



Unaudited interim consolidated report  
for the nine months FY2018 ended  
31<sup>st</sup> March 2018

# COAL ENERGY S.A., 9M FY2018 REPORT

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**Dear Ladies and Gentlemen,**

Herewith we are presenting our unaudited interim consolidated financial report for the 9 months FY2018 and 3Q FY 2018, ended 31st March 2018. During the reporting period the Company operated in challenging environment and was exposed to non-controllable political and economical risks associated with military conflict in the East of Ukraine (Donbas region) where most of the assets of the Company are located.

For the first three months of 2018 calendar year (3Q FY2018) Ukrainian economy demonstrated certain signs of improvement as GDP increased by 3.1% as compared to 1Q 2017 calendar year and slightly increased by 0.9% q-o-q. According to the National Bank of Ukraine, the main drivers for GDP increase were growth in household incomes, as well as favorable external environment. However the on-going military conflict together with the trade blockade at the East of Ukraine remained main adverse factors affecting the economy and the industry.

As was reported earlier trade blockade has major influenced Company's business as most of the coal mined at the Company's assets was sold to Ukrainian Thermal Power Plants. Thus the Company has idled assets that are located on the territory, which is not under Ukrainian control. This has considerably influenced cash inflow and financial results of the Company in the 3Q FY2018. Nevertheless the Management is focused on development of currently operating facilities, strives to preserve business, minimize risks and overcome difficulties arising from ongoing military conflict in the region.

Summarized highlights of the 3Q FY2018 and 9M FY2018 are presented below:

- ❖ **Total output.** Total output of thermal and coking in the 3Q FY2018 reached 29.3 thousand tonnes, or increased by 20.6% q-o-q (24.3 thousand tonnes in the 2Q FY2018). Total output for 9M FY2018 reached 84.3 tonnes of coal, thus decreasing by 73.7% y-o-y (320.0 thousand tonnes in the 9M FY2017).
- ❖ **Coal volume sales.** In the 3Q FY2018 coal sales slightly declined and composed 30.4 thousand tonnes demonstrating 6.5% decrease q-o-q (32.5 thousand tonnes in 2Q FY2018). For 9M FY2018 total coal sales composed 96.5 thousand tonnes, thus decreased by 75.2% y-o-y (388.5 thousand tonnes for 9M FY2017).
- ❖ **Revenue from coal sales.** In the 3Q FY2018 coal sales revenue composed US\$2.1 million thus decreasing from US\$2.3 million in 2Q FY2018 or by 8.7% q-o-q. For 9M FY2018 coal sales comprised US\$6.3 million as opposed to US\$19.3 million for 9M FY2017.
- ❖ **EBITDA.** In the 3Q FY2018 the Company recorded negative EBITDA of US\$0.6 million, while for 9M FY2018 EBITDA reached US\$0.2 million.

Company Board and Management reiterate that the Company's normal operations cannot be restored until the military conflict in the Eastern Ukraine is resolved and the trade blockade is discontinued. At the moment, we cannot maintain any operational activity at the mines on the occupied territory; instead, we will refocus our attention to our mines located in areas under the control of the Ukrainian government.

*Viktor Vyshnevetsky*

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

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## **General market and economic overview (on available statistical information)**

For the nine months of 2018 financial year ended 31st March 2018 the Company continued to operate in adverse market environment under destabilizing factor of military conflict in the East of Ukraine as well as macroeconomic uncertainty in Ukraine.

As was mentioned previously trade blockade in Donbas has sharply influenced coal industry and since January 2017 Ukraine is experiencing deficit of thermal coal grades (particularly anthracite, which is mined mostly in the territory of military conflict). Under trade blockade most of the coal-mining assets on the territories of military conflict were idled or taken under control (“nationalized”) by occupation authorities. In the 1Q 2018 calendar year (3Q FY2018) coal mining companies in Ukraine produced 8.4 million tonnes of ROM coal demonstrating a decrease in general output by 19.3% y-o-y, thermal coal output dropped by 21.3% y-o-y while coking coal output declined by 9.9% y-o-y. Under shortage of coals Ukraine had to increase import of coals up to 5.7 million tonnes, or by 57.6% y-o-y in the 1Q 2018 calendar year. For the first three months of 2018 electricity production in Ukraine increased by 3.8% y-o-y while the share of Thermal Power Plants in the structure of electricity production composed 39.5% in January-March 2018 (up from 35.4% in the 1Q 2017 calendar year). According to the Ministry of Energy and Coal Industry of Ukraine, in 1Q 2018 calendar year Ukrainian thermal power plants (TPP) and heat and power plants (HPPs) increased consumption of coal up to 7.4 million tonnes or by 16.8% y-o-y. Share of imported thermal coals, consumed by TPP and TPPs amounted 27.2% in 1Q 2018 calendar year. Industrial output in January-March 2018 calendar year (3Q FY2018) increased by 2.4% as compared to the same period last year, however demonstrated a decreased by 1.4% month-over-month (March versus February 2018).

Coking coal sector closely correlates with metallurgy. Situation in metallurgy also remained challenging as it was also affected by trade blockade in the territory of military conflict. For the first three months of 2018 (3Q FY2018) Ukrainian metallurgists produced 5.2 million tonnes of steel demonstrating a decline by 2.8% y-o-y while export of metal products for the same period decreased by 3.5% y-o-y. The decline in production is associated with complete shutdown of several metallurgy plants as well as deficit of metallurgy coke due to trade blockade. Meanwhile in the 1Q of 2018 calendar year 3.6 million tonnes of coal was delivered to domestic coke plants. The share of imported coals in the total volume of supplies for the first three months of 2018 composed 78.5% against 73.0% for the same period in 2017. Demand and prices in the global metal market remain volatile, intensifying competition and protectionism. However, steel production is expected to gradually increase by average 8.0% in 2018 calendar year, supporting export opportunities for Ukrainian metallurgists.

Midterm outlook for Ukrainian economy remains moderate. According to S&P GDP growth in Ukraine in 2018 is expected at 2.6% followed by acceleration by 3.0% and 3.2% in 2019 and 2020 respectively. S&P notes that the economic recovery continues on the back of rising domestic demand, high commodity prices and the ability of the economy to adapt quickly to the conditions of the trade blockade of the Donbas. Further, sources of economic growth will remain the same, with the domestic demand as a main driver. At the same time decline in Ukrainian export prices on the foreign markets and activation of confrontation in the East of Ukraine are indicated as main risks to Ukrainian economy in the mid-term perspective.

