3,871	1,161	431	1,476	725	-	**7,814**
Non-current loans and borrowings	-	-	-	-	-	56	-	**56**
Current loans and borrowings	-	-	-	3,628	2,250	-	-	**5,878**
Obligation under finance lease	-	117	235	352	704	5,634	57,770	**64,812**
	281	**4,718**	**1,661**	**4,609**	**5,736**	**6,412**	**57,770**	**81,187**

as at 30 June 2011	on demand	within 30 days	from 30 to 90 days	from 90 to 180 days	from 180 to 360 days	from 1 to 5 years	more than 5 years	Total
Trade payables	791	399	764	180	507	1,259	-	**3,900**
Other payable	310	2,960	1,245	641	1,275	1,109	-	**7,540**
Non-current loans and borrowings	-	-	-	-	4,718	8,098	-	**12,816**
Current loans and borrowings	8,462	-	7,645	3,136	3,638	-	-	**22,881**
Obligation under finance lease	-	118	235	353	706	5,648	59,329	**66,389**
	9,563	**3,477**	**9,889**	**4,310**	**10,844**	**16,114**	**59,329**	**113,526**

32 Management of financial risks (continued)

Market risk

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

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

USD	At 30 June 2012	Increase/decreases in exchange rate	Effect on profit before tax
Cash and cash equivalents	2,560	0.2%	5
		-0.2%	(5)
Trade receivables	659	0.2%	1
		-0.2%	(1)
Trade payables	(27)	0.2%	-
		-0.2%	-
Current loan and borrowings received	(2,250)	0.2%	(4)
		-0.2%	4
Total effect of change in exchange rate		**Increase**	**2**
		Decrease	**(2)**

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

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

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

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

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

	Current position	Change of composite index	
		+5%	-5%
Revenue	165,454	165,454	165,454
Cost of sales	(95,408)	(97,484)	(93,332)
Gross profit	**70, 046**	**67,970**	**72,122**
Administrative expenses	(6,581)	(6,581)	(6,581)
Selling expenses	(11,092)	(11,092)	(11,092)
Other operation income	1,156	1,156	1,156
Operating Profit	**53,529**	**51,453**	**55,605**
Other non-operating income/expenses	139	139	139
Financial income	894	894	894
Financial costs	(9,379)	(9,379)	(9,379)
Profit before tax	**45,183**	**43,107**	**47,259**
Income tax	(6,477)	(6,673)	(6,673)
Net profit	**38,706**	**36,434**	**40,586**
EBITDA	**61,914**	**59,838**	**63,990**

32 Management of financial risks (continued)

Interest rate risk

The Group is exposed to the effects of fluctuations in interest rates which may negatively affect the financial results of the Group. The Group uses fixed interest rate for loans and borrowings, thus it is not affected by changes in interest rate risk.

Financial instruments

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

	Carrying amount		Fair values	
	at 30 June 2012	at 30 June 2011	at 30 June 2012	at 30 June 2011
Financial assets				
Non-current financial assets				
Notes receivable	3,603	3,345	3,603	3,345
Loans issued	259	-	259	-
Current financial assets				
Loans issued	24,037	23,786	21,628	23,786
Trade and other receivables	32,683	3,841	32,683	3,841
Cash and cash equivalents	5,226	1,601	5,226	1,601
Financial liabilities				
Non-current loans and borrowings				
Borrowings received	-	12,044	-	12,044
Notes issued	34	385	34	385
Non-current trade and other payables	487	1,976	487	1,976
Current loans and borrowings				
Bank loans	5,878	7,789	5,878	7,789
Interest free financial liabilities	-	15,092	-	15,092
Notes issued	-	-	-	-
Obligation under finance lease	7,822	7,842	7,822	7,842
Trade and other payables	9,717	11,040	9,717	11,040

The following methods and assumption were used to estimate fair values:

Cash and short-term deposits, trade receivables, trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Current loans issued are presented at amortized cost, using 18% as discounting rate.

