COAL ENERGY S.A.

Unaudited interim consolidated report for the 3 months FY2013 ended 30th September 2012

Dear Shareholders,

We would like to report our results for the first quarter of 2013 financial year. Coal Energy S.A. (hereinafter "the Group" and/or "Coal Energy") ended 1Q FY2013 with the following key results:

- mining of thermal coal increased by 25.2% y-o-y to 400.4 thousand tonnes, while mining output of coking and dual-purpose coal increased by 5.7% y-o-y to 72.8 thousand tonnes,

- sales of thermal coal amounted up to 375 thousand tonnes, increased by 13.6% y-o-y, in the same time sales of coking coal reached 65 thousand tonnes, increased by 8.3% y-o-y. Sales of thermal coal q-o-q decreased by 25.4% from 503 thousand tonnes in 4Q FY2012 while sales of coking coal for 1Q FY2013 resulted in a lower decrease of 11.0% from 73 thousand tonnes in 4Q FY2012. Such decrease was caused mainly by abnormally high comparison base: in 4Q FY2012 Coal Energy marketed inventory surplus, created in the previous quarter,

- total revenue remained almost unchanged compared to the same period of FY2012 and reached US$39.4 million. Quarter over quarter revenue demonstrated a decline of 19.8% from US$49.1 million mainly due to abnormally high comparison base as explained above.

Despite challenging business environment and decreasing prices the Group managed to maintain reasonable profitability compared to the same period of FY2012. Gross profit margin comprised 38.1% (decreased from 46.6%), EBITDA margin composed 34.3% (decreased from 40.3%), net profit margin totalled 19.0% (decreased from 20.9%) and debt to EBITDA (EBITDA calculated for the last 4 consecutive quarters) of 0.4x (increased from 0.2x). *We consider such financial results as moderate amid the uncertainties prevailing in the coal markets as addressed further.*

Market environment remained difficult both on the local and export sales directions. Markets continue to be the destabilizing factor adding to the uncertainties of the coal mining industry as well as exercising negative impact on coal prices. Sales and prices of coking coal depend heavily on the steel markets perspectives which still remain volatile. Seasonality and substantial sales volumes of thermal coal to power and heating plants in 4Q FY2012 leading to creating substantial stocks by them limited growth of sales volumes in 1Q FY2013. Mixed seasonal and macroeconomic factors resulted in limited demand and also led to increase in Group's coal inventory levels up to 1.5x of average monthly production output during the reporting quarter. We expect to dispose these later in FY2013. *Moreover we can see some positive actions encouraging coal production taken by the state. As a measure to support coal market the government confirms its plans to intensify usage of coal for power and heat generation substituting expensive natural gas consumption.*

Coal prices and sales niches will remain the most important concerns of the market participants in the nearest run. Hence we will apply efforts to follow the practice of concluding annual contracts with the major off-takers – the practice turned to be reasonable during the period of contracting markets.

The Group's strategic target is to cover demand of its customers in order to maintain long-term relationship with them. In order to reach this goal the Group allows sales on credit terms utilizing its low-leveraged balance sheet. *The Group should profit from increasing trading activity by absorbing sales of smaller coal producers. In 1Q FY2013 trading activity increased to 8.4% of total revenue from 2.3% in 1Q FY2012.*

The Group remains consistent in previously stated priorities of expanding its coal mining activities. Total production in 1Q FY2013 composed 543.7 thousands tonnes of coal and increased by 23.3% as compared to 1Q FY2012.
Alongside with production growth the Group continues to increase its coal reserve base. By the end of FY2013 the Group plans to prolong licenses for Donprombiznes LLC and Eximenergo PEK LLC and to acquire license for Donprombiznes LLC for additional 17.0 million tonnes of thermal coal reserves.
Investments in production efficiency (such as electricity reduction, drainage system modernization, installation etc.) and occupational health and safety of operations (mechanization, analysis and introduction of additional safety measures) will be under thorough control of the management.
Hence capital investments into operational efficiency, production growth and modernization of our facilities totalled US$16.3 million in 1Q FY2013. *The ultimate goal of staying focused on the investments is to decrease cash cost of production output and to secure sufficient output capacities to cover demand when the markets revive.*

The Group started negotiations with the European Bank for Reconstruction and Development on obtaining the long-term loan in amount up to US$70.0 million aimed at financing the development of the Group's waste coal recycling business, construction of beneficiating facilities and mechanization of CwAL LE "Sh/U Blagoveshenskoe" (renamed CwAL LE Sh/U Chapaeva). The project will also finance the implementation of energy efficiency, environmental and safety measures at the Group's priority mines and provide working capital to support its operations. *Completion of this initiative will support the Group's plans of becoming leading coal mining company in the region.*

We believe in and see positive and promising middle- and long-term prospects for coal consumption growth in Ukraine with some revival in calendar year 2013. We also see no other alternative for substituting coal by any other major energy source in the upcoming years in Ukraine, either because of higher prices or limited capacities of their production.

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

Review of financial and operational results for the 1Q FY2013

During the first quarter of FY2013 Coal Energy remained focused on improving the efficiency of its business segments, investing in mining to preserve and increase further output and securing previous financial achievements within challenging economic environment.

Revenue

Total revenue slightly decreased to US$39.4 million in the reporting quarter from US$39.7 million in 1Q FY2012, representing a 0.8% decline y-o-y.

In 1Q FY2013 compared to 1Q FY2012 revenue was affected by lower coking coal prices and decrease of thermal coal prices on the world markets below the local levels hence forcing to redirect sales of higher thermal coal volumes to the local market.

Most of sales were generated in the local market while share of export in total revenue decreased to 6.6% from 41.8% in the 1Q FY2012.

Trading activity of the Group increased in 1Q FY2013 by 3.6 times. Revenue from trading activity composed 8.4% in total revenue in 1Q FY2013 compared to 2.3% in 1Q FY2012.

Coal Energy managed to increase volumes of coal sales from mining and trading segments up to 440 thousand tones, by 12.8% y-o-y:

in thousand tonnes	1QFY12	1QFY13	change,%	9M calendar year 2011	9M calendar year 2012	change,%
Thermal	330	375	13.6%	1,075	1,180	9.8%
Coking	60	65	8.3%	196	196	-
Total	390	440	12.8%	1,271	1,376	8.3%

Slight seasonal increase in demand especially for thermal coal took place in summer. Higher sales took place during 4Q FY2012. Hence due to abnormally high comparable bases q-o-q sales -of coal in 1Q FY2013 demonstrated decrease. In 4Q FY2012 and 1Q FY2013 sales of the Group were additionally affected by the increased supply from state-owned coal producers.

in thousand tonnes	4QFY12	1QFY13	change,%	4Q FY11	1Q FY12	change,%
Thermal	503	375	(25.4%)	359	330	(8.1%)
Coking	73	65	(11.0%)	61	60	(1.6%)
Total	576	440	(23.6%)	420	390	(7.1%)

Cost of sales

Cost of sales increased to US$24.5 million from US$21.2 million in the comparable period of FY2012, or by 15.6% y-o-y.
Major drivers increasing cost of sales in 1Q FY2013 compared to 1Q 2012 were higher volumes of coal sold and cost increase of coal waste processing (the latter due to transportation of middlings to Postnikovskaya beneficiation plant till the end of the 1Q FY2013)