## COAL ENERGY S.A., 9M FY2018 REPORT

**Review of the financial and operational results of Coal Energy S.A. including parent company and its subsidiaries (hereinafter “Company”) for the nine months (9M) FY2018 and 3Q FY2018.**

The following table summarizes the Company’s key margins and ratios for the 3Q FY2018, the 2Q FY2018, 9M FY2018 and 9M FY2017 (numbers are rounded):

| <i>in million of US\$</i>         | 3Q FY2018  | 2Q FY2018 | Relative change q-o-q      | 9M FY2018 | 9M FY2017 | Relative change y-o-y      |
|-----------------------------------|------------|-----------|----------------------------|-----------|-----------|----------------------------|
| Revenue                           | 2.9        | 3.2       | (9.4%)                     | 8.2       | 20.7      | (60.4%)                    |
| Gross profit                      | (0.4)      | 0.7       | <i>n/a</i>                 | 0.8       | 5.1       | (84.3%)                    |
| EBIT                              | (1.2)      | (0.2)     | <i>n/a</i>                 | (1.9)     | 1.7       | <i>n/a</i>                 |
| EBITDA                            | (0.6)      | 0.5       | <i>n/a</i>                 | 0.2       | 4.0       | (95.0%)                    |
| Net profit/loss                   | 0.6        | (5.2)     | <i>n/a</i>                 | (8.0)     | (9.1)     | <i>n/a</i>                 |
| <i>as a percentage of revenue</i> |            |           | <b>Δ percentage points</b> |           |           | <b>Δ percentage points</b> |
| Gross margin %                    | (13.8%)    | 21.9%     | (35.7)                     | 9.8%      | 24.6%     | (14.8)                     |
| EBIT %                            | (41.4%)    | (6.3%)    | (35.1)                     | (23.2%)   | 8.2%      | (31.4)                     |
| EBITDA %                          | (20.7%)    | 15.6%     | (36.3)                     | 2.4%      | 19.3%     | (16.9)                     |
| Net earnings %                    | 20.7%      | (162.5%)  | 183.2                      | (97.6%)   | (44.0%)   | (53.6)                     |
| <b>Ratios:</b>                    |            |           |                            |           |           |                            |
| EBITDA/Finance costs              | <i>n/a</i> | 0.1       |                            | 0.02      | 0.4       |                            |
| Debt*/EBITDA                      | 60.4       | 27.7      |                            | 60.4      | 13.4      |                            |
| Net debt/EBITDA                   | 60.4       | 27.7      |                            | 60.4      | 13.4      |                            |

*\*-EBITDA for calculation of EBITDA/Finance costs is taken for the respective period presented. EBITDA for the Debt/EBITDA and Net Debt/EBITDA ratios calculation is taken for the last four consecutive quarters. Debt and Net debt include loans and finance lease liabilities (discounted future finance charges denominated in UAH for lease of two state-property integral complexes owned by CwAL LE “Sh/U Blagoveshenskoe” and CwAL LE “Mine St. Matriona Moskovskaya”).*

### **Revenue**

For the reporting nine months total revenue comprised US\$8.2 million as opposed to US\$20.7 million for the 9M FY2017 demonstrating a decline by 60.4% y-o-y due to trade blockade in the region of military conflict. On quarterly basis total revenue comprised US\$2.9 million in 3Q FY2018 thus decreasing as compared to US\$3.2 million in 2Q FY2018 or by 9.4% q-o-q.

Coal sales volumes dynamics are presented in the table below (numbers are rounded):

| <i>in thousand tonnes</i> | 3Q FY2018   | 2Q FY2018   | change in %   | 9M FY2018   | 9M FY2017    | change in %    |
|---------------------------|-------------|-------------|---------------|-------------|--------------|----------------|
| Thermal                   | 3.3         | 5.2         | (36.5%)       | 12.3        | 203.7        | (94.0%)        |
| Coking                    | 27.1        | 27.3        | (0.7%)        | 84.2        | 184.8        | (54.4%)        |
| <b>Total</b>              | <b>30.4</b> | <b>32.5</b> | <b>(6.5%)</b> | <b>96.5</b> | <b>388.5</b> | <b>(75.2%)</b> |

Sales volumes demonstrated decline both y-o-y and q-o-q given limited sales opportunities and and idled facilities in the region of military conflict. Thermal coal sales composed 3.3 thousand tonnes in the 3Q FY2018 thus decreasing by 36.5% q-o-q and reached 12.3 thousand tonnes in the 9M FY2018, revealing a decline by 94.0% y-o-y. While coking coal sales comprised 27.1 thousand tonnes in 3Q FY2018 demonstrating decrease by 0.7% q-o-q and composed 84.2

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thousand tonnes for nine months FY2018 or declined by 54.4% y-o-y. Coking coal presented major part of coal sales volumes composing 87.3% for the 9M FY2018 as most of the assets which are mining thermal coal were idled.

### *Cost of sales and cash cost of production*

The following table links cost of sales with total cash cost of production in each business segment of the Company in the 3Q FY2018 and 2Q FY2018:

| <i>in thousand of US\$</i>                         | 3Q FY2018    | 2Q FY2018    |
|--|--------------|--------------|
| <b>Cost of sales</b>                               | <b>3,268</b> | <b>2,505</b> |
| Less:  |              |              |
| Cost of merchandising inventory                    | (770)        | (1,217)      |
| Change in inventories                              | (137)        | 471          |
| Cost of other services                             | -            | -            |
| Depreciation and amortization                      | (151)        | (154)        |
| <b>Total cash cost of production</b>               | <b>2,210</b> | <b>1,605</b> |
| <i>Including:</i>                                  |              |              |
| <i>Total cash cost of mining</i>                   | 2,210        | 1,605        |
| <i>in US\$ per tonne</i>                           |              |              |
| <i>Cash cost of mining per 1 tonne of ROM coal</i> | 75.2         | 66.0         |

During 3Q FY2018 cash cost of underground mining increased by 13.9% q-o-q under negative influence of higher fixed costs per 1 tonne of coal due to limited coal production and influence of conditionally fixed expenditures.

Due to significant difficulties with organization, ensuring stability and logistics in the zone of military conflict during 9M FY2018 waste processing and beneficiation facilities were idled.

### *Idle capacity expenses*

Idle capacity expenses increased slightly y-o-y and comprised US\$2.2 million for the 9M FY2018 as opposed to US\$2.1 million in the 9M FY2017. As was informed earlier under influence of trade blockade and given the on-going military conflict in the region the management decided to limit production on some of the underground mining and coal processing assets resulting in the idle capacity expenses.

### *Gross profit/loss*

Gross profit comprised US\$0.8 million for the reporting nine months of FY2018 as opposed to US\$5.1 million for the 9M FY2017 demonstrating considerable decline by 84.3%, due to lower production and sales results under continuing trade blockade in the region of assets location. For the 3Q FY2018 gross profit also declined as the Company recorded loss of US\$0.4 million versus gross profit of US\$0.7 million in the 2Q FY2018.

### *Operating profit/loss*

For the 9M FY2018 the Company recorded US\$1.9 million of operating loss as opposed to US\$1.7 million of operating profit for the 9M FY2017. On quarterly basis operation results for

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the 3Q FY2018 were lower as compared to the previous quarter and composed US\$1.2 million of operation loss versus US\$0.2 million in the 2Q FY2018.

### *Financial costs*

For the 9M FY2018 financial costs declined to US\$9.6 million as opposed to US\$9.8 million for the 9M FY2017, remaining under influence of interest expenses on the one hand and effect of local currency correlation to US dollar on the other hand. On quarterly basis financial costs also decreased considerably and amounted US\$1.8 million in 3Q FY2018 versus US\$4.6 million in 2Q FY2018 or by 60.9% q-o-q.