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

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

Capital management

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

33 Operating lease

Operating lease liabilities - the Group as a lessee

The Group concluded certain agreements on commercial lease of production facilities, office premises and equipment. The terms of lease under these agreements vary from 1 to 5 years. The indicated agreements about a lease do not impose any limitations on the Group.
Information about basic lease agreements is presented below:

Lessor	Type of the property transferred in a lease	The amount of expenses for the year ended 30 June	
		2012	2011
LLC "Ugledobyvajushie tehnologii"	production facility	175	109
LLC "Citadel Mega City"	premises	30	74
LLC "Mechanic"	premises	25	23
LLC "Donbassugleprohodka "	production facility	17	-
LLC "Aval"	production facility, premises	11	13
Other	production facility, transport, office premises	34	18
		292	**237**

Minimum lease payments to be paid in future periods under non-cancellable lease agreements are immaterial.

Operating lease liabilities - the Group as a lessor

The Group concluded certain agreements on commercial lease of office and working areas, equipment of the Group. The terms of lease under these agreements vary from 1 to 3 years.
Information about basic lease agreements is presented below:

Lessee	Type of the property transferred in a lease	The amount of income for the year ended 30 June	
		2012	2011
Donprombiznes LLC	production facility, office premises	13	112
Ugledobycha LLC	production facility, office premises	3	39
CwAL LE Novodzerzhynskaya Mine	production facility	3	-
CwAL LE Sh/U Chapaeva	production facility	3	-
Other	production facility, office premises, working areas	2	2
		24	**153**

Minimum lease payments to be received in future periods under non-cancellable lease agreements are immaterial.

34 Contingent assets and liabilities

As at the date of presentation of the financial statements the Group is involved in legal processes with total amount of liabilities to the third parties amounting to USD 20 thousands.

The management of the Group considers that other claims of the Group to the third parties and other Claims of third parties to the Group are not material and have no impact on regular economic activity.

35 Off-balance sheet liabilities

Companies of the Group were engaged in indemnity contracts and guarantee contracts to secure liabilities of third parties.
As at 30 June 2012 contracts of guarantee assuring liabilities LLC “Ugletechnic” amount to USD 10,009 thousands. Maturity date is 15 August 2014.

36 Subsequent events

On 16 August 2012 Antracit LLC signed loan agreement with Ukrainian Business Bank (credit limit amounts USD 4,500 thousand). The loan was fully disbursed till the date of publication of consolidated financial statement. Credit currency is USD. Interest rate is 13%. Maturity date is 15 August 2017.

On 17 September 2012 CwAL LE Sh/U Chapaeva signed loan agreement with Loricom Holdings Group LTD with credit limit USD 20,000 thousand with interest rate 11%. CwAL LE Sh/U Chapaeva received first tranche amounting to USD 10,000 thousand. Credit currency is USD. Maturity date is 15 September 2017.

On 1 October 2012 CwAL LE Sh/U Chapaeva signed deposit agreement with Ukrainian Business Bank on amount USD 10,000 thousand with interest rate 11%. Deposit currency is USD. Maturity date is 18 September 2017.

36 Subsequent events (continued)

On 18 September 2012 CwAL LE Sh/U Chapaeva signed loan agreement with Ukrainian Business Bank (credit limit amounts USD 20,000 thousand). On the date of publication USD 4,000 thousand were disbursed. Credit currency is USD. Interest rate is 13%. Maturity date is 17 September 2013.

During the period from 30 June 2012 till the date of publication of consolidated financial statement Coal Energy Ukraine LLC attract USD 2,878 thousand in accordance with agreement that was signed with Ukrainian Business Bank as at 14 June 2012. Credit limit is USD 5,880 thousand. Credit currency is UAH. Interest rate is 21%. Maturity date is 31 January 2013.

At the date of publication loan received by Donantracit LLC in UAH on amount USD 1,751 thousand was repaid. Donantracit LLC obtained new tranche on the same amount USD 1,751 thousand. Interest rate was changed from 19,5% to 25%. Maturity date is 17 April 2013.

From 10 October 2012 CwAL LE Sh/U Chapaeva was renamed to CwAL LE “Sh/U Blagoveshenskoe”.

From 5 July 2012 CwAL LE Novodzerzhynskaya Mine was renamed to CwAL LE “Mine St. Matrona Moskovskaya”.

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