COAL ENERGY S.A.

Unaudited interim consolidated report for the 3 months ended 30th September 2011 (1Q FY2012)

Dear Shareholders,

The first three months of FY2012 were marked with a dynamic growth of the financial and operational results of the Coal Energy Group as to the comparable period of FY2011. In the 1Q FY2012 revenues increased by 36.4% up to US$39.7 million and EBITDA reached US$16.0 million demonstrating a 86.0% year-on-year growth.

We have increased our production results in 1Q FY2012 up to 440.9 thousands tonnes of coal or by 68.5% as compared to 1Q FY2011. Mining output increased by 83.1% in 1Q FY2012 y-o-y while waste dump processing increased by 5.5% y-o-y. In 1Q FY2012 thermal coal mining output increased by impressive 107.3% compared to 1Q FY2011 and coking and dual purpose coal - by 18.8% year-on-year.

Improving efficiency of our operations, maintaining cost discipline and higher production volume resulted in significant increase of profitability ratios: EBITDA margin reached 40.3% in 1Q FY2012 as opposed to 29.6% in 1Q FY2011. Now, one of the key goals of the Company is to maintain such high indicators for the following years along with the growth of production.

Following the IPO procedure we have employed several highly experienced mining engineers aimed to further improvement of the long-term production increase strategy. We have also made changes at top management of particular mines with the intent to enhance control over the mining costs. Taking into account current uncertainty on the global markets, especially on the steel market we reconsidered our middle-term production strategy. As we remain unchanged the target of 5 million tonnes output per year in FY2016 we would have to revise the production targets for each mine in the short-term period: the priority of investment actions execution would be shifted towards those mines, on which rapid implementation of mechanization is applicable.

CwAL LE Sh/U Chapaeva is the key investment target for the following months of FY2012 that is ultimately expected to help increase Coal Energy production in FY2013 up to 2.8 million tonnes.
Preparation of 2 fully-mechanized longwalls on CwAL LE Sh/U Chapaeva is a Group's strategic goal for the FY2012. The launch of 25th Eastern longwall is planned for December 2012, the second fully-mechanized longwall will be launched according to the schedule of preparation within 7 month after the 25th Eastern longwall.

We maintain our interest in acquiring new mining licenses and expect to gain license for 24.8 million tonnes on Nedra Donbasa LLC by the end of 2012 calendar year.

Also a new company within Coal Energy Group namely Coal Energy Trading Limited was incorporated at the end of September FY2011. The main purpose of setting up this company was to consolidate coal export sales within one specialized and dedicated entity.

In order to further improve our corporate transparency in line with the best market practice and provide the most current and accurate information on our operations to investors and other market players, we have decided to publish a monthly production update starting from 1Q 2012FY.

Viktor Vyshnevetskyy

Chairman of the Board of Directors and Chief Executive Officer

Review of financial and operational results for the 1Q FY2012

In 1Q FY2012 the Group has strengthen its financial position and continued to improve the efficiency its business segments.

Revenue

Total revenue increased from US$29.1 million to US$39.7 million, representing a 36.4% increase year-on-year, resulting from both higher sales volumes and price. Thermal coal sales represented ca. 73% of the total coal sales, while coking coal sales amounted 27% in the first three months of FY2012*. Revenues from export sales reached US$16.6 million composing a 41.8% of total revenues, while in FY2011 export sales constituted 25.6% of revenue. Increasing share of export sales keeps in line with the Group strategic assumptions.

Cost of goods sold

Cost of sales increased insignificantly from US$19.8 million to US$21.2 million or by 7.1% year-on-year. However, cash costs of mining per 1 tonne decreased by 27.4% as compared to the average for FY2011, down to US$47.9 per tonne. It was achieved through the enhanced control over the usage of raw materials repeated use of materials from robbed-out mining fields. Currently, one of the key goals of the Company is to maintain such high efficiency indicators, however we realize that it might be a challenging task and expect certain volatility in cash costs of mining in the following quarters.
The following table shows cost of production by each of the main segments of the Group in the 1Q FY2011:

	1Q FY2012
(in thousands of US$)	
Cost of sales	**21,167**
Less:	
Cost of merchandising inventory	507
Change in inventories	(1,940)
Cost of other services	99
Depreciation and amortization	1,793
Total cash cost of production	**20,708**
Including:	
Total cash cost of mining	18,624
Total cash cost of beneficiation	699
Total cash cost of waste dumps processing	1,385
(in US$ per tonne)	
Cash cost of mining per 1 tonne of ROM coal	47.9
Cash cost of beneficiation per 1 tonne of ROM coal	7.9
Cash cost of waste processing per 1 tonne of saleable coal from waste dumps	26.6

**Dual-purpose coal were sold as a coking coal in the 1Q FY2012*

Gross profit

Gross profit totaled US$18.5 million in 1Q FY2012 compared to US$9.3 million for 1Q FY2011 and US$12.1 million for 4Q FY2011, revealing a substantial 98.9% and 52.9% increase respectively. The increase in gross profit in the first three months of the financial year 2012 as compared to the previous quarter was positively influenced by the decrease of cost of sales. In 1Q FY2012 the gross margin increased up to 46.6% from 32.0% and 29.1% in 1Q FY2011 and 4Q FY2011 respectively.

Operating expenses

Selling and distribution expenses increased up to US$2.8 million in 1Q FY2012 from US$1.5 million in 1Q FY2011, or by 86.7% year-on-year and from US$2.0 million in the 4Q FY2011. Relative to revenue selling and distribution costs comprised 7.1% in 1Q FY2012 compared to 5.2% in 1Q FY2011 and 4.8% in 4Q FY2011.

General and administrative expenses increased up to US$1.3 million in the first three months of FY2012, from US$0.8 million in 1Q FY2011 demonstrating a 62.5% growth year-on-year and decreased from US$ 1.8 million in 4Q FY2011, or by 27.8%. General and administrative expenses constituted 3.3% in 1Q FY2012 opposite to 2.7% in 1Q FY2011 and 4.3% in 4Q FY2011.

Operating profit

The result from operating activities (EBIT) reached US$14.1 million in the reported period compared to US$7.1 million in the similar quarter of the previous year, representing almost a 2-fold growth and compared to US$10.6 million in 4Q FY2011 revealing a 33.0% quarter-on-quarter growth. While EBIT margin amounted 35.5% in 1Q FY2012 versus 24.4% and 25.5% in 1Q FY2011 and 4Q FY2011 respectively.