### *Net profit/ loss*

The Company recorded net losses for the 9M FY2018 amounting to US\$8.0 million as compared to US\$9.1 million for the 9M FY2017 under weaker results due to the trade blockade. Meanwhile for the 3Q FY2018 the Company recorded net profit of US\$0.6 million as opposed to net losses of US\$5.2 million for the 2Q FY2018

### *Production results*

Total output for 9 months FY2018 decreased considerably due to trade blockade in the region of military conflict that is preventing passage of cargo traffic across the contact line. Assets of the Company that are located on the territory, which are not under Ukrainian control, were temporarily idled as transportation of coal to ultimate customer turned out to be impossible. However, 3Q FY2018 demonstrated certain improvements compared to the previous quarter

Total production in 9M FY2018 composed 84.3 thousand tonnes, thus decreasing as compared to 320.0 thousand tonnes in the 9M FY2017 by 73.7% y-o-y. While for the 3Q FY2018 total output composed 29.3 thousand tonnes as opposed to 24.3 thousand tonnes in 2Q FY2018, improving by 20.6% q-o-q.

Mining of thermal coal composed 3.1 thousand tonnes or increased by 82.4% q-o-q while coking and dual-purpose coal output increased up to 26.2 thousand tonnes or by 15.9% q-o-q.

The table below shows aggregated data on production volumes by coal types:

| <i>in thousand of tonnes</i>   | 3Q FY18     | 2Q FY18     | change, % | 9M FY18     | 9M FY17      | change, %      |
|--------------------------------|-------------|-------------|-----------|-------------|--------------|----------------|
| Thermal coal                   | 3.1         | 1.7         | 82.4%     | 9.2         | 172.6        | (94.7%)        |
| Coking and dual-purpose coal   | 26.2        | 22.6        | 15.9%     | 75.1        | 147.4        | (49.1%)        |
| <b><i>Total production</i></b> | <b>29.3</b> | <b>24.3</b> | 20.6%     | <b>84.3</b> | <b>320.0</b> | <b>(73.7%)</b> |

*Coal waste dumps processing.* As was informed earlier coal waste processing plant Prepodobnih Antoniia and Feodosiia of Kievo-Pechersk (LLC Antracit) and Postnikovskaya beneficiation plant were closed down (idled) since February 2016 due to significant difficulties with logistics in the zone of military conflict.

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## *Risks and uncertainties*

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

The Company's business is dependent on the global market price of coal. Sale prices and volumes in the worldwide coal market depend predominantly on the prevailing and expected levels of demand for and supply of coal, mainly from energy and steel manufacturers. Though Ukrainian coal market is relatively isolated, still global financial and economic crises may influence the Ukrainian coal prices.

To mitigate the price risk and risk of lowering demand, the Company endeavours to diversify its customer base both on local and export markets and aims to sign long-term framework contracts for coal supply. While prices are beyond control of the Company we constantly strive to lower and maintain low cost of production with the same level of operations quality.

*The Company is subject to particular demands from customers which vary from customer to customer from product to product and from time to time*

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

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

The Company's main production expenses are energy costs, salaries and consumables. Changes in costs of the Group's mining and processing operations could occur as a result of unforeseen events and consequently result in changes in profitability or the feasibility and cost expectations in mining and processing existing reserves. Many of these changes may be beyond the Company's control.

Cost of mining operations per tonne as conditionally fixed (energy, water drainage, ventilation system, etc.) can not be reduced proportionally with the reduction of coal sales as the case may be. These costs need to be incurred in order to maintain certain safety of operations and to secure the Company's ability to increase production after the market revival. If sales for some particular coal grades from a particular asset are not expected to regain back their volume and price the Company may take decision to postpone mining operations on that asset and incur repairing and supportive works and hence incurring idle capacity expenses. Returning to the previous production levels may require additional capital investments amount of which can not be estimated reliably at the moment.

The risk has been realized as most of the Company's assets incurred various levels of damage due to heavy on-going military conflict at assets' locations. Hence various level of reconstruction for renovation of mining and coal waste processing will be needed. Exact amounts are still to be estimated.

Due to the on-going military conflict in the region there is a lack of strong supervision from the local authorities over the businesses as well as over any illegal mining activities in the region which may increase following the coal deficit in the market. Coal from such activities being



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cheaper in price may create further barriers for coal production restoration at state and privately held mines.

*The Company's activity may be impacted by limited banking financing for its projects and operating activity as well as local currency devaluation*

In order to continue investment program at the levels which would allow reaching the expected targets the Company needs external financing. Macroeconomic and political instability in the country make the banks reassess their country risk policies and they may either stop providing new financing to customers or even lower their credit exposures.

Macroeconomic instability could also push the population to transfer their savings into US\$ (creating devaluating pressure on the local currency) and/or even to take their savings away from the banking system which may additionally squeeze the banking system's liquidity.

During the last years foreign currency loans had a more attractive interest rate, had longer tenors of financing and were easier available than local currency (hryvnia) loans, hence foreign currency loans may be more attractive in general.

Nevertheless foreign currency loans expose to the exchange rate risks which may inflate liabilities denominated in the foreign currencies in case of local currency devaluation. In order to fulfil obligations under the conditions of limited export proceeds restructuring may be needed with the goal of extending maturities and postponing interest payments until the markets rebound and sufficient resources are accumulated to cover the realized risk.

The risk has been realized: during 2014-2015 local currency has devaluated in more than 3.5 times. Exchange rate remains volatile; this increases the devaluation expectations even higher. Such situation caused huge instability and uncertainty in banking sector; new loan facilities are very limited. Company maintains a constant dialog with its existing creditors. The majority of existing loan facilities is either in the process of restructuring or in the "on hold" status. Such currency devaluation may raise the risk of hyperinflation in further periods.

*The Company's activity may be influenced by political instability and/or uncertainty and/or separatism intentions and escalation of military conflict in Ukraine*

Failure to achieve political consensus necessary to support and implement reforms and any resulting instability could adversely affect the country's macroeconomic indices, economic growth, business climate, social and living standards, postpone business decisions by customer and major industrial groups. Such increased uncertainties will definitely affect the industrial output level in the country, electricity, heat and steel production and consumption as well as construction plans and metallurgic industry performance (being directly or indirectly the core consumers for the Company's products), tax payments to the state budget.

The military conflict in the region of the Company's assets allocation may lead to damages to assets and inventories. Furthermore, depending on the severity of the conflict the assets/inventories may be damaged in scope which will make it impossible or economically not viable to restore them.

The realization of the risk is considered to be high. Mitigation of the risk is mainly outside of control of the Company on macro level.



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### *Liquidity risk*

As one of the major consequences of decreasing prices and lowering demand for coal is that the Company may need additional means to promote sales, i.e. providing customers with favourable trade credit terms, hence increasing working capital tied up mostly in the trade account receivables. If financial resources from lending institutions are available these additional working capital amounts could be financed respectively. The Company is in constant dialogue with its current financing banks in order to secure timely rolling over and extending of the credit facilities. Nevertheless the ability of banking institutions to lend depends highly on country risks of Ukraine and there own liquidity (UAH liquidity is formed mainly from the deposits of the local individuals and enterprises) which diminishes dramatically in the times of macroeconomic and political instability. In the situation of absence of bank financing to cover the increased trade credit conditions the Company will be forced to decrease sales.

The Company is cooperating with a number of private commercial banks which are subject to the regulations of the Ukrainian authorities. Banks' ability to perform in accordance with such regulations is out of control of the Company. Nevertheless if banks fail to comply with the Ukrainian legislation the regulator may impose various sanctions against them which may influence the ability of such banks to provide financing resources or might force the banks to draw back the financial resources provided to the Company if the Company does not fulfil obligations according to the loan agreements.

The Company can not mitigate the risk that the banks may demand early repayment and the Company will not be able to fund refinancing for such funds.