However, cash costs of mining per 1 tonne in 1Q FY2013 decreased by 4.0% as compared to 1Q FY2012 down to US$46.0 per tonne due to stronger output performance and better cost discipline in line with our strategy. The following table shows cost of production by each of the main segments of the Group in 1Q FY2013:

in thousands of US$	1Q FY12	1Q FY13
Cost of sales	**21,167**	**24,460**
Less:		
Cost of merchandising inventory	507	2,965
Change in inventories	(1,940)	(5,671)
Cost of other services	99	85
Depreciation and amortization	1,793	2,452
Total cash cost of production	**20,708**	**24,629**
Including:		
Total cash cost of mining	18,624	21,793
Total cash cost of beneficiation	699	675
Total cash cost of waste dumps processing	1,385	2,161
in US$ per tonne		
Cash cost of mining per 1 tonne of ROM coal	47.9	46.0
Cash cost of beneficiation per 1 tonne of ROM coal	7.9	10.0
Cash cost of waste processing per 1 tonne of saleable coal from waste dumps	26.6	30.6

Gross profit

Gross profit totaled US$15.0 million in 1Q FY2013 compared to US$18.5 million in 1Q FY2012, revealing 18.9% decline y-o-y. In 1Q FY2013 the gross profit margin decreased by 8.5 percentage points to 38.1% from 46.6% in 1Q FY2012.
Several factors influenced gross profit in the reporting quarter y-o-y. Comparably lower sales prices for coking and thermal coal depressed sales revenue (thermal coal was sold mainly in the local market at a price much lower compared to the export price in 1Q FY2012 as a consequence of world thermal coal prices compression below the levels of local thermal coal prices). Price decrease factor was partially offset by increase of sales volumes and decrease of cash costs of mining, resulting, however, in net decrease of gross profit.

Operating expenses

Selling and distribution expenses decreased to US$2.4 million in 1Q FY2013 from US$2.8 million in 1Q FY2012, by 14.3% y-o-y, mainly due to reduced export sales and hence lower transportation costs. Selling and distribution costs comprised 6.1% in relation to sales in 1Q FY2013 compared to 7.1% in 1Q FY2012.

General and administrative expenses increased up to US$1.7 million in 1Q FY2013 from US$1.3 million in the first three months of FY2012 reflecting increase in salaries of administrative personnel from US$0.8 million to US$1.2 million. General and administrative expenses constituted 4.3% of sales in 1Q FY2013 opposite to 3.3% in 1Q FY2012.

Operating profit

Due to the same factors which affected gross profit the result from operating activities (EBIT) reached US$10.9 million in the reported period compared to US$14.1 million in the comparable quarter of FY2012. Thus EBIT margin amounted 27.7% in 1Q FY2013 versus 35.5% in 1Q FY2012.

Other non-operating expenses/income

Other non-operating expenses comprise US$1.2 million in the reporting period compared to US$0.4 million in 1Q FY2012.

Net profit

Net profit decreased y-o-y to US$7.5 million from US$8.3 million. Net profit margin decreased by 1.9 percentage points y-o-y to 19.0% as a result of changes described above.

Production results

Coal Energy total production increased up to 543.7 thousands tonnes of coal in the 1Q FY2013 or by 23.3% as compared to 1Q FY2012, and by 6.5% as opposed to 4Q FY2012.

Underground mining. In 1Q FY2013 mining output increased up to 473.2 thousand tonnes from 388.8 thousand tonnes in 1Q FY2012, or by 21.7% y-o-y, and from 450.6 thousand tonnes in 4Q FY2012, or by 5.0% q-o-q.
Mining of thermal coal increased by 25.2% y-o-y to 400.4 thousand tonnes while mining output of coking and dual-purpose coal increased by 5.7% y-o-y to 72.8 thousand tonnes.

The table below shows mining volumes by each operating entity:

in thousands of tonnes	**Coal type**	**1Q FY12**	**1Q FY13**	**change,%**
Donbasuglerazrabotka LLC	Thermal	9.1	21.1	131.9%
Donprombiznes LLC	Thermal	63.2	83.1	31.5%
Eximenergo PEK LLC	Thermal	48.8	100.2	105.3%
Ugledobycha LLC	Thermal	56.6	42.7	(24.6%)
CwAL LE "Sh/U Blagoveshenskoe" (2)	Thermal	142.2	153.3	7.8%
Nedra Donbasa LLC	Coking	9.1	4.5	(50.5%)
Tekhinnovatsiya LLC	Dual-purpose	12.8	12.9	0.8%
CwAL LE "Mine St.Matrona Moskovskaya"(1)	Coking	47.0	55.4	17.9%
Total mining		**388.8**	**473.2**	**21.7%**
Antracit LLC	Coal concentrate	52.1	70.5	35.3%
Total production		**440.9**	**543.7**	**23.3%**

Coal waste dumps processing. In 1Q FY2013 123.2 thousand tonnes of middlings were processed into 70.5 thousand tonnes of coal concentrate at Postnikovskaya beneficiation plant, hence production of coal from waste dumps processing increased by 35.3% y-o-y.

Starting October 2012 middlings are no further beneficiated on the Postnikovskaya plant as technological equipment at coal waste dumps became a part of the new coal waste processing plant Prepodobnih Antoniya and Feodosiya of Kievo-Pechersk launched for start-up operations on the 19th of October 2012.

Beneficiation. Beneficiation of own coal mined and bought from third parties (excluding amounts of middlings beneficiation) decreased by 23.0% y-o-y to 67.8 thousand tonnes in 1Q FY2013 compared to 1Q FY2012. No beneficiation services to third parties were provided in 1Q FY2013 and 1Q FY2012.

Key margins and ratios

The following table summarizes the Group's key ratios for 1Q FY2012, 1Q FY2013, 9 months 2011 calendar year and 9 months 2012 calendar year.

in millions of US$	1Q FY12	1Q FY13	Relative change y-o-y	9 months calendar 2011	9 months calendar 2012	Relative change y-o-y
Revenue	39.7	39.4	(0.8%)	135.5	122.5	(9.6%)
Gross profit	18.5	15.0	(18.9%)	56.6	48.2	(14.8%)
EBIT	14.1	10.9	(22.7%)	47.7	35.8	(24.9%)
EBITDA	16.0	13.5	(15.6%)	52.3	42.3	(19.1%)
Net profit	8.3	7.5	(9.6%)	36.0	25.2	(30.0%)
as a percentage of revenue			Δ percentage points			Δ percentage points
Gross margin %	46.6%	38.1%	(8.5)	41.8%	39.3%	(2.5)
EBIT %	35.5%	27.7%	(7.8)	35.2%	29.2%	(6.0)
EBITDA %	40.3%	34.3%	(6.0)	38.6%	34.5%	(4.1)
Net earnings %	20.9%	19.0%	(1.9)	26.6%	20.6%	(6.0)
Ratios*:						
EBITDA/Finance costs	15.2	33.0		10.8	10.4	
Debt/EBITDA	0.2	0.4		0.2	0.4	
Net debt/EBITDA	n/a	0.4		n/a	0.4	

*- EBITDA for ratios calculation is taken for the last 4 consecutive quarters

Key events and outlook for upcoming quarter

- *According to the program of mechanization of mine transport with conveyors and increasing production within the Central Panel of the seam k_2 at Chapaeva Mine (one of the mines of CwAL LE Sh/U Blagoveshenskoe - renamed CwAL LE Chapaeva) undertakings on assembling a lifting machine have started. The lifting machine will be used for drawing coal from active longwalls to the surface. The machine is planned to be launched in 3Q FY2013 and is expected to add additional 9 thousand tonnes p.m. to production output of the Group starting 4Q FY2013.*