Production results

Our production increased up to 440.9 thousands tonnes of coal in the 1Q FY2012 or by 68.5% as compared to 1Q FY2011, and by 25.0% as opposed to 4Q FY2011. In 1Q FY2012 mining output increased up to 388.8 thousand tonnes from 212.3 thousand tonnes in 1QFY2011 or by 83.1% y-o-y and from 333.8 thousand tonnes in 4Q FY2012 or by 16.5% quarter-on-quarter. While waste dump processing amounted 52.1 thousand tonnes compared to 49.4 thousand in 1Q FY2011 and increased by 5.5% y-o-y and compared to 18.8 thousand in 4Q FY2011, increased by 177.1% quarter-on-quarter. The table below shows mining volumes by each operating subsidiary:

(in thousands of tonnes)	**Coal type**	**1Q FY2012**
Donbasuglerazrabotka LLC	Thermal	9.1
Donprombiznes LLC	Thermal	63.2
Eximenergo PEK LLC	Thermal	48.8
Ugledobycha LLC	Thermal	56.6
CwAL LE Sh/U Chapaeva	Thermal	142.2
Nedra Donbasa LLC	Coking	9.1
Tekhinnovatsiya LLC	Dual-purpose	12.8
CwAL LE Novodzerzhynskaya Mine	Coking	47.0
Total		**388.8**

Results for the beneficiation segment of business is presented in the table below:

(in thousands of tonnes)	**1Q FY2012**
Beneficiation of own coal mined and bought from third parties	88
Coal beneficiation services to third parties	-
Total coal beneficiation	**88**

Key margins and ratios

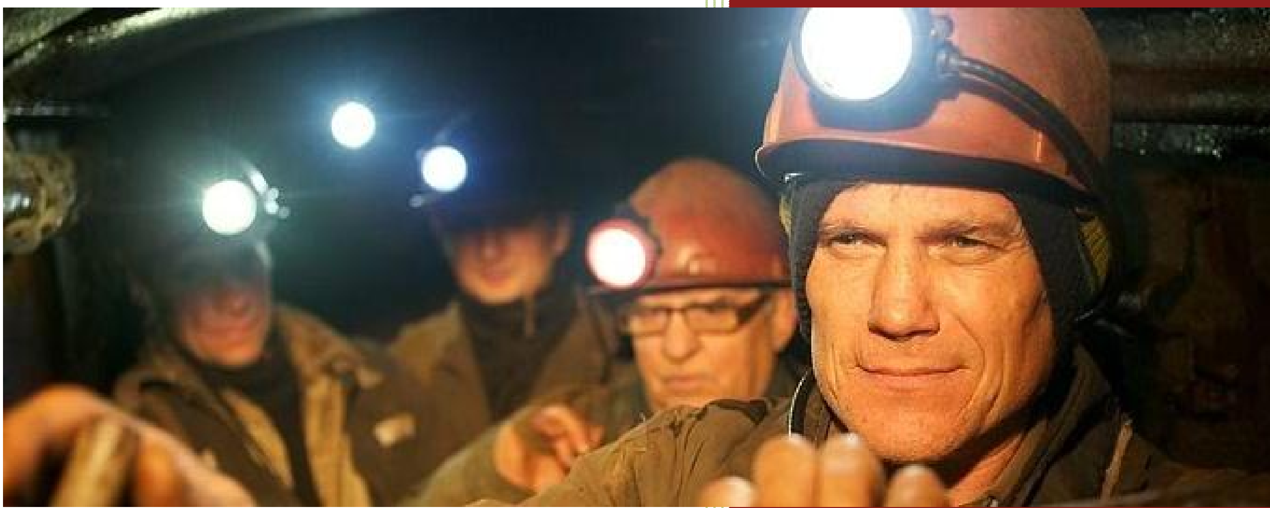
Nearly 2-fold increase in profits at each level of profit and loss account resulted in high profitability ratios in the first three months of FY2012.

The following table summarizes the Group's key ratios for the 1Q FY2012, 4Q FY2011 and 1Q FY2011.

	1Q FY2012	**4Q FY2011**	**1Q FY2011**
in millions of US$			
Gross profit	18.5	12.1	9.3
EBITDA	16.0	12.2	8.6
EBIT	14.1	10.6	7.1
Net earnings	8.3	7.2	4.4
(as a percentage of sales)			
Gross margin, %	46.6%	29.1%	32.0%
EBITDA, %	40.3%	29.3%	29.6%
EBIT, %	35.5%	25.5%	24.4%
Net earnings, %	20.9%	17.3%	15.1%
Ratios:			
EBITDA/Finance costs	4.1	8.1	2.8
Debt/EBITDA	0.2	0.9	1.3
Net debt/EBITDA	n/a	0.9	1.3

1Q2012

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011



Coal Energy S.A.

1Q2012

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Statement of Management responsibility

Management of the Group is responsible for preparation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union.

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
Vyshnevetskyy V.

____
Chief Operating Officer
Mykhail Zolotarov

____
Business development director
Reznyk Oleksandr

____
Independent non-executive director
Arthur David Johnson

Directors B:

____
Independent non-executive director
Jacob Mudde

____
Independent non-executive director
Gwenaëlle Cousin

Luxembourg, 22 November 2011

Coal Energy S.A.
Management report for the three months ended 30 September 2011
Management of the Company hereby presents its interim unaudited consolidated financial statements for the three months ended on 30 September 2011.

1. Consolidation scope

The consolidated financial statements include the balance of Coal Energy Trading subsidiary that were incorporated as at 27 September 2011. During the year no companies were liquidated.

2. Results and developments during the year.

For the three months ended 30 September 2011 the Group recorded an EBITDA profit of USD 15,958 thousands (USD 8,567 thousands – for three months ended 30 September 2010). After depreciation, amortization, finance costs and finance income the final profit for the three months ended 30 September 2011 after taxation was USD 8,302 thousands (USD 4,434 thousands – for the three months ended 30 September 2010).

3. Future developments of the Group.

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

4. Activity in the field of research and development.

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

5. Own shares.

During the period end 30 September 2011, the Company and its affiliates have not repurchased of any shares of Coal Energy S.A.

For Coal Energy S.A.:
Directors A:

____
Chairman of the Board of directors
Vyshnevetskyy V.

____
Chief Operating Officer
Mykhail Zolotarov

____
Business development director
Reznyk Oleksandr

____
Independent non-executive director
Arthur David Johnson

Directors B:

____
Independent non-executive director
Jacob Mudde

____
Independent non-executive director
Gwenaëlle Cousin

Luxembourg, 22 November 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011

(in thousands USD, unless otherwise stated)

	Note	3 months ended 30 September 2011 (unaudited)	Year ended 30 June 2011 (audited)	3 months ended 30 September 2010 (unaudited)
Revenue	6	39,680	150,867	29,088
Cost of Sales	7	(21,167)	(96,192)	(19,754)
GROSS PROFIT		**18,513**	**54,675**	**9,334**
General and administrative expenses	8	(1,335)	(4,598)	(751)
Selling and distribution expenses	9	(2,755)	(7,238)	(1,517)
Other operational expenses/income	10	(298)	3,959	(4)
OPERATING PROFIT		**14,125**	**46,798**	**7,062**
Other non-operating expenses/ income	11	(428)	(1,935)	(199)
Financial income	13	314	2,143	98
Financial costs	14	(3,935)	(7,519)	(3,085)
PROFIT BEFORE TAX		**10,076**	**39,487**	**3,876**
Income tax	15	(1,774)	(2,639)	558
PROFIT FOR THE PERIOD		**8,302**	**36,848**	**4,434**
OTHER COMPREHENSIVE INCOME:				
Effect of foreign currency translation		2	(99)	23
TOTAL OTHER COMPREHENSIVE INCOME/LOSS		**2**	**(99)**	**23**
TOTAL COMPREHENSIVE INCOME:		**8,304**	**36,749**	**4,457**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:				
Equity holders of the parent		7,394	35,273	4,424
Non-controlling interests		908	1,575	10
		8,302	**36,848**	**4,434**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the parent		7,396	35,170	4,447
Non-controlling interests		908	1,579	10
		8,304	**36,749**	**4,457**
Weighted average number of ordinary shares outstanding		41,953,299	7,973,639	4,530,340
BASIC EARNINGS PER ORDINARY SHARE		17.62	4.42	97.65
(expressed in USD cents)				