**COAL ENERGY S.A.**

CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE NINE MONTHS  
ENDED MARCH 31, 2018

**9m2018FY**

**Coal Energy S.A.**

9m2018FY

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**Statement of Management responsibility**

To the best of our knowledge, consolidated financial statements as of 31 March 2018 of Coal Energy S.A. which have been prepared in accordance with the international financial reporting standards, give a true and fair view of the assets, liabilities, financial position and result of its operations for the six months ended 31 March 2018 as required under the applicable Law. The interim management report includes a fair review of the information required under the applicable Law.

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

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

Management confirms that it has complied with the above mentioned principles in preparing the consolidated financial statements of the Group.

The Management is also responsible for:

- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group;
- taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of management

Directors A:

Directors B:

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

\_\_\_\_\_  
Independent Non-executive Director  
Diyor Yakubov

\_\_\_\_\_  
Chief Operating Director  
Pavlo Moiseyenko

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

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

Luxembourg, 30 May 2018

**Coal Energy S.A.****Management report for the nine months ended 31 March 2018**

Management of the Company hereby presents its interim consolidated financial statements for the nine months on 31 March 2018.

**1. Results and developments during the nine months ended on 31 March 2018.**

For the nine months ended on 31 March 2018 the Group recorded an EBITDA profit of USD 216 thousand (EBITDA profit for the nine months ended 31 March 2017 USD 4,003 thousand). After depreciation, amortization, finance costs and finance income the final loss for the nine months ended 31 March 2018 after taxation was USD 7,972 thousand (loss for the nine months ended 31 March 2017 USD 9,083 thousand).

**2. Future developments of the Group.**

The Group is optimizing internal reserves and is considering remaining options for funding its operations to cover liquidity needs in the environment of continuing military conflict in the Eastern Ukraine.

**3. Activity in the field of research and development.**

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

**4. Own shares.**

During the period ended 31 March 2018, the Company and its affiliates have not repurchased shares of Coal Energy S.A.

**5. Group's internal control.**

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

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

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

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

**6. Risk Management.**

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

The Group does not use hedging derivatives.

For Coal Energy S.A.:

Directors A:

Directors B:

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

\_\_\_\_\_  
Independent Non-executive Director  
Diyor Yakubov

\_\_\_\_\_  
Chief Operating Director  
Pavlo Moiseyenko

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

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

Luxembourg, 30 May 2018

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 31 MARCH 2018

(in thousands USD, unless otherwise stated)

|  | Note | 9 months ended<br>31 March 2018 | 3 months ended<br>31 March 2018 | Year ended 30 June<br>2017 (unaudited) | 9 months ended<br>31 March 2017 | 3 months ended<br>31 March 2017 |
|--|------|---------------------------------|---------------------------------|--|---------------------------------|---------------------------------|
| Revenue  | 5    | 8,183                           | 2,915                           | 26,456                                 | 20,722                          | 6,916                           |
| Cost of Sales  | 6    | (7,365)                         | (3,268)                         | (20,159)                               | (15,570)                        | (5,401)                         |
| <b>GROSS PROFIT/(LOSS)</b>                             |      | <b>818</b>                      | <b>(353)</b>                    | <b>6,297</b>                           | <b>5,152</b>                    | <b>1,515</b>                    |
| General and administrative expenses                    | 7    | (220)                           | (99)                            | (705)                                  | (634)                           | (218)                           |
| Selling and distribution expenses                      | 8    | (116)                           | (31)                            | (881)                                  | (856)                           | (151)                           |
| Other operational income/(expenses)                    | 9    | (101)                           | (20)                            | 191                                    | 159                             | (70)                            |
| Idle capacity expenses                                 | 9.1  | (2,236)                         | (719)                           | (2,908)                                | (2,078)                         | (907)                           |
| <b>OPERATING PROFIT/(LOSS)</b>                         |      | <b>(1,855)</b>                  | <b>(1,222)</b>                  | <b>1,994</b>                           | <b>1,743</b>                    | <b>169</b>                      |
| Other non-operating income/(expenses)                  | 10   | (1,600)                         | (613)                           | (2,702)                                | (2,251)                         | (865)                           |
| Financial income                                       | 12   | 4,777                           | 4,150                           | 2,077                                  | 895                             | 354                             |
| Financial costs  | 13   | (9,618)                         | (1,819)                         | (11,322)                               | (9,846)                         | (1,789)                         |
| <b>PROFIT/(LOSS) BEFORE TAX</b>                        |      | <b>(8,296)</b>                  | <b>496</b>                      | <b>(9,953)</b>                         | <b>(9,459)</b>                  | <b>(2,131)</b>                  |
| Income tax income/(expenses)                           | 14   | 324                             | 134                             | 400                                    | 376                             | 69                              |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>                    |      | <b>(7,972)</b>                  | <b>630</b>                      | <b>(9,553)</b>                         | <b>(9,083)</b>                  | <b>(2,062)</b>                  |
| <b>OTHER COMPREHENSIVE LOSS:</b>                       |      |                                 |                                 |  |                                 |                                 |
| Disposal of subsidiary                                 |      | 1                               | -                               | 527                                    | 527                             | -                               |
| Effect of foreign currency translation                 |      | 146                             | (811)                           | 161                                    | 628                             | (100)                           |
| <b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)</b>         |      | <b>147</b>                      | <b>(811)</b>                    | <b>688</b>                             | <b>1,155</b>                    | <b>(100)</b>                    |
| <b>TOTAL COMPREHENSIVE LOSS:</b>                       |      | <b>(7,825)</b>                  | <b>(181)</b>                    | <b>(8,865)</b>                         | <b>(7,928)</b>                  | <b>(2,162)</b>                  |
| <b>PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>   |      |                                 |                                 |  |                                 |                                 |
| Equity holders of the parent                           |      | (7,923)                         | 615                             | (9,518)                                | (9,048)                         | (2,042)                         |
| Non-controlling interests                              |      | (49)                            | 15                              | 35                                     | (35)                            | (20)                            |
|  |      | <b>(7,972)</b>                  | <b>630</b>                      | <b>(9,553)</b>                         | <b>(9,083)</b>                  | <b>(2,062)</b>                  |
| <b>COMPREHENSIVE LOSS ATTRIBUTABLE TO:</b>             |      |                                 |                                 |  |                                 |                                 |
| Equity holders of the parent                           |      | (7,776)                         | (196)                           | (8,825)                                | (7,883)                         | (2,143)                         |
| Non-controlling interests                              |      | (49)                            | 15                              | (40)                                   | (45)                            | (19)                            |
|  |      | <b>(7,825)</b>                  | <b>(181)</b>                    | <b>(8,865)</b>                         | <b>(7,928)</b>                  | <b>(2,162)</b>                  |
| Weighted average number of ordinary shares outstanding |      | 45,011,120                      | 45,011,120                      | 45,011,120                             | 45,011,120                      | 45,011,120                      |
| <b>BASIC (LOSS)/EARNINGS PER ORDINARY SHARE</b>        |      | <b>(17.60)</b>                  | <b>1.37</b>                     | <b>(21.15)</b>                         | <b>(20.10)</b>                  | <b>(4.54)</b>                   |

(expressed in USD cents)