- *In October 2012 the Company sold next portion of Emission Reduction Units under the Kyoto protocol for US$227.5 thousand.*

- *On the 19th October 2012 the new coal waste processing plant Prepodobnih Antoniya and Feodosiya of Kievo-Pechersk (renamed Snezhnyanskaya-2 plant) was commissioned and start-up operations were launched. The new plant is expected to be able to operate at* *full capacity starting from 3Q FY2013 and is expected to produce 20-30 thousand tonnes of coal concentrate per month.*

- *In September 2012 CwAL LE Sh/U Blagoveshenskoe (renamed CwAL LE Chapaeva) signed 5-year loan agreement with the US$ denominated credit limit of US$20.0 million at interest rate of 11% p.a.. The company received the first tranche amounting to US$10.0 million on the 1st of October 2012.*

- *In October 2012 Coal Energy passed final review stage of the authorities of the European Bank for Reconstruction and Development and is awaiting consideration of the project by the bank's Board in December 2012. The project will be aimed at financing the development of Coal Energy's waste coal recycling and beneficiation businesses, as well as mechanization, energy efficiency and EHS upgrades at its priority mines. The investment program is expected to be structured in two parts. The first tranche of the loan would finance exclusively above ground assets and working capital requirements. The above ground assets will include development of waste coal recycling business and a new beneficiation plant to process and improve the quality of coal mined and bought-in. The second tranche will finance further development of the waste coal recycling business, the EHS upgrade and mechanization of Chapaeva mine and energy efficiency program at priority mines.*

Risks and uncertainties

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

The Group's business is dependent on the global market price of coal. Sales price and volumes in the worldwide coal market depend predominantly on the prevailing and expected levels of demand for and supply of coal, mainly from energy and steel manufacturers. Though the Ukrainian thermal and coking coal markets are a bit isolated from the world markets, still global financial crises may influence the Ukrainian coal prices. 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 generated in the local currency. Therefore local currency devaluation may inflate the amount of liabilities on the balance sheet. The Group will follow careful borrowing policy by striving for long-term financing in order to smoothen negative effects of any currency devaluation process and/or lag investments in time until the devaluation effects are accounted by the market.
Devaluation may provide opportunities for the Group on export markets. Depending on the scale of the devaluation and time period for its absorption by the prices in 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 with devaluation and in the same scope.

1Q2013FY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012

Coal Energy S.A.

1Q2013FY

Contents

Statement of Management responsibility

To the best of our knowledge, consolidated financial statements as of 30 September 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 three months ended 30 September 2012 as required under article 4(3) of the Law. The interim management report includes a fair review of the information required under article 4(4) of the Law.

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

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

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

On behalf of management

Directors A:

____
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, 23 November 2012

Coal Energy S.A.
Management report for the three months ended 30 September 2012

Management of the Company hereby presents its consolidated financial statements for the three months ended on 30 September 2012.

1. Results and developments during the three months ended 30 September 2012.

For the three months ended 30 September 2012 the Group recorded an EBITDA profit of USD 13,469 thousands (USD 15,958 thousands – for the three months ended 30 September 2011). After depreciation, amortization, finance costs and finance income the final profit for the three months ended 30 September 2012 after taxation was USD 7,519 thousands (USD 8,302 thousands – for the three months ended 30 September 2011).

2. 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 September 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.

The Group does not use hedging derivatives.

For Coal Energy S.A.:

Directors A:

____
Chairman of the Board of Directors
Viktor Vyshnevetskyy

____
Chief Operating Officer
Mykhailo Zolotarov

____
Business Development Director
Oleksandr Reznyk

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Independent Non-Executive Director
Arthur David Johnson

Directors B:

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Independent Non-Executive Director
Jacob Mudde

____
Independent Non-Executive Director
Gwenaëlle Bernadette Andrèe Dominique Cousin

Luxembourg, 23 November 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2012

(in thousands USD, unless otherwise stated)	Note	3 months ended 30 September 2012 (unaudited)	Year ended 30 June 2012 (audited)	3 months ended 30 September 2011 (unaudited)
Revenue	6	39,449	165,454	39,680
Cost of Sales	7	(24,460)	(95,408)	(21,167)
GROSS PROFIT		**14,989**	**70,046**	**18,513**
General and administrative expenses	8	(1,693)	(6,581)	(1,335)
Selling and distribution expenses	9	(2,376)	(11,092)	(2,755)
Other operational income/ (expenses)	10	28	1,156	(298)
OPERATING PROFIT		**10,948**	**53,529**	**14,125**
Other non-operating (expenses)/income	11	(1,150)	140	(428)
Financial income	13	1,017	894	314
Financial costs	14	(1,799)	(9,379)	(3,935)
PROFIT BEFORE TAX		**9,016**	**45,184**	**10,076**
Income tax expenses	15	(1,497)	(6,749)	(1,774)
PROFIT FOR THE PERIOD		**7,519**	**38,435**	**8,302**
OTHER COMPREHENSIVE INCOME:				
Effect of foreign currency translation		(11)	(56)	2
TOTAL OTHER COMPREHENSIVE LOSS/INCOME		**(11)**	**(56)**	**2**
TOTAL COMPREHENSIVE INCOME:		**7,508**	**38,379**	**8,304**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:				
Equity holders of the parent		7,449	35,940	7,394
Non-controlling interests		70	2,495	908
		7,519	**38,435**	**8,302**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the parent		7,439	35,884	7,396
Non-controlling interests		69	2,495	908
		7,508	**38,379**	**8,304**
Weighted average number of ordinary shares outstanding		45,011,120	44,271,211	41,953,299
BASIC EARNINGS PER ORDINARY SHARE *(expressed in USD cents)*		16.55	81.18	17.62

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

Notes on pages 9 to 30 are an integral part of these consolidated financial statements

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

	Note	As at 30 September 2012 (unaudited)	As at 30 June 2012 (audited)	As at 30 September 2011 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	16	103,743	90,538	49,882
Intangible assets	17	8,512	8,727	8,754
Financial assets	18	3,912	3,862	3,827
Deferred tax assets	15	1,595	2,094	3,238
		117,762	**105,221**	**65,701**
Current assets				
Inventories	19	15,117	8,991	7,851
Trade and other receivables	20	42,619	32,683	3,020
Prepayments and prepaid expenses	21	1,685	764	3,244
Financial assets	18	24,042	24,037	29,374
Other taxes receivables	23	1,177	1,646	426
Cash and cash equivalents	24	3,165	5,226	41,840
		87,805	**73,347**	**85,755**
TOTAL ASSETS		**205,567**	**178,568**	**151,456**
EQUITY AND LIABILITIES				
Equity				
Share capital	25	450	450	450
Share premium		77,578	77,578	77,578
Retained earnings		59,030	51,581	22,036
Effect of foreign currency translation		(6,624)	(6,614)	(6,556)
Equity attributable to equity holders of the parent		**130,434**	**122,995**	**93,508**
Non-controlling interest		511	442	(168)
TOTAL EQUITY		**130,945**	**123,437**	**93,340**
Non-current liabilities				
Loans and borrowings	26	4,536	34	383
Finance lease liabilities	27	6,542	6,542	6,559
Defined benefit obligation		15,911	15,903	16,763
Trade and other payables	29	423	487	662
Other tax payable	23	228	244	297
Provisions	28	8,555	8,335	7,736
Deferred tax liabilities	15	2,934	2,255	300
		39,129	**33,800**	**32,700**
Current liabilities				
Loans and borrowings	26	16,006	5,878	6,773
Finance lease liabilities	27	1,280	1,280	1,283
Trade and other payables	29	14,296	9,819	12,103
Income tax payables	15	269	472	1,280
Other tax payables	23	3,642	3,882	3,977
		35,493	**21,331**	**25,416**
TOTAL LIABILITIES		**74,622**	**55,131**	**58,116**
TOTAL EQUITY AND LIABILITIES		**205,567**	**178,568**	**151,456**