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

(in thousands USD, unless otherwise stated)

	Note	3 months ended 30 September 2011 (unaudited)	Year ended 30 June 2011 (audited)	3 months ended 30 September 2010 (unaudited)
ASSETS				
Non-current assets				
Property, plant, equipment	16	49,882	43,771	39,565
Intangible assets	17	8,754	8,925	9,660
Financial assets	18	3,827	3,345	2,186
Deferred tax asset	15	3,238	3,525	4,495
		65,701	**59,566**	**55,906**
Current assets				
Inventories	19	7,851	4,929	34,561
Trade and other receivables	20	3,020	3,838	10,960
Prepayments and prepaid expenses	21	3,244	876	223
Financial assets	18	29,374	23,786	19,472
Other taxes receivable	23	426	334	1,720
Cash and cash equivalents	24	41,840	1,601	625
		85,755	**35,364**	**67,561**
TOTAL ASSETS		**151,456**	**94,930**	**123,467**
EQUITY AND LIABILITIES				
Equity				
Share capital	25	450	338	38
Share premium		77,578	-	-
Retained earnings		22,036	14,642	29,718
Effect of foreign currency translation		(6,556)	(6,558)	(6,432)
Equity attributable to equity holders of the parent		**93,508**	**8,422**	**23,324**
Non-controlling interest		(168)	(1,076)	85
TOTAL EQUITY		**93,340**	**7,346**	**23,409**
Non-current liabilities				
Loans and borrowings	26	383	7,711	11,083
Finance lease liability	27	6,559	6,559	6,608
Defined benefit obligation		16,763	16,823	13,234
Trade and other payables	29	662	1,976	-
Other tax payable	23	297	387	-
Provision	28	7,736	7,719	7,205
Deferred tax liabilities	15	300	137	308
		32,700	**41,312**	**38,438**
Current liabilities				
Loans and borrowings	26	6,773	27,599	24,852
Finance lease liability	27	1,283	1,283	1,293
Trade and other payables	29	12,103	11,040	32,377
Income tax payable	15	1,280	1,941	38
Other tax payable	23	3,977	4,409	3,060
		25,416	**46,272**	**61,620**
TOTAL LIABILITIES		**58,116**	**87,584**	**100,058**
TOTAL EQUITY AND LIABILITIES		**151,456**	**94,930**	**123,467**

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 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 01 July 2010	**38**	**-**	**22,750**	**(6,455)**	**16,333**	**(145)**	**16,188**
Profit for the period	-	-	35,273	-	**35,273**	1,575	**36,848**
Other comprehensive income	-	-	-	(103)	**(103)**	4	**(99)**
Total comprehensive income	**-**	**-**	**35,273**	**(103)**	**35,170**	**1,579**	**36,749**
Addition of subsidiaries	300	-	-	-	**300**	-	**300**
Disposal of subsidiary	-	-	591	-	**591**	202	**793**
Equity distribution	-	-	(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**

There were no dividends paid in the first quarter of 2012 financial year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010
(in thousands USD, unless otherwise stated)

	Equity attributable to equity holders of the parent						
	Share capital	**Share premium**	**Retained earnings**	**Effect of foreign currency translation**	**Total**	**NCI**	**Total equity**
As at 01 July 2009	**38**	**-**	**20,973**	**(5,937)**	**15,074**	**90**	**15,164**
Profit for the period	-	-	4,831	-	**4,831**	(50)	4,781
Other comprehensive income	-	-	-	(518)	**(518)**	(3)	(521)
Total comprehensive income	**-**	**-**	**4,831**	**(518)**	**4,313**	**(53)**	**4,260**
Addition of subsidiaries	-	-	-	-	**-**	(268)	**(268)**
Disposal of subsidiary	-	-	-	-	**-**	59	**59**
Equity distribution	-	-	(3,054)	-	**(3,054)**	27	**(3,027)**
As at 30 June 2010	**38**	**-**	**22,750**	**(6,455)**	**16,333**	**(145)**	**16,188**
Profit for the period	-	-	4,424	-	**4,424**	10	**4,434**
Other comprehensive income	-	-	-	23	**23**	-	**23**
Total comprehensive income	**-**	**-**	**4,424**	**23**	**4,447**	**10**	**4,457**
Increase in share capital	-	-	-	-	**-**	-	**-**
Addition of subsidiaries	-	-	591	-	**591**	202	**793**
Equity distribution[2]	-	-	1,953	-	**1,953**	18	**1,971**
As at 30 September 2010	**38**	**-**	**29,718**	**(6,432)**	**23,324**	**85**	**23,409**

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

[1] – initial public offering.
[2] - equity distribution represents dividends in substance, which had ceased as at 31 March 2011. Since 31 March 2011, there was no significant equity distribution.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011

(in thousands USD, unless otherwise stated)

	Three months ended 30 September 2011	Year ended 30 June 2011	Three months ended 30 September 2010
OPERATING ACTIVITIES			
Profit before tax	**10,076**	**39,487**	**3,876**
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expenses	1,833	5,831	1,505
Finance income	(314)	(2,143)	(98)
Finance costs	3,935	7,519	3,085
Expenses for doubtful debts	(1)	64	1
Income from sale of property, plant and equipment	(14)	(107)	(55)
Writing-off of non-current assets	148	314	-
Loss/profit from exchange differences	(17)	249	30
Movements in defined benefits plan obligations	(60)	3,886	183
Shortages and losses from impairment of inventory	2	118	129
Income from current assets received free of charge	(1)	(2)	-
Impairment of non-financial assets	-	3	-
	15,587	**55,219**	**8,656**
Working capital adjustments:			
Change in trade and other receivables	(2,435)	6,071	(813)
Change in advances made and deferred expenses	(2,368)	(387)	275
Change in inventories	(2,924)	14,180	(15,362)
Change in trade and other payables	1,327	(4,713)	11,174
Change in tax payable	(614)	3,200	81
	8,573	**73,570**	**4,011**
Income tax paid	(1,985)	(604)	(87)
Net cash flow from operating activity	**6,588**	**72,966**	**3,924**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	(8,010)	(10,520)	(2,004)
Proceeds from sale of property, plant and equipment and intangible assets	91	266	40
Purchase of financial assets	(8,534)	(37,962)	(4,872)
Proceeds from sale of financial assets	2,328	31,783	2,449
Acquisition of a subsidiaries, net of cash flow acquired	-	17	17
Net cash flow from investing activity	**(14,125)**	**(16,416)**	**(4,370)**
FINANCIAL ACTIVITIES			
Proceeds from loans and borrowings	-	16,336	3,998
Repayment of loans and borrowings	(13,053)	(16,629)	(124)
Proceeds from interest free financial liabilities	-	45,428	6,958
Repayment of interest free financial liabilities and notes issued	(15,094)	(47,637)	(10,562)
Emission of share capital	115	300	-
Equity distribution	-	(46,684)	1,974
Net proceeds from share issue[1]	77,588	-	-
Interest paid	(378)	(6,167)	(1,294)
Net cash flow from financial activity	**49,178**	**(55,053)**	**950**
NET CASH FLOWS	**41,641**	**1,497**	**504**
Cash and cash equivalents at the beginning of the period	**1,601**	**108**	**108**
Effect of translation to presentation currency	(1,402)	(4)	13
Cash and cash equivalents at the end of the period	**41,840**	**1,601**	**625**