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

Notes on pages 9 to 31 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018**
*(in thousands USD, unless otherwise stated)*

|  | Note | As at<br>31 March 2018<br>(unaudited) | As at 30 June<br>2017 (unaudited) | As at<br>31 March 2017<br>(unaudited) |
|--|------|---------------------------------------|-----------------------------------|---------------------------------------|
| <b>ASSETS</b>  |      |                                       |                                   |                                       |
| <b>Non-current assets</b>                                  |      |                                       |                                   |                                       |
| Property, plant and equipment                              | 15   | 32,937                                | 35,063                            | 34,448                                |
| Intangible assets  | 16   | 1,152                                 | 1,384                             | 1,445                                 |
| Financial assets   | 17   | 9                                     | 9                                 | 8                                     |
| Deferred tax assets  | 14   | 1,635                                 | 1,430                             | 1,298                                 |
|  |      | <b>35,733</b>                         | <b>37,886</b>                     | <b>37,199</b>                         |
| <b>Current assets</b>                                      |      |                                       |                                   |                                       |
| Inventories  | 18   | 25,882                                | 23,646                            | 20,095                                |
| Trade and other receivables                                | 19   | 22,642                                | 26,819                            | 21,540                                |
| Prepayments and prepaid expenses                           | 20   | 1,009                                 | 1,067                             | 970                                   |
| Other taxes receivables                                    | 22   | 62                                    | 67                                | 84                                    |
| Cash and cash equivalents                                  | 23   | 8                                     | 34                                | 32                                    |
|  |      | <b>49,603</b>                         | <b>51,633</b>                     | <b>42,721</b>                         |
| <b>TOTAL ASSETS</b>  |      | <b>85,336</b>                         | <b>89,519</b>                     | <b>79,920</b>                         |
| <b>EQUITY AND LIABILITIES</b>                              |      |                                       |                                   |                                       |
| <b>Equity</b>  |      |                                       |                                   |                                       |
| Share capital  | 24   | 450                                   | 450                               | 450                                   |
| Share premium  |      | 77,578                                | 77,578                            | 77,578                                |
| Retained earnings  |      | (66,840)                              | (58,918)                          | (58,448)                              |
| Effect of foreign currency translation                     |      | (69,736)                              | (69,882)                          | (69,410)                              |
| <b>Equity attributable to equity holders of the parent</b> |      | <b>(58,548)</b>                       | <b>(50,772)</b>                   | <b>(49,830)</b>                       |
| Non-controlling interest                                   |      | (1,143)                               | (1,094)                           | (1,099)                               |
| <b>TOTAL EQUITY</b>  |      | <b>(59,691)</b>                       | <b>(51,866)</b>                   | <b>(50,929)</b>                       |
| <b>Non-current liabilities</b>                             |      |                                       |                                   |                                       |
| Loans and borrowings                                       | 25   | 7,429                                 | 10,500                            | 14,418                                |
| Finance lease liabilities                                  | 26   | 1,969                                 | 2,003                             | 1,937                                 |
| Defined benefit obligation                                 |      | 10,204                                | 9,474                             | 8,874                                 |
| Trade and other payables                                   | 28   | 371                                   | -                                 | 365                                   |
| Provisions   | 27   | 2,320                                 | 2,152                             | 2,004                                 |
| Deferred tax liabilities                                   | 14   | 428                                   | 613                               | 649                                   |
|  |      | <b>22,721</b>                         | <b>24,742</b>                     | <b>28,247</b>                         |
| <b>Current liabilities</b>                                 |      |                                       |                                   |                                       |
| Loans and borrowings                                       | 25   | 62,690                                | 59,673                            | 55,592                                |
| Finance lease liabilities                                  | 26   | 393                                   | 400                               | 387                                   |
| Trade and other payables                                   | 28   | 51,771                                | 49,249                            | 39,775                                |
| Income tax payables  | 14   | 1,854                                 | 1,647                             | 1,429                                 |
| Provisions   | 27   | 1,915                                 | 1,947                             | 1,883                                 |
| Other tax payables   | 22   | 3,683                                 | 3,727                             | 3,536                                 |
|  |      | <b>122,306</b>                        | <b>116,643</b>                    | <b>102,602</b>                        |
| <b>TOTAL LIABILITIES</b>                                   |      | <b>145,027</b>                        | <b>141,385</b>                    | <b>130,849</b>                        |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        |      | <b>85,336</b>                         | <b>89,519</b>                     | <b>79,920</b>                         |

Notes on pages 9 to 31 are an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 31 MARCH 2018**
*(in thousands USD, unless otherwise stated)*

|                                  | Equity attributable to equity holders of the parent |               |                   |  | Total           | NCI            | Total equity    |
|----------------------------------|---|---------------|-------------------|--|-----------------|----------------|-----------------|
|                                  | Share capital                                       | Share premium | Retained earnings | Effect of foreign currency translation |                 |                |                 |
| <b>As at 30 June 2016</b>        | <b>450</b>  | <b>77,578</b> | <b>(49,922)</b>   | <b>(70,053)</b>                        | <b>(41,947)</b> | <b>(1,054)</b> | <b>(43,001)</b> |
| Loss for the period              | -   | -             | (9,518)           | -                                      | (9,518)         | (35)           | (9,553)         |
| Disposal of subsidiary           | -   | -             | 522               | -                                      | 522             | 5              | 527             |
| Other comprehensive income/ loss | -   | -             | -                 | 171                                    | 171             | (10)           | 161             |
| <b>As at 30 June 2017</b>        | <b>450</b>  | <b>77,578</b> | <b>(58,918)</b>   | <b>(69,882)</b>                        | <b>(50,772)</b> | <b>(1,094)</b> | <b>(51,866)</b> |
| Loss for the period              | -   | -             | (7,923)           | -                                      | (7,923)         | (49)           | (7,972)         |
| Disposal of subsidiary           | -   | -             | 1                 | -                                      | 1               | -              | 1               |
| Other comprehensive loss         | -   | -             | -                 | 146                                    | 146             | -              | 146             |
| <b>As at 31 March 2018</b>       | <b>450</b>  | <b>77,578</b> | <b>(66,840)</b>   | <b>(69,736)</b>                        | <b>(58,548)</b> | <b>(1,143)</b> | <b>(59,691)</b> |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 31 MARCH 2017**
*(in thousands USD, unless otherwise stated)*

|                            | Equity attributable to equity holders of the parent |               |                   |  | Total           | NCI            | Total equity    |
|----------------------------|---|---------------|-------------------|--|-----------------|----------------|-----------------|
|                            | Share capital                                       | Share premium | Retained earnings | Effect of foreign currency translation |                 |                |                 |
| <b>As at 30 June 2015</b>  | <b>450</b>  | <b>77,578</b> | <b>(43,378)</b>   | <b>(69,497)</b>                        | <b>(34,847)</b> | <b>(1,098)</b> | <b>(35,945)</b> |
| Loss for the period        | -   | -             | (6,544)           | -                                      | (6,544)         | 57             | (6,487)         |
| Other comprehensive loss   | -   | -             | -                 | (556)                                  | (556)           | (13)           | (569)           |
| <b>As at 30 June 2016</b>  | <b>450</b>  | <b>77,578</b> | <b>(49,922)</b>   | <b>(70,053)</b>                        | <b>(41,947)</b> | <b>(1,054)</b> | <b>(43,001)</b> |
| Loss for the period        | -   | -             | (9,048)           | -                                      | (9,048)         | (35)           | (9,083)         |
| Disposal of subsidiary     | -   | -             | 522               | -                                      | 522             | 5              | 527             |
| Other comprehensive loss   | -   | -             | -                 | 643                                    | 643             | (15)           | 628             |
| <b>As at 31 March 2017</b> | <b>450</b>  | <b>77,578</b> | <b>(58,448)</b>   | <b>(69,410)</b>                        | <b>(49,830)</b> | <b>(1,099)</b> | <b>(50,929)</b> |