Notes on pages 9 to 30 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 30 SEPTEMBER 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 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[1]	-	(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**
Profit for the period	-	-	7,449	-	**7,449**	70	**7,519**
Other comprehensive income	-	-	-	(10)	**(10)**	(1)	**(11)**
As at 30 September 2012	**450**	**77,578**	**59,030**	**(6,624)**	**130,434**	**511**	**130,945**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011
(in thousands USD, unless otherwise stated)

	Equity attributable to equity holders of the parent						
	Share capital	**Share premium**	**Retained earnings**	**Effect of foreign currency translation**	**Total**	**NCI**	**Total equity**
As at 30 June 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 subsidiary	300	-	-	-	**300**	-	**300**
Disposal of subsidiary	-	-	591	-	**591**	202	**793**
Equity distribution	-	-	(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	-	-	7,394	-	**7,394**	908	**8,302**
Other comprehensive income	-	-	-	2	**2**	-	**2**
Total comprehensive income	-	-	7,394	2	**7,396**	908	**8,304**
Increase in share capital	112	80,541	-	-	**80,653**	-	**80,653**
Expenses related to IPO[1]	-	(2,963)	-	-	**(2,963)**	-	**(2,963)**
As at 30 September 2011	**450**	**77,578**	**22,036**	**(6,556)**	**93,508**	**(168)**	**93,340**

Notes on pages 9 to 30 are an integral part of these consolidated financial statements

[1] – Initial public offering.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2012

(in thousands USD, unless otherwise stated)	Three months ended 30 September 2012 (unaudited)	Year ended 30 June 2012 (audited)	Three months ended 30 September 2011 (unaudited)
OPERATING ACTIVITIES			
Profit before tax	**9,016**	**45,184**	**10,076**
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expenses	2,527	8,437	1,833
Finance income	(1,017)	(894)	(314)
Finance costs	1,799	9,379	3,935
Expenses for doubtful debts /(Recovery of doubtful debts)	5	(27)	(1)
Income from sale of property, plant and equipment	(54)	(1,481)	(14)
Expenses attributable to allowance for receivables on sale of property, plant and equipment	607	-	-
Writing-off of non-current assets	155	1,120	148
(Profit)/loss from exchange differences	-	(336)	(17)
Movements in defined benefits plan obligations	9	(879)	(60)
Shortages and losses from impairment of inventory	-	3	2
Income from current assets received free of charge	(144)	(876)	(1)
	12,903	**59,630**	**15,587**
Working capital adjustments:			
Change in trade and other receivables	(9,955)	(27,627)	(2,435)
Change in advances made and deferred expenses	(921)	113	(2,368)
Change in inventories	(5,982)	(3,207)	(2,924)
Change in trade and other payables	4,411	(2,471)	1,327
Change in other tax balances	212	(2,045)	(614)
	668	**24,393**	**8,573**
Income tax paid	(526)	(4,673)	(1,985)
Net cash flow from operating activity	**142**	**19,720**	**6,588**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	(16,931)	(57,624)	(8,010)
Proceeds from sale of property, plant and equipment and intangible assets	123	150	91
Purchase of financial assets	-	(9,706)	(8,534)
Proceeds from sale of financial assets	123	7,074	2,328
Net cash flow from investing activity	**(16,685)**	**(60,106)**	**(14,125)**
FINANCIAL ACTIVITIES			
Proceeds from loans and borrowings	14,628	5,512	-
Repayment of loans and borrowings	-	(19,552)	(13,053)
Proceeds from interest free financial liabilities	-	2,412	-
Repayment of interest free financial liabilities and notes issued	-	(17,652)	(15,094)
Emission of share capital	-	112	115
Net proceeds from share issue[1]	-	77,578	77,588
Interest paid	(152)	(3,033)	(378)
Net cash flow from financial activity	**14,476**	**45,377**	**49,178**
NET CASH FLOWS	**(2,067)**	**4,991**	**41,641**
Cash and cash equivalents at the beginning of the period	**5,226**	**1,601**	**1,601**
Effect of translation to presentation currency	6	(1,366)	(1,402)
Cash and cash equivalents at the end of the period	**3,165**	**5,226**	**41,840**

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

Notes on pages 9 to 30 are an integral part of these consolidated financial statements

Notes to consolidated financial statements for the three months ended 30 September 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 September 2012	30 September 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	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 "Mine St.Matrona Moskovskaya"	Ukraine	99,00	74,55
Coal Energy Ukraine LLC	Ukraine	100,00	-

* - from 10 October 2012 CwAL LE Sh/U Chapaeva was renamed to CwAL LE "Sh/U Blagoveshenskoe".

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

These consolidated financial statements were authorized by the Board of Directors as at 23 November 2012.

2 Basis of preparation of the interim consolidated financial statements

2.1 Basis of preparation

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

2.2 Statement of compliance

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

2.3 Basis of consolidation

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

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

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

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

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

2.4 Changes in accounting policy and disclosures
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.
The group has not applied the following standards and IFRIC interpretations and also amendments to them that have been issued but are not yet effective:
Amendments to IAS 1, Presentation of Financial Statements, which notably introduce a requirement for entities to present other items of comprehensive income (OCI) that will be reclassified to profit or loss in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss. Application of these is mandatory for annual periods beginning on or after July 1, 2012:
IFRS 9 Financial Instruments: Classification and Measurement - phase 1 of the accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement (effective from 1 January 2013);
IFRS 10 Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27 (revised), Consolidated and Separate Financial Statements, and IAS 28 (revised), Investments in Associates and Joint Ventures. Application of these standards is mandatory for annual periods beginning on or after January 1, 2013;
IFRS 12 Disclosure of Interest in Other Entities that applies to an entity that has interest in subsidiaries, joint arrangements, associates and/or structured entities (effective from 1 January 2013);
IFRS 13 Fair Value Measurement describes how to measure fair value where fair value required or permitted by IFRS (effective from 1 January 2013);
Amendments to IAS 12 “Income Taxes” – Limited scope amendment (effective from 1 July 2012).
The Group anticipates that the adoption of these standards and amendments in future periods will have no material impact on its financial statements. The Group currently does not plan early application of the above standards and interpretations.