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

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

Notes to consolidated financial statement for the three months ended 30 September 2011

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 2011	30 June 2011	30 September 2010
Coal Energy S.A.	Luxembourg	100,00	100,00	100,00
Nertera Investments Limited	Cyprus	100,00	100,00	100,00
Donbasuglerazrabotka LLC	Ukraine	99,00	99,00	99,00
Donugletekhinvest LLC	Ukraine	99,00	99,00	99,00
Nedra Donbasa LLC	Ukraine	99,00	99,00	99,00
Donprombiznes LLC	Ukraine	99,00	99,00	99,00
Ugledobycha LLC	Ukraine	99,99	99,99	99,99
Donantracit LLC	Ukraine	99,99	99,99	99,99
Tekhinovatsiya LLC	Ukraine	99,99	99,99	99,99
Eximenergo LLC	Ukraine	99,00	99,00	99,00
Antratcit LLC	Ukraine	99,00	99,00	99,00
CwAL LE Sh/U Chapaeva	Ukraine	86,62	86,62	86,62
CwAL LE Novodzerzhynskaya Mine	Ukraine	74,55	74,55	74,55
Coal Energy Trading Limited	Ukraine	100,00	-	-

The parent company, Coal Energy S.A., was incorporated in Luxembourg as a joint stock company on 17 June 2010. The registered office is located at 46A, avenue J.F. Kennedy, L-1855 Luxembourg.

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.

These consolidated financial statements were authorised by the Board of Directors as at 22 November 2011.

2 Basis of preparation of the interim consolidated financial statements

2.1 Basis of preparation

The interim condensed consolidated financial statements for the three months ended 30 September 2011 have been prepared in accordance to International Financial Standards (IFRS) as adopted by European Union 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 interim consolidated financial statements are presented in thousands of USD, unless otherwise stated.

2.2 Statements 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. 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.

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.

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

(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.

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 2011.

3.1 Foreign 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 theses interim consolidated financial statements were as follows:

Currency	30 June 2010	Average for three months ended 30 September 2010	30 September 2010	Average for three months ended 30 September 2011	30 September 2011
UAH/USD	7.9070	7.9009	7.9135	7.9717	7.9727

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 translated at closing exchange rates at the dates of each statements of financial position presented;
- income and expense items are translated 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 translated at the historical exchange rates;
- all resulting exchange differences are recognised 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 translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the periods presented. Resulting exchange differences are presented as effect of translation to presentation currency.

3.2 Revenue recognition
Revenue is recognised 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 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.

3 Summary of significant accounting policies (continued)

(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.

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 recognised 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 recognised 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 utilised 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 recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised 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 realised 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 recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.4 Property, plant and equipment

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

Depreciation is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

Mine development costs are capitalised 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 capitalised during construction period where such costs are financed by borrowings. Depreciation of these assets commences when the assets are put into operation.

3 Summary of significant accounting policies (continued)

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 recognised 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 recognised 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 recognised over the lease term on the same bases as rental income. Contingent rents are recognised 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 capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation 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 amortised, 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 recognised in prior periods. A reversal of an impairment loss is recognised 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 recognised 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 recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

3 Summary of significant accounting policies (continued)

(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.
(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 unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised 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 reorganisation 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 amortised 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.
When a decline in fair value of an available-for-sale investment has been recognised directly in other comprehensive income and there is objective evidence that investment is impaired, the cumulative loss that had been recognised directly in other comprehensive income is removed from other comprehensive income and recognised in profit or loss in the consolidated statements of comprehensive income even though the investment has not been derecognised. Impairment losses previously recognised 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 recognised directly in other comprehensive income.
(4) Derecognition of financial assets
The Group derecognises 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 Summary of significant accounting policies (continued)

3.10 Inventories
Inventories are recorded at the lower of cost and net realisable value. Net realisable 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.

3.11 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 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 derecognised 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 recognised through profit or loss.

3.15 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.

3 Summary of significant accounting policies (continued)

The Group of Companies accept only part of actuarial income and expenses that transcend the 10% "corridor", equal the defined pension liability. Actuarial gains and losses are recognized in the comprehensive income statements in the period in which they occur. The past service costs are recognised 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 recognised immediately.

3.16 Provisions

Provisions are recognised 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 recognised 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.

3.17 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 capitalised 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 recognised 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 recognised 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 recognised in the consolidated statements of comprehensive income. Ongoing rehabilitation costs are expensed when incurred.

4 Incorporation of subsidiary

On 27 September 2011 a new company within Coal Energy Group was incorporated. Company name is 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.

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 recognised in these consolidated financial statements:

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recognised 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 recognised 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.

5 Significant accounting judgments, estimates and assumptions (continued)

(d) Defined benefits plan obligations

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

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

(e) Environmental obligations

The Group's mining and processing activities are susceptible to various environmental laws and regulations changes. The Group estimates environmental obligations based on management's understanding of the current legal requirements, terms of the licence 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 recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, 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 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**
Impairment of inventories					
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.

Information about the segments of business for the three months ended 30 September 2010

	Business segments				
	Mineral resource and processing industry	Trade activity	Other activity	Assets and liabilities not included in segments	Total
Revenue					
Sales to external customers	23,834	4,965	289	-	**29,088**
	23,834	**4,965**	**289**	**-**	**29,088**
Gross profit of the segment	**5,266**	**3,779**	**289**	**-**	**9,334**
Depreciation and amortization expenses	(1,505)				**(1,505)**
Defined benefits plan obligations expenses	(183)				**(183)**
Impairment of goodwill					
Operational assets	**93,899**	**983**	**87**	**28,498**	**123,467**
Operational liabilities	**(56,681)**	**(283)**	**-**	**(43,094)**	**(100,058)**
Disclosure of other information					
Capital expenditure	**17,032**				**17,032**

Assets of segments do not include financial assets (USD 21,658 thousand), cash (USD 625 thousand), other taxes receivable (USD 1,720 thousand), as well as deferred tax assets (USD 4,495 thousand), since management of these assets is carried out at the Group's level.

Liabilities of segments do not include deferred tax liabilities (USD 308 thousand), non-current loans and borrowings (USD 11,083 thousand), current loans and borrowings (USD 24,852 thousand), other taxes payable (USD 3,060 thousand), income tax payables (USD 38 thousand), provision on tax liabilities (USD 3,753 thousand), since management of these liabilities is carried out at the Group's level.