Notes on pages 9 to 31 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOW FOR THE NINE MONTHS ENDED 31 MARCH 2018**
*(in thousands USD, unless otherwise stated)*

|   | 9 months ended<br>31 March 2018<br>(unaudited) | Year ended<br>30 June 2017<br>(unaudited) | 9 months ended<br>31 March 2017<br>(unaudited) |
|---|--|---|--|
| <b>OPERATING ACTIVITIES</b>   |  |   |  |
| Loss before tax   | (8,296)  | (9,953)                                   | (9,459)  |
| Adjustments to reconcile profit before tax to net cash flows                              |  |   |  |
| Depreciation and amortization expenses  | 2,076  | 3,000                                     | 2,265  |
| Finance income  | (4,777)  | (2,077)                                   | (895)  |
| Finance costs   | 9,618  | 11,322                                    | 9,846  |
| Expenses for doubtful debts / (Recovery of doubtful debts)                                | (60)   | (73)                                      | (73)   |
| Income from sale of property, plant and equipment   | (1)  | (26)                                      | (27)   |
| Income attributable to allowance for receivables on sale of property, plant and equipment | -  | (56)                                      | -  |
| Writing-off of non-current assets   | 6  | 263                                       | -  |
| (Profit)/Loss from sales of financial assets held-for-sale                                | -  | (79)                                      | (79)   |
| (Profit)/Loss from exchange differences   | 144  | (90)                                      | (132)  |
| Income from writing-off of account payables   | (1)  | (90)                                      | (89)   |
| Movements in defined benefits plan obligations  | 886  | 1,059                                     | 756  |
| Return/(Income) of/from current assets received free of charge                            | -  | (4)                                       | (4)  |
|   | <b>(405)</b>                                   | <b>3,196</b>                              | <b>2,109</b>                                   |
| Working capital adjustments:  |  |   |  |
| Change in trade and other receivables   | 5,267  | (7,976)                                   | (3,628)  |
| Change in advances made and deferred expenses   | 40   | (157)                                     | (93)   |
| Change in inventories   | (2,623)  | (7,117)                                   | (4,280)  |
| Change in trade and other payables  | (2,268)  | 11,063                                    | 4,972  |
| Change in other tax balances  | 22   | 1,004                                     | 914  |
|   | <b>33</b>                                      | <b>13</b>                                 | <b>(6)</b>                                     |
| Income tax paid   | -  | -   | -  |
| <b>Net cash flow from operating activity</b>  | <b>33</b>                                      | <b>13</b>                                 | <b>(6)</b>                                     |
| <b>INVESTING ACTIVITIES</b>   |  |   |  |
| Purchase of property, plant and equipment and intangible assets                           | (15)   | (50)                                      | (50)   |
| Proceeds from sale of property, plant and equipment and intangible assets                 | -  | 35  | 35   |
| Purchase of financial assets  | 1  | -   | -  |
| Proceeds from financial assets  | -  | 34  | 34   |
| Proceeds from disposal of subsidiary, net of cash realized                                | 1  | -   | 1  |
| <b>Net cash flow from investing activity</b>  | <b>(13)</b>                                    | <b>19</b>                                 | <b>20</b>                                      |
| <b>FINANCIAL ACTIVITIES</b>   |  |   |  |
| Repayment of loans and borrowings   | (46)   | (74)                                      | (54)   |
| <b>Net cash flow from financial activity</b>  | <b>(46)</b>                                    | <b>(74)</b>                               | <b>(54)</b>                                    |
| <b>NET CASH FLOWS</b>   | <b>(26)</b>                                    | <b>(42)</b>                               | <b>(40)</b>                                    |
| <b>Cash and cash equivalents at the beginning of the period</b>                           | <b>34</b>                                      | <b>77</b>                                 | <b>77</b>                                      |
| Effect of translation to presentation currency  | -  | (1)                                       | (5)  |
| <b>Cash and cash equivalents at the end of the period</b>                                 | <b>8</b>                                       | <b>34</b>                                 | <b>32</b>                                      |

Notes on pages 9 to 31 are an integral part of these consolidated financial statements.

Notes to consolidated financial statements for the nine months ended 31 March 2018

1 General information

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

| Parent company and its subsidiaries         | Country of incorporation | Group shareholding, % as at |               |
|---|--------------------------|-----------------------------|---------------|
|   |                          | 31 March 2018               | 31 March 2017 |
| Coal Energy S.A.                            | Luxembourg               | 100,00                      | 100,00        |
| Nertera Investments Limited                 | Cyprus                   | 100,00                      | 100,00        |
| C.E.C. Coal Energy Cyprus Limited           | Cyprus                   | 100,00                      | 100,00        |
| Coal Energy Trading Limited                 | British Virgin Islands   | 100,00                      | 100,00        |
| Donugletekhninvest LLC                      | Ukraine                  | 99,00                       | 99,00         |
| Nedra Donbasa LLC                           | Ukraine                  | 99,00                       | 99,00         |
| Donprombiznes LLC                           | Ukraine                  | 99,00                       | 99,00         |
| Ugledobycha LLC                             | Ukraine                  | 99,99                       | 99,99         |
| Donantracit LLC                             | Ukraine                  | 99,99                       | 99,99         |
| Tekhinovatsiya LLC                          | Ukraine                  | 99,99                       | 99,99         |
| Eximenergo LLC                              | Ukraine                  | 99,00                       | 99,00         |
| Antracit LLC                                | Ukraine                  | 99,00                       | 99,00         |
| CwAL LE “Sh/U Blagoveshenskoe”              | Ukraine                  | 99,00                       | 99,00         |
| CwAL LE “Mine St.Matrona Moskovskaya”       | Ukraine                  | 99,00                       | 99,00         |
| Coal Energy Ukraine LLC                     | Ukraine                  | 99,99                       | 99,99         |
| Progress-Vugillya LLC                       | Ukraine                  | 99,99                       | 99,99         |
| Sh/U Blagoveshenskoe Management Company LLC | Ukraine                  | -                           | 99,99         |

The parent company, Coal Energy S.A., was incorporated in Luxembourg as a joint stock company on 17 June 2010. The registered office is located at 205, route d’Arlon L-1150 Luxembourg and the Company number with the Registre de Commerce is B 154144.

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

These consolidated financial statements were authorized by the Board of Directors as at 30 May 2018.

2 Basis of preparation of the interim consolidated financial statements

2.1 Basis of preparation

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

These consolidated financial statements are presented in thousands of USD, unless otherwise stated.

2.2 Statement of compliance

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

2.3 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

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

Inter-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Subsequent to the loss of control of a subsidiary the value of remained share is revalued at fair value that influences the amount of income/loss from the disposal.

Before June 30, 2010 the Parent company did not have direct or indirect ownership interest in consolidated entities included in the consolidated financial statements. The pooling of interest method was applied for business combinations under common control for the earlier periods.