3 Summary of significant accounting policies

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

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

Currency	30 September 2012	Average for three months ended 30 September 2012	30 September 2011	Average for three months ended 30 September 2011	30 June 2012
UAH/USD	7.9930	7.9930	7.9727	7.9717	7.9925

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 capitalized and the assets replaced are retired. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in item 'Other non-operating income (expenses)' in the statement of comprehensive income.
Depreciation is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as follows:

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

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

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

3.6 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.
Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

3 Summary of significant accounting policies (continued)

3.7 Intangible assets

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

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

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

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

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

3.8 Impairment of non-current assets

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

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

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

3.9 Financial assets

(1) Initial recognition and measurement

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

(2) Subsequent measurement

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

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

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

(b) Loans and receivables

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

(c) Held-to-maturity investments

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

3 Summary of significant accounting policies (continued)

(d) Available-for-sale financial assets

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

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

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

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

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

(3) Impairment of financial assets

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

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

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

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

(4) Derecognition of financial assets

The Group derecognizes financial assets when:

- the assets are redeemed or the rights to cash flows from the assets have otherwise expired;
- or the Group has transferred substantially all the risks and rewards of ownership of the assets;
- or the Group has neither transferred 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 three months ended 30 September 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	35,968	3,291	190	-	**39,449**
	35,968	**3,291**	**190**	**-**	**39,449**
Gross profit of the segment	**14,558**	**326**	**105**	**-**	**14,989**
Depreciation and amortization expenses	(2,527)	-	-	-	**(2,527)**
Defined benefits plan obligations income	(9)	-	-	-	**(9)**
Operational assets	**169,164**	**2,293**	**219**	**33,891**	**205,567**
Operational liabilities	**(39,726)**	**(2,427)**	**(117)**	**(32,352)**	**(74,622)**
Disclosure of other information					
Capital expenditure	**16,261**	-	-	-	**16,261**

Assets of segments do not include financial assets (USD 27,954 thousand), cash (USD 3,165 thousand), other taxes receivable (USD 1,177 thousand), as well as deferred tax assets (USD 1,595 thousand), since management of these assets is carried out at the Group's level.
Liabilities of segments do not include deferred tax liabilities (USD 2,934 thousand), non-current loans and borrowings (USD 4,536 thousand), current loans and borrowings (USD 16,006 thousand), other taxes payable (USD 3,870 thousand), income tax payables (USD 269 thousand), provision on tax liabilities (USD 4,737 thousand), since management of these liabilities is carried out at the Group's level.

Information about the segments of business for the three months ended 30 September 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	38,579	910	191	-	**39,680**
	38,579	**910**	**191**	**-**	**39,680**
Gross profit of the segment	**18,018**	**403**	**92**	**-**	**18,513**
Depreciation and amortization expenses	(1,833)	-	-	-	**(1,833)**
Defined benefits plan obligations expenses	60	-	-	-	**60**
Operational assets	**71,239**	**1,365**	**147**	**78,705**	**151,456**
Operational liabilities	**(40,618)**	**(453)**	**-**	**(17,045)**	**(58,116)**
Disclosure of other information					
Capital expenditure	**8,149**	-	-	-	**8,149**

Assets of segments do not include financial assets (USD 33,201 thousand), cash (USD 41,840 thousand), other taxes receivable (USD 426 thousand), as well as deferred tax assets (USD 3,238 thousand), since management of these assets is carried out at the Group's level.
Liabilities of segments do not include deferred tax liabilities (USD 300 thousand), non-current loans and borrowings (USD 383 thousand), current loans and borrowings (USD 6,773 thousand), other taxes payable (USD 4,274 thousand), income tax payables (USD 1,280 thousand), provision on tax liabilities (USD 4,035 thousand), since management of these liabilities is carried out at the Group's level.

6 Information on operational segments (continued)

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Revenue received from sale of finished goods	35,968	162,253	38,579
Revenue from trading activity	3,291	2,783	910
Revenue from other activity	190	418	191
	39,449	**165,454**	**39,680**

Geographic information

Revenue from external customers	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Ukraine	36,852	110,952	23,109
Countries of the CIS	-	65	-
Countries of distant foreignness	2,597	54,437	16,571
	39,449	**165,454**	**39,680**

Specific of the Group's activity implies that the Clients, revenue from which is more than 10% (three main clients as at 30 September 2012) composed USD 30,392 thousand as at 30 September 2012 and presented in table below:

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Client 1	12,798	48,390	9,445
Client 2	11,603	4,041	-
Client 3	5,991	-	-
Client 4	-	22,962	8,615
Client 5	-	13,841	3,453
Client 6	-	24,243	2,369
	30,392	**113,477**	**23,882**

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

7 Cost of sales

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Raw materials	(9,322)	(28,412)	(4,567)
Wages and salaries of operating personnel	(10,150)	(36,762)	(9,595)
Change in finished goods	5,671	4,547	1,940
Energy supply	(3,219)	(13,112)	(2,715)
Cost of merchandising inventory	(2,965)	(2,572)	(507)
Subcontractors services	(1,404)	(8,420)	(3,040)
Depreciation and amortization expenses	(2,452)	(8,127)	(1,793)
Other expenses	(619)	(2,550)	(890)
	(24,460)	**(95,408)**	**(21,167)**

8 General and administrative expenses

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Wages and salaries of administrative personnel	(1,210)	(4,055)	(802)
Subcontractors services	(286)	(1,599)	(293)
Bank services	(127)	(475)	(98)
Depreciation and amortization expenses	(35)	(136)	(17)
Other expenses	(35)	(316)	(125)
	(1,693)	**(6,581)**	**(1,335)**

9 Selling and distribution expenses

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Delivery costs	(2,061)	(9,316)	(2,356)
Wages and salaries of distribution personnel	(157)	(690)	(244)
Subcontractors services	(106)	(903)	(127)
Depreciation and amortization expenses	(34)	(122)	(5)
Other expenses	(18)	(61)	(23)
	(2,376)	**(11,092)**	**(2,755)**

10 Other operating income/expenses

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Expenses due to idle capacity	(5)	-	(1)
Writing-off of VAT	(101)	(216)	(315)
Profit/(loss) from exchange differences	-	336	17
Recovery of doubtful debts	-	27	1
Income from Emission Reduction Units sale	-	858	-
Other operating income	134	190	-
Other operating expenses	-	(39)	-
	28	**1,156**	**(298)**

11 Other non-operating income/(expenses)

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Income from sale of property, plant and equipment	54	1,481	14
Expenses attributable to allowance for receivables on sale of property, plant and equipment	(607)	-	-
Writing-off of non-current assets	(354)	(1,120)	(148)
Depreciation of non-operating property, plant and equipment	(6)	(52)	(18)
Wages and salaries of non-operating personnel	(212)	(272)	(64)
Expenses from recognized penalties, fines, charges	(21)	(171)	(182)
Social sphere expenses	(87)	(397)	(35)
Other non-operating income	152	1,057	35
Other non-operating expenses	(69)	(386)	(30)
	(1,150)	**140**	**(428)**

12 Depreciation and amortization expenses

Depreciation	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Cost of sales	(2,222)	(7,229)	(1,596)
General and administrative expenses	(35)	(136)	(17)
Selling and distribution expenses	(34)	(122)	(5)
Depreciation of non-operating property, plant and equipment	(6)	(52)	(18)
	(2,297)	**(7,539)**	**(1,636)**
Amortization			
Cost of sales	(230)	(898)	(197)
	(230)	**(898)**	**(197)**
	(2,527)	**(8,437)**	**(1,833)**

13 Finance income

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Income from measurement of financial assets at amortized cost	1,016	867	313
Income from initial recognition of financial liabilities at amortized cost	1	-	-
Interest income	-	27	1
	1,017	**894**	**314**