6 Information on operational segments (continued)

Geographic information

Revenue from external customers	**Three months ended 30 September 2011**	**Year ended 30 June 2011**	**Three months ended 30 September 2010**
Ukraine	23,109	112,311	29,088
Countries of the CIS	-	1,356	-
Countries of distant foreignness	16,571	37,200	-
	39,680	**150,867**	**29,088**

Specific of the Group's activity implies that the clients, revenue from which is more than 10% (Four main clients as at 30 September 2011 and three main clients as at 30 September 2010) composed USD 23,882 thousand (Mineral resource and processing industry - USD 23,432 thousand; trade activity - USD 420 thousand) as at 30 September 2011 and USD 16,201 thousand (Mineral resource and processing industry - USD 15,980 thousand; trade activity - USD 221 thousand) as at 30 September 2010.
All non-current assets are located in Ukraine.

7 Cost of sales

	Three months ended 30 September 2011	**Year ended 30 June 2011**	**Three months ended 30 September 2010**
Raw materials	(4,567)	(25,864)	(7,539)
Wages and salaries of operating personnel	(9,595)	(32,649)	(6,734)
Change in inventories	1,940	(10,562)	1,655
Energy supply	(2,715)	(9,568)	(2,108)
Cost of merchandising inventory	(507)	(5,674)	(1,035)
Subcontractors services	(3,040)	(5,282)	(2,178)
Depreciation and amortization expenses	(1,793)	(5,698)	(1,482)
Other expenses	(890)	(895)	(333)
	(21,167)	**(96,192)**	**(19,754)**

8 General and administrative expenses

	Three months ended 30 September 2011	**Year ended 30 June 2011**	**Three months ended 30 September 2010**
Wages and salaries of administrative personnel	(802)	(2,692)	(551)
Subcontractors services	(293)	(1,376)	(81)
Bank services	(98)	(207)	(41)
Depreciation and amortization expenses	(17)	(66)	(15)
Other expenses	(125)	(257)	(63)
	(1,335)	**(4,598)**	**(751)**

9 Selling expenses

	Three months ended 30 September 2011	**Year ended 30 June 2011**	**Three months ended 30 September 2010**
Delivery costs	(2,356)	(6,205)	(1,112)
Wages and salaries of distribution personnel	(244)	(659)	(140)
Subcontractors services	(127)	(256)	(244)
Depreciation and amortization expenses	(5)	(16)	(4)
Other expenses	(23)	(102)	(17)
	(2,755)	**(7,238)**	**(1,517)**

10 Other operating income/expenses

	Three months ended 30 September 2011	**Year ended 30 June 2011**	**Three months ended 30 September 2010**
Expenses due to idle capacity	(1)	(231)	1
Writing-off of VAT	(315)	(691)	26
Loss/profit from exchange differences	17	(249)	(30)
Income/Expenses for doubtful debts	1	(64)	(1)
Income from Emission Reduction Units sale	-	5,194	-
	(298)	**3,959**	**(4)**

11 Other non-operating expenses

	Three months ended 30 September 2011	Year ended 30 June 2011	Three months ended 30 September 2010
Income from sale of property, plant and equipment	14	125	55
Writing-off of non-current assets	(148)	(314)	-
Depreciation of non-operating property, plant and equipment	(18)	(15)	(4)
Wages and salaries of non-operating personnel	(64)	(567)	(45)
Recognised penalties, fines, charges	(182)	(217)	(47)
Social sphere expenses	(35)	(372)	(42)
Other income	35	44	2
Other expenses	(30)	(619)	(118)
	(428)	**(1,935)**	**(199)**

12 Depreciation and amortization expenses

Depreciation	Three months ended 30 September 2011	Year ended 30 June 2011	Three months ended 30 September 2010
Cost of sales	(1,596)	(4,821)	(1,261)
General and administrative expenses	(17)	(66)	(15)
Selling and distribution expenses	(5)	(16)	(4)
Depreciation of non-operating property, plant and equipment	(18)	(15)	(4)
Depreciation of property, plant and equipment which are temporarily not used	-	(36)	-
	(1,636)	**(4,954)**	**(1,284)**
Amortization			
Cost of sales	(197)	(877)	(221)
	(197)	**(877)**	**(221)**
	(1,833)	**(5,831)**	**(1,505)**

13 Finance income

	Three months ended 30 September 2011	Year ended 30 June 2011	Three months ended 30 September 2010
Income from measurement of financial assets at amortised cost	313	1,079	15
Income from initial recognition of financial liabilities at amortized cost	-	1,055	83
Interest income	1	9	-
	314	**2,143**	**98**

14 Finance costs

	Three months ended 30 September 2011	Year ended 30 June 2011	Three months ended 30 September 2010
Interest expenses	(599)	(4,230)	(1,122)
Finance lease expenses	(378)	(1,508)	(338)
Unwinding of discount	(18)	(590)	(132)
Loss from sale of assets held for trading	(168)	(361)	-
Loss from non-operational exchange differences	(1,806)	(361)	(158)
Expenses from initial recognition of financial assets at amortised cost	(448)	(299)	(1,306)
Expenses from measurement of financial liabilities at amortized cost	(518)	(139)	-
Expenses from pre-mature redemption of financial liabilities at amortized cost	-	(28)	(29)
Other expenses	-	(3)	-
	(3,935)	**(7,519)**	**(3,085)**

15 Income tax income/expenses

	Three months ended 30 September 2011	Year ended 30 June 2011	Three months ended 30 September 2010
Current income tax (rate 25%)	-	(546)	(61)
Current income tax (rate 23%)	(1,324)	(1,943)	-
Deferred tax	(450)	(150)	619
Income tax income/(expenses)	**(1,774)**	**(2,639)**	**558**
At the beginning of the period	**(1,941)**	**(21)**	**(21)**
Current income tax charge (rate 25%)	-	(546)	(61)
Current income tax charge (rate 23%)	(1,325)	(1,943)	-
Increase on acquisition of subsidiary	-	(43)	(43)
Amount paid in the period	1,985	604	87
Effect of translation to presentation currency	1	8	-
At the end of the period	**(1,280)**	**(1,941)**	**(38)**
Effect			
Profit before tax (rate 25%)	-	30,634	3,876
Profit before tax (rate 23%)	10,076	8,853	-
Income tax (rate 25%)	-	(7,659)	(969)
Income tax (rate 23%)	2,317	(2,036)	-
Effect from decrease of income tax rate	(1,960)	(1,391)	-
Tax effect of permanent differences	(2,131)	8,447	1,527
Income tax income/(expenses)	**(1,774)**	**(2,639)**	**558**

During the years ended 31 December 2010 Ukrainian corporate income tax was levied on taxable income less allowable expenses at a rate of 25%. In December 2010, 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 2011, the Group accounted for the decrease in the income tax rate and other implications of the new Tax Code.
Tax consequences of business transactions for the purpose of Ukrainian statutory taxation are often determined by the form in which those transactions are documented and reflected based on the requirements stipulated by the Ukrainian Accounting Standards. Accordingly the Group carries out a number of operations aimed at effective taxation rate optimization. In the process of consolidated financial statements preparation, such operations are presented reflecting their economic substance, and their effect on deferred tax included in permanent differences.