Financial statements of Parent company and its Subsidiaries, which are used while preparing the consolidated financial statements, should be prepared as at the same date on the basis of consistent application of accounting policy for all companies of the Group.

**(b) Transactions with non-controlling interests**

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. The result of disposals to non-controlling interests being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary are reflected in statements of changes in equity. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

Non-controlling interests are derecognized when purchased, a subsidiary sold or liquidated and profit or loss on de-recognition is recorded in the consolidated statements of changes in equity.

**2.4 Changes in accounting policy and disclosures**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The group has not applied the following standards and IFRIC interpretations and also amendments to them that have been issued but are not yet effective:

IFRS 9 Financial Instruments: Classification and Measurement - accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement (effective from 1 January 2018).

IFRS 15 Revenue from contracts with customers - establishes the principles for the disclosure of useful information in the financial statements in respect of contracts with customers (effective from 1 January 2018).

The Group is currently analyzing the impact of standards endorsed by the European Union but not yet effective, i.e. IFRS 9 Financial Instruments, IFRS 16 Leases, Amendments to IAS 12 Income Tax – Recognition of deferred tax assets for unrealized losses, Explanations to IFRS 15 Revenue from Contracts with Customers, on its consolidated financial statements.

The Group anticipates that the adoption of these standards and amendments in future periods will have no material impact on its financial statements. The Group currently does not plan early application of the above standards and interpretations.

**3 Summary of significant accounting policies**

The accounting policies, significant accounting judgments, estimates and assumptions adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's interim financial statements for the nine months ended 31 March 2016.

**3.1 Currency translation**

**(a) Functional and presentation currency**

All items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The national currency of Ukraine, Ukrainian Hryvnia ("UAH") is the functional currency for the Group's entities that operate in Ukraine. For the entities that operate in Cyprus, Luxembourg and British Virgin Islands (BVI) the functional currency is US dollar ("USD"). These consolidated financial statements are presented in thousands of US dollars, unless otherwise stated.

**(b) Foreign currency transactions**

Exchange rates used in the preparation of these in interim consolidated financial statements were as follows:

| Currency | 31 March 2018 | Average for three months ended: |                  |               | 31 March 2017 | Average for the three months ended: |                  |               | 30 June 2017 |
|----------|---------------|---------------------------------|------------------|---------------|---------------|-------------------------------------|------------------|---------------|--------------|
|          |               | 30 September 2017               | 31 December 2017 | 31 March 2018 |               | 30 September 2016                   | 31 December 2016 | 31 March 2017 |              |
| UAH/USD  | 26.5435       | 25.9022                         | 26.9617          | 27.3203       | 26.9761       | 25.3760                             | 25.8896          | 27.0611       | 26.0990      |

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

(c) Translation into presentation currency:

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

#### 3.2 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, the revenue can be reliably measured and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

(a) Sales of goods

The Group principal activities are stated in Note 1. Revenue from sales of goods is recognized when all criteria are satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The transfer of the risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer.

(b) Rendering of services

Revenue from rendering services is recognized on the basis of the stage of work completion under each contract. When financial result can be measured reliably, revenue is recognized only to the extent of the amount of incurred charges, which can be recovered.

(c) Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

(d) Emission rights

Due to high level of uncertainty income from sale of Emission Reduction Units recognized in other operating income on cash basis and do not recognized as intangible asset.

#### 3.3 Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

Income tax is recognized as an expense or income in profit and loss in the consolidated statements of comprehensive income, except when it relates to items recognized directly in other comprehensive income, or where they arise from the initial accounting for a business combination.

(a) Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to estimate the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

**3.4 Property, plant and equipment**

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

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

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

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

Mine development costs are capitalized and classified as capital construction-in-progress. Mine development costs are transferred to mining assets when a new mine reaches commercial production quantities. In addition capital construction-in-progress comprises costs directly related to construction of buildings, infrastructure, machinery and equipment. Cost also includes finance charges capitalized during construction period where such costs are financed by borrowings. Depreciation of these assets commences when the assets are put into operation.

**3.5 Leases**

(a) Group as a lessee

Leases of property, plant and equipment in which substantially all the risks and rewards incidental to ownership are transferred to the Group are classified as finance leases. The assets leased are capitalized in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit and loss in the consolidated statements of comprehensive income. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the income statements on a straight line basis over the lease term.

(b) Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

**3.6 Borrowing costs**

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

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

**3.7 Intangible assets**

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



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

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

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

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

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

#### 3.8 Impairment of non-current assets

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

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

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

#### 3.9 Financial assets

##### (1) Initial recognition and measurement

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

##### (2) Subsequent measurement

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

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

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

##### (b) Loans and receivables

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

##### (c) Held-to-maturity investments

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

##### (d) Available-for-sale financial assets

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

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

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

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

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



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

#### (3) Impairment of financial assets

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

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

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

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

#### (4) Derecognition of financial assets

The Group derecognizes financial assets when:

- the assets are redeemed or the rights to cash flows from the assets have otherwise expired;
- or the Group has transferred substantially all the risks and rewards of ownership of the assets;
- or the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

#### 3.10 Inventories

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

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

The Group periodically analyses inventories to determine whether they are damaged, obsolete or slow-moving or if their net realizable value has declined, and makes an allowance for such inventories. If such situation occurred, the sum remissive the cost of inventories should be reflected in statements of comprehensive income. If the circumstances that caused the write-down no longer exist, the amount of the write-down is reversed.

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 six months or less.

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

#### 3.13 Share capital

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

#### 3.14 Legal reserve

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

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

#### 3.15 Financial liabilities

##### (1) Initial recognition and measurement

The Group classifies its contractual obligations as financial liabilities at fair value through profit or loss, loans and borrowings. The Group classifies its financial liabilities at initial recognition. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction cost.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings.

##### (2) Subsequent measurement

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

##### (a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated at initial recognition as liabilities at fair value through profit or loss.

##### (b) Loans and borrowings

Loans and borrowings are financial liabilities which the Group has after borrowings attraction. Loans and borrowings are classified as current liabilities except when the Group has unconditional right to delay settlement of obligation at least for 12 months from reporting date.

##### (3) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized through profit or loss.

#### 3.16 Defined benefits plan obligations

The Group contributes to the Ukrainian state pension scheme, social insurance and employment funds in respect of its employees. The Group's pension scheme contributions are expensed as incurred. The contributions are included in expenses for wages and salaries. Companies comprising the Group provide additional post-employment benefits to those employees who are engaged in the industry with particularly detrimental and oppressive conditions of work. Under the Ukrainian legislation employees engaged in hazardous industry may retire earlier than usual terms stipulated by Employee Retirement Income Security Law. The Group reimburses to the State Pension Fund all pension payments which are to be paid to the employees until usual statutory date of retirement. In addition, according to the legislation, the Group makes payments related to providing the employees with domestic fuel (coal). The Group recognizes the liabilities in amount of this payment.

The liability recognized in the statement of financial position in respect of post-employment benefits is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognized actuarial gains or losses. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

Actuarial gains and losses are recognized in the other comprehensive income statements in the period in which they occur.

#### 3.17 Provisions

Provisions are recognized when the Group has legal or constructive obligations as the result of past event for which it is probable that an outflow of economic benefits can be required to settle the obligations, and the amount of the obligations can be reliably estimated. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Use of discounting results in recognition of financial expenses and increase in provision.