14 Finance costs

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Interest expenses	(494)	(1,269)	(599)
Finance lease expenses	(380)	(1,588)	(378)
Unwinding of discount	(220)	(743)	(18)
Loss from sale of assets held-to-maturity	-	(601)	(168)
Gain/(loss) from non-operational exchange differences	236	(1,523)	(1,806)
Expenses from measurement of financial assets at amortized cost	(847)	(1,206)	(448)
Expenses from measurement of financial liabilities at amortized cost	(104)	(1,031)	(518)
Impairment recovery/(impairment loss) of loans issued	10	(1,418)	-
	(1,799)	**(9,379)**	**(3,935)**

15 Income tax expenses

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Current income tax (rate 23%)	-	(2,518)	(1,324)
Current income tax (rate 21%)	(319)	(684)	-
Deferred tax	(1,178)	(3,547)	(450)
Income tax expenses	**(1,497)**	**(6,749)**	**(1,774)**
At the beginning of the period	**(472)**	**(1,941)**	**(1,941)**
Current income tax charge (rate 23%)	-	(2,518)	(1,325)
Current income tax charge (rate 21%)	(319)	(684)	-
Amount paid in the period	526	4,673	1,985
Effect of translation to presentation currency	(4)	(2)	1
At the end of the period	**(269)**	**(472)**	**(1,280)**
Effect			
Profit before tax (rate 23%)	-	24,136	10,076
Profit before tax (rate 21%)	9,016	21,048	-
Income tax (rate 23%)	-	(5,551)	(2,317)
Income tax (rate 21%)	(1,893)	(4,420)	-
Effect of previously unrecognized temporary differences	-	2,619	-
Effect from decrease of income tax rate	-	-	(1,960)
Effect of different statutory tax rates of overseas jurisdictions	553	1,483	-
Tax effect of permanent differences	(157)	(880)	2,503
Income tax expenses	**(1,497)**	**(6,749)**	**(1,774)**

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 September 2012, the Group accounted for the decrease in the income tax rate and other implications of the new Tax Code.

15 Income tax income/expenses (continued)

Recognized tax assets and liabilities

	30 June 2012	Recognized in profit (loss)	Effect of translation to presentation currency	30 September 2012
Effect of temporary differences on deferred tax assets				
Property, plant and equipment, intangible assets	337	(133)	1	205
Inventories	562	437	1	1000
Provisions	607	3	1	611
Defined benefit plan obligations	2,546	1	(2)	2,545
Charged vacation expenses	621	58	-	679
Folded on individual Companies' level	(2,579)			(3,445)
Total deferred tax assets	**2,094**	**366**	**1**	**1,595**
Effect of temporary differences on deferred tax liabilities				
Property, plant and equipment, intangible assets	(4,470)	(1,551)	(1)	(6,022)
Financial instruments	(364)	7	-	(357)
Folded on individual Companies' level	2,579			3,445
Total deferred tax liabilities	**(2,255)**	**(1,544)**	**(1)**	**(2,934)**
Net deferred tax asset/(liability)	**(161)**	**(1,178)**	**-**	**(1,339)**

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

	30 June 2011	Recognized in profit (loss)	Effect of translation to presentation currency	30 September 2011
Effect of temporary differences on deferred tax assets				
Property, plant and equipment, intangible assets	1,379	320	(1)	1,698
Inventories	99	(83)	-	16
Financial instruments	111	(95)	-	16
Provisions	595	(3)	-	592
Defined benefit plan obligations	2,692	(10)	-	2,682
Charged vacation expenses	529	119	1	649
Folded on individual Companies' level	(1,880)			(2,415)
Total deferred tax assets	**3,525**	**248**	**-**	**3,238**
Effect of temporary differences on deferred tax liabilities				
Property, plant and equipment, intangible assets	(1,207)	(730)	1	(1,936)
Financial instruments	(810)	32	(1)	(779)
Folded on individual Companies' level	1,880			2,415
Total deferred tax liabilities	**(137)**	**(698)**	**-**	**(300)**
Net deferred tax asset	**3,388**	**(450)**	**-**	**2,938**

16 Property, plant and equipment

Cost	Underground mining	Buildings and constructions	Machinery, equipment and vehicles	Other	Construction in progress	Total
as at 30 June 2011	**24,574**	**14,247**	**21,441**	**1,353**	**-**	**61,615**
Additions	4,262	1,080	2,712	69	**-**	**8,123**
Disposals	(135)	(4)	(233)	(161)	**-**	**(533)**
Effect of translation to presentation currency	(16)	(1)	(2)	(1)	**-**	**(20)**
as at 30 September 2011	**28,685**	**15,322**	**23,918**	**1,260**	**-**	**69,185**
as at 30 June 2012	**61,647**	**16,892**	**30,189**	**1,858**	**4,154**	**114,740**
Additions	9,962	2,255	2,768	193	1,069	**16,247**
Transfer	46	-	450	-	**(496)**	**-**
Disposals	(77)	(128)	(988)	(54)	**-**	**(1,247)**
Effect of translation to presentation currency	79	(15)	(75)	(8)	(1)	**(20)**
as at 30 September 2012	**71,657**	**19,004**	**32,344**	**1,989**	**4,726**	**129,720**
Accumulated depreciation						
as at 30 June 2011	**(4,743)**	**(3,985)**	**(8,535)**	**(581)**	**-**	**(17,844)**
Depreciation for the period	(291)	(157)	(1,117)	(71)	**-**	**(1,636)**
Disposals	42	1	69	64	**-**	**176**
Effect of translation to presentation currency	1	-	-	-	**-**	**1**
as at 30 September 2011	**(4,991)**	**(4,141)**	**(9,583)**	**(588)**	**-**	**(19,303)**
as at 30 June 2012	**(6,158)**	**(4,535)**	**(12,363)**	**(1,146)**	**-**	**(24,202)**
Depreciation for the period	(595)	(173)	(1,313)	(216)	**-**	**(2,297)**
Disposals	1	30	445	39	**-**	**515**
Effect of translation to presentation currency	(1)	1	-	7	**-**	**7**
as at 30 September 2012	**(6,753)**	**(4,677)**	**(13,231)**	**(1,316)**	**-**	**(25,977)**
Net book value						
as at 30 September 2011	**23,694**	**11,181**	**14,335**	**672**	**-**	**49,882**
as at 30 September 2012	**64,904**	**14,327**	**19,113**	**673**	**4,726**	**103,743**

As at 30 September 2012 loans and borrowings of the Group were pledged by the property, plant and equipment with carrying amount of USD 15,846 thousand (30 September 2011 – USD 2,019 thousand): Note 26 "Loans and borrowings".

During the three months ended 30 September 2012 any borrowing costs were capitalized as property, plant and equipment.

During the three months ended 30 September 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.