Recognised tax assets and liabilities

	30 June 2010	Recognised in profit (loss)	Effect of translation to presentation currency	Increase as result of acquisition of subsidiary	30 September 2010
Effect of temporary differences on deferred tax assets					
Property, plant and equipment, intangible assets	1,668	(271)	(1)	-	1,396
Financial instruments	219	(219)	-	-	-
Prepayments received	322	(260)	(1)	-	61
Provisions	513	33	(1)	318	863
Defined benefit plan obligations	2,100	46	(3)	1,165	3,308
Charged vacation expenses	334	(16)	-	104	422
Transfer of tax allowances at future periods	527	(529)	2	-	-
Folded on individual Companies' level	(1,073)	-	-	-	(1,555)
Total deferred tax assets	**4,610**	**(1,216)**	**(4)**	**1,587**	**4,495**
Effect of temporary differences on deferred tax liabilities					
Property, plant and equipment, intangible assets	(1,384)	3,323	2	(1,941)	-
Financial instruments	(145)	(378)	1	(79)	(601)
Prepayments and deferred expenses	(153)	(1,110)	1	-	(1,262)
Folded on individual Companies' level	1,073	-	-	-	1,555
Total deferred tax liabilities	**(609)**	**1,835**	**4**	**(2,020)**	**(308)**
Net deferred tax asset	**4,001**	**619**	**-**	**(433)**	**4,187**

15 Income tax income/expenses (continued)

	30 June 2011	Recognised in profit (loss)	Effect of translation to presentation currency	Increase as result of acquisition of subsidiary	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/(liability)	**3,388**	**(450)**	**-**		**2,938**

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. The effect of changes in interest rates in the consolidated statements of comprehensive income amounted to USD 1,960 thousand.

16 Property, plant and equipment

Cost	Underground mining	Buildings and constructions	Machinery, equipment and vehicles	Other	Total
as at 30 June 2010	**13,920**	**8,745**	**11,235**	**802**	**34,702**
Additions	125	91	1,785	102	**2,103**
Additions from acquisition of subsidiary	9,455	3,996	4,547	113	**18,111**
Disposals	-	-	(64)	(10)	**(74)**
Effect of translation to presentation currency	(30)	(11)	(16)	(1)	**(58)**
as at 30 September 2010	**23,470**	**12,821**	**17,487**	**1,006**	**54,796**
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**
Accumulated depreciation					
as at 30 June 2010	**(3,415)**	**(2,697)**	**(4,366)**	**(295)**	**(10,773)**
Depreciation for the period	(276)	(143)	(814)	(51)	**(1,284)**
Disposals	-	-	15	5	**20**
Additions from acquisition of subsidiary	(249)	(821)	(2,066)	(58)	**(3,194)**
Effect of translation to presentation currency	4	3	7	(2)	**12**
as at 30 September 2010	**(3,936)**	**(3,658)**	**(7,224)**	**(401)**	**(15,219)**
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)**
Net book value					
as at 30 September 2010	**19,534**	**9,163**	**10,263**	**605**	**39,565**
as at 30 September 2011	**23,694**	**11,181**	**14,335**	**672**	**49,882**

As at 30 September 2011 loans and borrowings of the Group were pledged by the property, plant and equipment with carrying amount of USD 2,019 thousand (30 September 2010 - USD 6,336 thousand) : Note 26 "Loans and borrowings".

17 Intangible assets

Cost	Licences, special permissions and patent rights	Other intangible assets	Other projects and permissions	Total
as at 30 June 2010	**9,751**	**32**	**126**	**9,909**
Additions	-	11	1	**12**
Disposals	-	(1)	(1)	**(2)**
Effect of translation to presentation currency	5	1	(1)	**5**
as at 30 September 2010	**9,756**	**43**	**125**	**9,924**
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**
Accumulated depreciation				
as at 30 June 2010	**(3)**	**(3)**	**(39)**	**(45)**
Amortization charge for the period	(215)	(1)	(5)	**(221)**
Disposal	-	-	1	**1**
Effect of translation to presentation currency	-	-	1	**1**
as at 30 September 2010	**(218)**	**(4)**	**(42)**	**(264)**
as at 30 June 2011	**(854)**	**(4)**	**(47)**	**(905)**
Amortization charge for the period	(194)	(1)	(2)	**(197)**
Disposals	-	-	3	**3**
Effect of translation to presentation currency	-	-	-	**-**
as at 30 September 2011	**(1,048)**	**(5)**	**(46)**	**(1,099)**
Net book value				
as at 30 September 2010	**9,538**	**39**	**83**	**9,660**
as at 30 September 2011	**8,624**	**54**	**76**	**8,754**

As at 30 September 2011 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 894 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 3,885 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 3,830 thousand (CwAL LE Sh/U Chapaeva).

18 Financial assets

	At 30 September 2011	At 30 June 2011	At 30 September 2010
Non-current financial assets			
Held-to-maturity investments	3,827	3,345	2,186
	3,827	**3,345**	**2,186**
Current financial assets			
Loans issued	29,374	23,786	19,472
	29,374	**23,786**	**19,472**

Held-to maturity investments are non-interest notes, issued generally by third parties. These notes are discounted using effective annual interest rate 18% for the three months ended 30 September 2011, 2010 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

	At 30 September 2011	At 30 June 2011	At 30 September 2010
Raw materials	2,919	2,713	9,829
Finished goods	3,259	1,347	13,644
Spare parts	730	667	6,727
Merchandise	896	146	3,867
Other inventories	47	56	494
	7,851	**4,929**	**34,561**

As at 30 September 2011 bank loans were secured by finished goods, carrying amount of which is USD 251 thousand (as at 30 September 2010 bank loans were secured by finished goods, carrying amount of which is USD 3,462 thousand).

20 Trade and other receivables

	At 30 September 2011	At 30 June 2011	At 30 September 2010
Trade receivables	3,052	3,948	9,206
Allowances for trade receivables	(211)	(211)	(164)
Other receivables	91	98	1,909
Allowances for other receivables	(24)	(25)	(16)
Receivables on sale of property, plant and equipment	112	26	25
Receivables on sale of financial assets	-	2	-
	3,020	**3,838**	**10,960**

As at 30 September 2011 trade receivables amounting to USD 1,552 thousands are pledged (as at 30 September 2010 - trade receivables amounting to USD 2,126 thousands are pledged as collateral).

21 Prepayments and prepaid expenses

	At 30 September 2011	At 30 June 2011	At 30 September 2010
Advances paid	3,184	835	216
Deferred expenses	60	41	7
	3,244	**876**	**223**

22 Changes in allowance made

	Three months ended 30 September 2011	Year ended 30 June 2011	Three months ended 30 September 2010
Balance as at the beginning of the period	**(236)**	**(181)**	**(181)**
Accrual	-	(64)	-
Use of allowances	-	7	-
Effect of translation to presentation currency	-	2	-
Balance as at the end of the period	**(236)**	**(236)**	**(181)**

	At 30 September 2011	At 30 June 2011	At 30 September 2010
Allowances for trade accounts receivable	(211)	(211)	(164)
Allowances for other accounts receivable	(24)	(25)	(16)
	(235)	**(236)**	**(180)**

23 Other taxes

	At 30 September 2011	At 30 June 2011	At 30 September 2010
Current taxes receivable			
VAT recoverable	339	201	1,211
Prepayments for wages and salaries related taxes	87	132	409
Prepayments for other taxes	-	1	100
	426	**334**	**1,720**
Current taxes payable			
VAT payable	2,044	2,669	1,285
Payable for wages and salaries related taxes	1,625	1,520	1,233
Payables for other taxes	308	220	542
	3,977	**4,409**	**3,060**
Non-current taxes payable			
Payables for other taxes	297	243	-
Payable for wages and salaries related taxes	-	76	-
Payable for VAT	-	68	-
	297	**387**	**-**