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 September 2012
Antratcit LLC	modular concentration plant	158
Antratcit LLC	spiral concentrator system	8
		166

17 Intangible assets

Cost	Licenses, special permissions and patent rights	Other intangible assets	Other projects and permissions	Total
as at 30 June 2011	**9,671**	**47**	**112**	**9,830**
Additions	-	11	15	**26**
Disposals	-	-	(5)	**(5)**
Effect of translation to presentation currency	1	1	-	**2**
as at 30 September 2011	9,672	59	122	**9,853**
as at 30 June 2012	**10,332**	**53**	**133**	**10,518**
Additions	-	5	9	**14**
Disposals	-	(1)	(10)	**(11)**
Effect of translation to presentation currency	3	(1)	1	**3**
as at 30 September 2012	**10,335**	**56**	**133**	**10,524**
Accumulated depreciation				
as at 30 June 2011	**(854)**	**(4)**	**(47)**	**(905)**
Amortization charge for the period	(194)	(1)	(2)	**(197)**
Disposal	-	-	3	**3**
Effect of translation to presentation currency	-	-	-	**-**
as at 30 September 2011	**(1,048)**	**(5)**	**(46)**	**(1,099)**
as at 30 June 2012	**(1,721)**	**(10)**	**(60)**	**(1,791)**
Amortization charge for the period	(223)	(2)	(5)	**(230)**
Disposals	-	1	7	**8**
Effect of translation to presentation currency	1	-	-	**1**
as at 30 September 2012	**(1,943)**	**(11)**	**(58)**	**(2,012)**
Net book value				
as at 30 September 2011	**8,624**	**54**	**76**	**8,754**
as at 30 September 2012	**8,392**	**45**	**75**	**8,512**

As at 30 September 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 842 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 3 490 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 3 386 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 662 thousand (Nedra Donbasa LLC).

As at 30 September 2012 there are no pledged intangible assets.
As at 30 September 2012 there are no contractual commitments as for intangible assets of the Group.

18 Financial assets

	As at 30 September 2012	As at 30 June 2012	As at 30 September 2011
Non-current financial assets			
Held-to-maturity investments	3,753	3,603	3,827
Loans issued	159	**259**	**-**
	3,912	**3,862**	**3,827**
Current financial assets			
Loans issued	24,042	24,037	29,374
	24,042	**24,037**	**29,374**

18 Financial assets (continued)

Held-to maturity investments are non-interest notes, issued generally by third parties. These notes are discounted using effective annual interest rate 16-18% for the three months ended 30 September 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.

19 Inventories

	As at 30 September 2012	As at 30 June 2012	As at 30 September 2011
Raw materials	1,815	2,018	2,919
Finished goods	11,521	5,850	3,259
Spare parts	1,035	945	730
Merchandise	706	138	896
Other inventories	40	40	47
	15,117	**8,991**	**7,851**

As at 30 September 2012 bank loans were secured by finished goods, carrying amount of which is USD 5,852 thousand (as at 30 September 2011 finished goods were pledged as collateral on amount USD 251 thousand).

20 Trade and other receivables

	As at 30 September 2012	At 30 June 2012	As at 30 September 2011
Trade receivables	40,789	30,247	3,052
Allowances for trade receivables	(178)	(182)	(211)
Other receivables	162	148	91
Allowances for other receivables	(9)	(9)	(24)
Receivables on sale of property, plant and equipment	2,462	2,479	112
Allowances for receivables on sale of property, plant and equipment	(607)	-	-
	42,619	**32,683**	**3,020**

As at 30 September 2012 bank loans were secured by trade receivables, carrying amount of which if USD 3,645 thousand (as at 30 September 2011 - trade receivables amounting to USD 1,552 thousands are pledged as collateral).

21 Prepayments and prepaid expenses

	As at 30 September 2012	At 30 June 2012	As at 30 September 2011
Advances paid	1,618	676	3,184
Deferred expenses	67	88	60
	1,685	**764**	**3,244**

22 Changes in allowance made

	As at 30 September 2012	At 30 June 2012	As at 30 September 2011
Balance as at the beginning of the period	**(191)**	**(236)**	**(236)**
Reverse/(Accrual)	(607)	27	-
Use of allowances	4	19	-
Effect of translation to presentation currency	-	(1)	-
Balance as at the end of the period	**(794)**	**(191)**	**(236)**

	As at 30 September 2012	At 30 June 2012	As at 30 September 2011
Allowances for trade accounts receivable	(178)	(182)	(211)
Allowances for other accounts receivable	(9)	(9)	(25)
Allowances for receivables on sale of property, plant and equipment	(607)	-	-
	(794)	**(191)**	**(236)**

23 Other taxes

	As at 30 September 2012	At 30 June 2012	As at 30 September 2011
Current taxes receivable			
VAT recoverable	1,174	1,645	339
Prepayments for wages and salaries related taxes	3	1	87
Prepayments for other taxes	-	-	-
	1,177	**1,646**	**426**
Current taxes payable			
VAT payable	(1,620)	(1,860)	(2,044)
Payable for wages and salaries related taxes	(1,597)	(1,587)	(1,625)
Payables for other taxes	(425)	(435)	(308)
	(3,642)	**(3,882)**	**(3,977)**
Non-current taxes payable			
Payables for other taxes	(179)	(191)	(297)
Payable for wages and salaries related taxes	-	-	-
Payable for VAT	(49)	(53)	-
	(228)	**(244)**	**(297)**

As at 30 September 2012 CwAL LE "Mine St.Matrona Moskovskaya" has non-current tax liabilities to Department of the Treasury of Dzerzhinsk city. Total nominal liabilities amounting to USD 504 thousands consist of:
Tax liabilities for dividends: non-current portion presented at amortized cost amounting to USD 29 thousands, date of maturity August 2016.
Tax liabilities for VAT: non-current portion presented at amortized cost amounting to USD 49 thousands, date of maturity November 2016.
Tax liabilities for income tax: non-current portion presented at amortized cost amounting to USD 150 thousands, date of maturity December 2016.
Current portion of non-current tax liabilities amounting to USD 126 thousands includes in current payables for other taxes. Discount rate used by the Group is 18%.

24 Cash and cash equivalents

	As at 30 September 2012	At 30 June 2012	As at 30 September 2011
Cash in bank	3,165	5,226	41,840
	3,165	**5,226**	**41,840**

25 Share capital

	As at 30 September 2012		As at 30 June 2012		As at 30 September 2011	
	%	Amount	%	Amount	%	Amount
Lycaste Holding Limited	75	338	75	338	75	338
Free float	25	112	25	112	25	112
	100	**450**	**100**	**450**	**100**	**450**

26 Loans and borrowings

	As at 30 September 2012	At 30 June 2012	As at 30 September 2011
Non-current loans and borrowings			
Borrowings received	4,500	-	-
Notes issued	36	34	383
	4,536	**34**	**383**
Deducting current portion of long-term borrowings			
Current portion of long-term borrowings	-	-	-
Total non-current loans and borrowings	**4,536**	**34**	**383**
Current loans and borrowings			
Bank loans	16,006	5,878	6,773
Total current loans and borrowings	**16,006**	**5,878**	**6,773**

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 three months ended 30 September 2012. The management of the Group is going to hold notes until the maturity date.

26 Loans and borrowings (continued)

The amount of non-current loans and borrowings as at 30 September 2012 comprises the followings borrowings:
— loan amounting to USD 4,500 thousand received by Antratcit LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 4,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the property of Donprombiznes LLC, pledging value of which amounts to USD 1,973 thousand. Maturity date is on 15 August 2017.

The amount of current loans and borrowings as at 30 September 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. Annual interest rate 20,0%. Obligations under this credit agreement are guaranteed by the property of Antratcit LLC, pledging value of which amounts to USD 834 thousand; by the guarantee of individuals Vyshnevetskyy V.V. and Vyshnevetska M.P. amounting to 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. Annual interest rate 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 1,843 thousand; by the finished goods (coal) pledged value of which amounts to USD 352 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 5,500 thousand received by Eximenergo LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 5,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the finished goods (coal) in turnover pledged value of which amounts to USD 5,500 thousand. Maturity date is on 07 June 2013.