24 Cash and cash equivalents

	At 30 September 2011	At 30 June 2011	At 30 September 2010
Cash in bank	41,840	1,600	621
Cash in transit	-	1	4
	41,840	**1,601**	**625**

25 Share capital

	At 30 September 2011		At 30 June 2011		At 30 September 2010	
	%	Amount	%	Amount	%	Amount
Lycaste Holding Limited	75	450	100	338	100	38
	75	**450**	**100**	**338**	**100**	**38**

26 Loans and borrowings

	At 30 September 2011	At 30 June 2011	At 30 September 2010
Non-current loans and borrowings			
Borrowings received	-	12,044	14,862
Notes issued	383	385	219
	383	**12,429**	**15,081**
Deducting current portion of long-term borrowings			
Current portion of long-term borrowings	-	4,718	3,998
Total non-current loans and borrowings	**383**	**7,711**	**11,083**
Current loans and borrowings			
Bank loans	6,773	7,789	9,008
Interest free financial liabilities	-	15,092	10,132
Notes issued	-	-	1,714
Current portion of long-term borrowings	-	4,718	3,998
	6,773	**27,599**	**24,582**

Non-current notes issued are represented by the interest free notes, issued to third parties. These notes are reflected at amortized cost with using effective interest rate 18% per year. The management of the Group is going to hold notes until the maturity date.

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 LLC " Donbasuglrazrabotka" 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 LLC "Antratcit", pledging value of which amounts to USD 284 thousand; by the guarantee of individuals Vyshnevetskyy V.V. and Vyshnevetskaya M.P. amounting to USD 1,881 thousand. Maturity date is on 23 March 2012.

26 Loans and borrowings (continued)

— loan amounting to USD 3,136 thousand received by LLC "Donantratcit" 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 LLC "Donbasuglerazrabotka", book value of which amounts to USD 639 thousand, by the property of LLC "Nedra Donbasa", 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 in full.

— loan amounting to USD 1,756 thousand was received by LLC "Donantratcit" 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 LLC "Agro-industrial firm "Aval", 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 Vyshnevetskaya 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.

The amount of non-current loans and borrowings as at 30 September 2010 comprises the followings bank loans:

— borrowing amounting to USD 6,300 thousand received by LLC "Ugledobycha" in USD according to the credit agreement concluded with Katiema Enterpsises LTD with credit limit equaling to USD 6,300 thousand. Annual interest rate equals to 15%. Obligations under this credit agreement are guaranteed by the equipment of LLC "Ugledobycha", book value of which amounts to USD 505 thousand; by the equipment of LLC "Donprombiznes", book value of which amounts to USD 477 thousand; by the equipment of LLC "Tekhinovatsiya", book value of which amounts to USD 428 thousand. Maturity date is on 19 December 2013. Current portion of the borrowing amounts to USD 1,575 thousand.

— borrowing amounting to USD 3,763 thousand received by LLC "Ugledobycha" in USD according to the credit agreement concluded with Katiema Enterpsises LTD with credit limit equaling to USD 3,900 thousand. Annual interest rate equals to 15.5%. Obligations under this credit agreement are guaranteed by the property of LLC "Agro-industrial firm "Aval", pledged value of which amounts to USD 11,360 thousand. Maturity date is on 10 March 2014. Current portion of the borrowing amounts to USD 1,222 thousand.

— borrowing amounting to USD 4,800 thousand received by LLC "Eximenergo" in USD according to the credit agreement concluded with Katiema Enterpsises LTD with credit limit equaling to USD 4,800 thousand. Annual interest rate equals to 15%. Obligations under this credit agreement are guaranteed by the equipment of LLC "Eximenergo", book value of which amounts to USD 4,532 thousand; by the equipment of LLC "Ugledobyvauchie Technologies", pledging value of which amounts to USD 3,033 thousand. Maturity date is on 2 December 2013. Current portion of the borrowing amounts to USD 1,201 thousand.

The amount of current loans and borrowings as at 30 September 2010 comprises the followings borrowings:

- interest free financial liabilities amounting to USD 10,132 thousand are unsecured loans received from related parties on demand terms. Loans are reflected at initial value.

— loan amounting to USD 1,895 thousand received by LLC "Donbasuglerazrabotka" in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equaling to USD 1,895 thousand. Annual interest rate equals to 18%. Obligations under this credit agreement are guaranteed by the property of LLC "Antratcit", pledging value of which amounts to USD 394 thousand; by the property guarantee of LLC "Donantratcit" amounting USD 869 thousand, by the property guarantee of LLC "Donbasskrep" amounting USD 144 thousand, by the property guarantee of LLC "Mechanic" amounting USD 37 thousand; by the guarantee of individuals Vyshnevetskyy V.V. and Vyshnevetskaya M.P. amounting to USD 1,895 thousand. Maturity date is on 25 March 2011

— loan amounting to USD 1,769 thousand was received by LLC "Donantratcit" in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equaling to USD 1,769 thousand. Annual interest rate equals to 18%. Obligations under this credit agreement are guaranteed by the property of LLC "Agro-industrial firm "Aval", pledged value of which amounts to USD 468 thousand; by the finished goods (coal) pledged value of which amounts to USD 232 thousand, by the guarantee of individuals Vyshnevetskyy V.V. and Vyshnevetskaya M.P. amounting to USD 1,769 thousand, by the guarantee of CwAL LE Sh/U Chapaeva amounting to USD 1,769 thousand. Maturity date is 27 April 2012.

— borrowing amounting to USD 3,846 thousand received by LLC "Antratcit" in EUR according to the credit agreement concluded with Ukrainian Business Bank . Annual interest rate equals to 16%. Obligations under this credit agreement are guaranteed by the corporate rights on share capital LLC "Antratcit" equal 100% share capital, Maturity date is on 31 August 2011.

— loan amounting to USD 630 thousand received by CwAL LE Sh/U Chapaeva in USD according to the credit agreement concluded with OJSC "Ukrainian Business Bank" with credit limit equaling to USD 630 thousand. Annual interest rate equals to 18%. Obligations under this credit agreement are guaranteed by the finished goods (coal) amounting to USD 1,615 thousands. Maturity date is 27 May 2011.

— loan amounting to USD 630 thousand received by CwAL LE Novodzerzhynskaya Mine in USD according to the credit agreement concluded with OJSC "Ukrainian Business Bank" with credit limit equaling to USD 630 thousand. Annual interest rate equals to 18%. Obligations under this credit agreement are guaranteed by the finished goods (coal) amounting to USD 1,615 thousand. Maturity date is 27 May 2011.