— loan amounting to USD 2,878 thousand received by Coal Energy Ukraine LLC in UAH according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 5,880 thousand. Annual interest rate equals to 21,0%. Obligations under this credit agreement are guaranteed by the revenue under the contracts amounting to USD 3,645 thousand. Maturity date is on 31 January 2013.

— loan amounting to USD 4,000 thousand received by CwAL LE Sh/U Chapaeva in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 20,000 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by: the corporate rights in share capital of Tekhinovatsiya LLC and property pledged value of which amounts to USD 6,935 thousand; the corporate rights in share capital of Donprombiznes LLC and property pledged value of which amounts to USD 6,104 thousand. Maturity date is on 17 September 2013.

The amount of current loans and borrowings as at 30 September 2011 comprises the followings borrowings:
— loan amounting to USD 1,881 thousand received by Donbasuglerazrabotka LLC in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equaling to USD 1,881 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 284 thousand; by the guarantee of individuals Vyshnevetskyy V.V. and Vyshnevetska M.P. amounting to 1,881 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 639 thousand, by the property of Nedra Donbasa LLC, book value of which amounts to USD 1,096 thousand. Maturity date is on 4 November 2011. As at the date of financial statements signing the loan was repaid.

— loan amounting to USD 1,756 thousand was received by Donantracit LLC 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 1,522 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.

Essential terms:

	Currency	Nominal interest rate, %	30 September 2012	30 June 2012	30 September 2011
Non-current borrowings	USD	13,00	4,500	-	-
			4,500	**-**	**-**

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

	As at 30 September 2012	As at 30 June 2012	As at 30 September 2011
within 1 year	-	-	-
from 1 to 5 years	4,556	56	733
more than 5 years	-	-	-
	4,556	**56**	**733**

26 Loans and borrowings (continued)

Terms of current loans and borrowings

	As at 30 September 2012	As at 30 June 2012	As at 30 September 2011
On demand	-	-	-
Within 3 months	1,877	-	3,136
From 3 to 12 months	14,129	5,878	3,637
	16,006	**5,878**	**6,773**

27 Finance lease liabilities

	At 30 September 2012		At 30 June 2012		At 30 September 2011	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Due within 1 year	1,408	1,280	1,408	1,280	1,412	1,283
From 1 to 5 years	5,633	3,342	5,634	3,342	5,648	3,350
More than 5 years	57,415	3,200	57,770	3,200	58,973	3,209
	64,456	**7,822**	**64,812**	**7,822**	**66,033**	**7,842**
Future finance charges	(56,634)	-	(56,990)	-	(58,191)	-
Present value of lease obligation	**7,822**	**7,822**	**7,822**	**7,822**	**7,842**	**7,842**
Current portion of financial lease obligation		**(1,280)**		**(1,280)**		**(1,283)**
Non-current financial lease obligation		**6,542**		**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 (Current entity name - CwAL LE "Mine St.Matrona Moskovskaya") negotiated the contract of lease of state property-integral property complex – integral property complex GC Novodzerzhynskaya Mine.
According to these contracts, the lessee receives state property for the period of 49 years (CwAL LE Sh/U Chapaeva - until 11 February 2058, CwAL LE "Mine St.Matrona Moskovskaya" - until 27 April 2059) on fee basis. Such property comprises premises, facilities, mine workings, production equipment, transport, assets under construction and special permissions for subsurface use. Also, as term of agreements, the lessee becomes legal success or of rights and liabilities of GC Shakhtoupravlinnia named after V. I. Chapaeva and GC Novodzerzhynskaya Mine. Additionally, the lessee undertakes current and capital maintenance of property, insurance and dismantling of mines in case of mine stock depletion. Under the agreement of lessor, lessee has a right to give property in to sublease and to transfer own rights and liabilities under this agreement to third parties.
There are fixed payments on this contract, but each consequent lease payment is determined by correction of previous month lease payment on current month inflation rate.
Amendments, addendums or cancellation of this contract are possible under agreement of both parties.

Net book value of leased assets:

	At 30 September 2012	At 30 June 2012	At 30 September 2011
Property, plant and equipment	30,419	29,076	20,749
Intangible assets	6,876	7,151	7,715
	37,295	**36,227**	**28,464**

28 Provisions

	At 30 September 2012	At 30 June 2012	At 30 September 2011
Non-current provisions			
Provision for land restoration	3,230	3,233	3,202
Dismantling provision	588	564	499
Provision on tax liabilities	4,737	4,538	4,035
	8,555	**8,335**	**7,736**

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.

28 Provisions (continued)

Changes in non-current provisions

	At 30 September 2012	At 30 June 2012	At 30 September 2011
Balance as at the beginning of the period	**8,335**	**7,719**	**7,719**
Unwinding of discount	220	743	145
Provision utilized for the period	-	(107)	(128)
Effect of translation to presentation currency	-	(20)	-
Balance as at the end of the period	**8,555**	**8,335**	**7,736**

29 Trade and other payables

Current trade and other payables:

	At 30 September 2012	At 30 June 2012	At 30 September 2011
Trade payables	6,478	2,627	3,655
Advances received	455	102	1,813
Payables for wages and salaries	2,184	2,303	2,019
Payables for unused vacations	3,233	2,959	2,821
Payables for acquisition property, plant and equipment	290	395	227
Interest due	195	33	37
Payables for financial assets	-	-	2
Other payables	1,461	1,400	1,529
	14,296	**9,819**	**12,103**

Non-current trade and other payables:

	At 30 September 2012	At 30 June 2012	At 30 September 2011
Other payables	423	487	662
	423	**487**	**662**

As at 30 September 2012 CwAL LE "Mine St.Matrona Moskovskaya" has non-current liabilities to SE "Regionalnye Elektricheskie Seti" amounting to USD 948 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%.

30 Related party transactions

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

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

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

Items of consolidated statements of comprehensive income

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Income from sales of finished products, goods	521	2,332	147
Income from rendering of services	108	171	23
Income from sale of property, plant and equipment	55	29	29
Income from operating lease	4	4	1
Purchases of inventories	4,466	15,782	3,489
Purchases of property, plant and equipment	1,399	8,954	2,521
Purchases of services	516	4,441	1,622
Finance expenses from sales assets held for maturity	-	433	-
Impairment loss of loans issued	-	1,088	-
Expenses attributable to allowance for receivables on sale of property, plant and equipment	379	-	-
Operating lease expenses	82	279	64

30 Related party transactions (continued)

Items of consolidated statements of financial position

	Three months ended 30 September 2012	Year ended 30 June 2012	Three months ended 30 September 2011
Held-to-maturity investments	3,392	3,257	3,103
Current loans issued	23,769	23,809	29,898
Non-current loans issued	98	159	-
Trade receivables	1,711	1,101	163
Receivables on sale of property, plant and equipment	1,151	1,483	38
Other receivables	-	-	4
Advances paid	8	57	3,312
Prepayments for property, plant and equipment	393	439	-
Trade payables	1,448	977	640
Payables for acquisition property, plant and equipment	240	376	51
Other payables	183	83	218

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

31 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.

32 Off-balance sheet liabilities

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

33 Subsequent events

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 as at 1 October 2012. 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.

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.

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