Essential terms:

	Currency	Nominal interest rate	30 September 2011	30 June 2011	30 September 2010
Non-current borrowings	USD	15.00	-	9,249	11,100
Non-current borrowings	USD	15.50	-	2,795	3,762
			-	**12,044**	**14,862**

26 Loans and borrowings (continued)

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

	At 30 September 2011	At 30 June 2011	At 30 September 2010
within 1 year	-	4,718	3,998
from 1 to 5 years	-	8,098	11,347
more than 5 years	-	-	-
	-	**12,816**	**15,345**

27 Finance lease liability

	At 30 September 2011		At 30 June 2011		At 30 September 2010	
	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	1,412	1,283	1,412	1,283	1,422	1,293
From 1 to 5 years	5,648	3,350	5,648	3,350	5,690	3,375
More than 5 years	58,973	3,209	59,329	3,209	60,836	3,233
	66,033	**7,842**	**66,389**	**7,842**	**67,948**	**7,901**
Future finance charges	(58,191)	-	(58,547)	-	(60,047)	-
Present value of lease obligation	**7,842**	**7,842**	**7,842**	**7,842**	**7,901**	**7,901**
Current portion of financial lease obligation		**(1,283)**		**(1,283)**		**(1,293)**
Non-current financial lease obligation		**6,559**		**6,559**		**6,608**

In 2009 CwAL LE Sh/U Chapaeva negotiated the contract of lease of state property-integral property complex GC Shakhtoupravlinnia named after V.I. Chapaeva.
In 2010 CwAL LE Novodzerzhynskaya Mine negotiated the contract of lease of state property-integral property complex – integral property complex GC Novodzerzhynskaya Mine.
According to these contracts, the lessee receives state property for the period of 49 years (CwAL LE Sh/U Chapaeva - until 11 February 2058, CwAL LE Novodzerzhynskaya Mine -until 27 April 2059) on fee basis. Such property comprises premises, facilities, mine workings, production equipment, transport, assets under construction and special permissions for subsurface use. Also, as term of agreements, the lessee becomes legal success or of rights and liabilities of GC Shakhtoupravlinnia named after V. I. Chapaev 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 2011	At 30 June 2011	At 30 September 2010
Property, plant and equipment	20,749	22,253	21,157
Intangible assets	7,715	7,897	8,562
	28,464	**30,150**	**29,719**

28 Provisions

	At 30 September 2011	At 30 June 2011	At 30 September 2010
Non-current provisions			
Provision for restoration	3,202	3,243	3,026
Dismantling provision	499	479	426
Provision on tax liabilities	4,035	3,997	3,753
	7,736	**7,719**	**7,205**

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 decommission of property, plant and equipment and land restoration under waste dumps procedures. Discount rate used by the Group is 18%.
Management created provision for the payment of potential tax liabilities. Though if the controlling 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 current provisions

	Three months ended 30 September 2011	Year ended 30 June 2011	Three months ended 30 September 2010
Balance as at the beginning of the period	**-**	**-**	**3,756**
Provision charge for the period	-	-	
Transfer to non-current provisions	-	-	(3,753)
Effect of translation to presentation currency	-	-	(3)
Balance as at the end of the period	**-**	**-**	**-**

Changes in non-current provisions

	Three months ended 30 September 2011	Year ended 30 June 2011	Three months ended 30 September 2010
Balance as at the beginning of the period	**7,719**	**2,052**	**2,052**
Unwinding of discount	145	590	132
Provision charge for the period	-	112	-
Increase due to acquisition of subsidiary	-	1,271	1,271
Provision utilized for the period	(128)	-	-
Transfer from current provisions	-	3,747	3,753
Effect of translation to presentation currency	-	(53)	(3)
Balance as at the end of the period	**7,736**	**7,719**	**7,205**

29 Trade and other payables

Current trade and other payables:

	At 30 September 2011	At 30 June 2011	At 30 September 2010
Trade payables	3,655	2,642	23,097
Advances received	1,813	1,900	244
Payables for wages and salaries	2,019	1,728	1,420
Payables for unused vacations	2,821	2,302	1,687
Payables for acquisition property, plant and equipment	227	990	1,149
Interest due	37	209	288
Payables for financial assets	2	2	-
Other payables	1,529	1,267	4,492
	12,103	**11,040**	**32,377**

Non-current trade and other payables:

	At 30 September 2011	At 30 June 2011	At 30 September 2010
Trade payables	-	1,258	-
Other payables	662	718	-
	662	**1,976**	**-**

As at 30 June 2011 CwAL LE Novodzerjinskaya Mine has non-current liabilities to SE "RegionalnyeElektricheskie Seti" amounting to USD 1,008 thousands. 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.

30 Related party transactions (continued)

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

Items of consolidated statements of comprehensive income

	Three months ended 30 September 2011	Year ended 30 June 2011	Three months ended 30 September 2010
Income from sales of finished products, goods	147	14,271	1,802
Income from rendering of services	23	31	5
Income from sale of property, plant and equipment	29	22	-
Income from operating lease	1	-	-
Purchases of inventories	3,489	17,388	11,684
Purchases of property, plant and equipment	2,521	4,849	963
Purchases of services	1,622	1,089	60
Operating lease expenses	(64)	(147)	(27)

Items of consolidated statements of financial position

	Three months ended 30 September 2011	Year ended 30 June 2011	Three months ended 30 September 2010
Held-to-maturity investments	3,103	2,976	1,765
Loans issued	29,898	23,556	9,248
Trade receivables	163	159	4,528
Receivables on sale of property, plant and equipment	38	26	-
Other receivables	4	18	1,457
Advances paid	3,312	324	38
Trade payables	640	1,031	16,069
Payables for acquisition property, plant and equipment	51	593	1,143
Other payables	218	170	101
Advances received	-	-	86
Interest-free financial liabilities	-	8,109	-

31 Contingent assets and liabilities

As at the date of presentation of the financial statements the Group is involved in following legal processes:

Claims of third parties against the Group:

Company of the Group	Demandant	Amount of claim, USD	Essence of claim	Probable adjudication for the Group
CwAL LE Novodzerzhynskaya Mine	Gorlovskaya State Tax Inspectorate	30,022	Recovery of liabilities	Probability is estimated as 51-99%
CwAL LE Novodzerzhynskaya Mine	OJSK “Gorlovskuglestroy”	118,665	Recovery of liabilities	Probability is estimated as 51-99%

Management of the Group accrues liability as for mentioned contingent liabilities and recognized them in other account payables due to high probability. Management of the Group consider 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 operational activity.

32 Off-balance sheet liabilities

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

33 Off-balance sheet liabilities as at 30 September 2011

Contracts of guarantee assuring liabilities LLC “Ugletechnic” amount to USD 10,035 thousands. Maturity date is 15 August 2014.

34 Subsequent events

Management of the Group states that the Company intends to increase the issued share capital of Nertera Investments Limited from EUR 4,500.00 divided into 4,500 shares of nominal value EUR 1,00 each to EUR 5,000.00 divided into 5,000 shares of nominal value EUR 1,00 each, by the creation of 500 additional shares of a nominal value of EUR 1,00 each, issued at a premium of EUR 37,141.85 each, offered to the existing shareholder of the Nertera Investments Limited entitled to vote in accordance with the Company’s Articles of Association, i.e. Coal Energy S.A., of Luxembourg.

34 Subsequent events (continued)

Management of the Group states that a new company within Coal Energy Group was incorporated on 15 November 2011. The main purpose of Coal Energy Ukraine Limited, Ukrainian incorporation, is to provide consulting services to the subsidiaries of the Company. The share capital of the Coal Energy Ukraine Limited amounted to 16,000 UAH .

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