Management created provision for the payment of potential tax liabilities related to settlement of financial assets and liabilities. Though if the controlling authorities classify such transactions as a subject of taxation and apply such classification to the companies of the Group, actual taxes and penalties may differ from the Management assessment.

#### 3.18 Environmental obligations

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

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

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the comprehensive income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.

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

#### 3.19 Financial guarantee contracts

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

#### 4 Significant accounting judgments, estimates

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

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

(a) Fair value of financial instruments

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

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

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

(c) Impairment of non-current assets

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

(d) Defined benefits plan obligations

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

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

(e) Environmental obligations

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

(f) Income taxes

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

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

(g) Idle capacity expenses

Due to volatility of the coal market production capacity of the Group's individual Companies in some periods could be operated not according to its normal capacity of the production facilities. In the case of significant deviation of the actual capacity from the normal capacity, part of the fixed production overheads is reflected in item "Idle capacity expenses".

Management of the Group uses estimations and judgments to determine the following items: normal capacity of the individual companies, the period of the partial exploitation of the production capacity, amount of overheads that should be allocated.

## 5 Information on operational segments

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

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

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

Information about the segments of business for the **nine months ended 31 March 2018:**

|  | Business segments                        |                |                |   | Total            |
|--|--|----------------|----------------|---|------------------|
|  | Mineral resource and processing industry | Trade activity | Other activity | Assets and liabilities not included in segments |                  |
| <b>Revenue</b>                                 |  |                |                |   |                  |
| Sales to external customers                    | 4,931                                    | 3,183          | 69             | -   | 8,183            |
|  | <b>4,931</b>                             | <b>3,183</b>   | <b>69</b>      | -   | <b>8,183</b>     |
| <b>(Loss)/profit before tax of the segment</b> | <b>(9,138)</b>                           | <b>773</b>     | <b>69</b>      | -   | <b>(8,296)</b>   |
| Depreciation and amortization expenses         | 2,076                                    | -              | -              | -   | 2,076            |
| Defined benefits plan obligations expenses     | 886                                      | -              | -              | -   | 886              |
| <b>Operational assets</b>                      | <b>82,576</b>                            | <b>947</b>     | <b>99</b>      | <b>1,714</b>                                    | <b>85,336</b>    |
| <b>Operational liabilities</b>                 | <b>(134,256)</b>                         | <b>(2,716)</b> | <b>(175)</b>   | <b>(7,880)</b>                                  | <b>(145,027)</b> |
| <b>Disclosure of other information</b>         |  |                |                |   |                  |
| Capital expenditure                            | 346                                      | -              | -              | -   | 346              |

Information about the segments of business for the **three months ended 31 March 2018:**

|  | Business segments                        |                |                |   | Total            |
|--|--|----------------|----------------|---|------------------|
|  | Mineral resource and processing industry | Trade activity | Other activity | Assets and liabilities not included in segments |                  |
| <b>Revenue</b>                                 |  |                |                |   |                  |
| Sales to external customers                    | 1,961                                    | 950            | 4              | -   | 2,915            |
|  | <b>1,961</b>                             | <b>950</b>     | <b>4</b>       | -   | <b>2,915</b>     |
| <b>(Loss)/profit before tax of the segment</b> | <b>309</b>                               | <b>183</b>     | <b>4</b>       | -   | <b>496</b>       |
| Depreciation and amortization expenses         | 659                                      | -              | -              | -   | 659              |
| Defined benefits plan obligations expenses     | 318                                      | -              | -              | -   | 318              |
| <b>Operational assets</b>                      | <b>82,576</b>                            | <b>947</b>     | <b>99</b>      | <b>1,714</b>                                    | <b>85,336</b>    |
| <b>Operational liabilities</b>                 | <b>(134,256)</b>                         | <b>(2,716)</b> | <b>(175)</b>   | <b>(7,880)</b>                                  | <b>(145,027)</b> |
| <b>Disclosure of other information</b>         |  |                |                |   |                  |
| Capital expenditure                            | 220                                      | -              | -              | -   | 220              |

As at 31 March 2018 assets of segments do not include financial assets (USD 9 thousand), cash (USD 8 thousand), other taxes receivable (USD 62 thousand), as well as deferred tax assets (USD 1,635 thousand), since management of these assets is carried out at the Group's level.

As at 31 March 2018 liabilities of segments do not include deferred tax liabilities (USD 428 thousand), other taxes payable (USD 3,683 thousand), income tax payables (USD 1,854 thousand), provision on tax liabilities (USD 1,915 thousand), since management of these liabilities is carried out at the Group's level.

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

Information about the segments of business for the year nine months ended 31 March 2017:

|  | Business segments                        |                |                |   | Total            |
|--|--|----------------|----------------|---|------------------|
|  | Mineral resource and processing industry | Trade activity | Other activity | Assets and liabilities not included in segments |                  |
| <b>Revenue</b>                                 |  |                |                |   |                  |
| Sales to external customers                    | 15,915                                   | 4,433          | 374            | -   | 20,722           |
|  | <b>15,915</b>                            | <b>4,433</b>   | <b>374</b>     | -   | <b>20,722</b>    |
| <b>(Loss)/Profit before tax of the segment</b> | <b>(11,387)</b>                          | <b>1,562</b>   | <b>366</b>     | -   | <b>(9,459)</b>   |
| Depreciation and amortization expenses         | 2,265                                    | -              | -              | -   | 2,265            |
| Defined benefits plan obligations expenses     | 756                                      | -              | -              | -   | 756              |
| <b>Operational assets</b>                      | <b>77,358</b>                            | <b>1,086</b>   | <b>54</b>      | <b>1,422</b>                                    | <b>79,920</b>    |
| <b>Operational liabilities</b>                 | <b>(121,070)</b>                         | <b>(2,030)</b> | <b>(252)</b>   | <b>(7,497)</b>                                  | <b>(130,849)</b> |
| <b>Disclosure of other information</b>         |  |                |                |   |                  |
| Capital expenditure                            | 153                                      | -              | -              | -   | 153              |

Information about the segments of business for the three months ended 31 March 2017:

|  | Business segments                        |                |                |   | Total            |
|--|--|----------------|----------------|---|------------------|
|  | Mineral resource and processing industry | Trade activity | Other activity | Assets and liabilities not included in segments |                  |
| <b>Revenue</b>                                 |  |                |                |   |                  |
| Sales to external customers                    | 2,760                                    | 4,023          | 133            | -   | 6,916            |
|  | <b>2,760</b>                             | <b>4,023</b>   | <b>133</b>     | -   | <b>6,916</b>     |
| <b>(Loss)/profit before tax of the segment</b> | <b>(3,484)</b>                           | <b>1,222</b>   | <b>131</b>     | -   | <b>(2,131)</b>   |
| Depreciation and amortization expenses         | 692                                      | -              | -              | -   | 692              |
| Defined benefits plan obligations expenses     | 239                                      | -              | -              | -   | 239              |
| <b>Operational assets</b>                      | <b>77,358</b>                            | <b>1,086</b>   | <b>54</b>      | <b>1,422</b>                                    | <b>79,920</b>    |
| <b>Operational liabilities</b>                 | <b>(121,070)</b>                         | <b>(2,030)</b> | <b>(252)</b>   | <b>(7,497)</b>                                  | <b>(130,849)</b> |
| <b>Disclosure of other information</b>         |  |                |                |   |                  |
| Capital expenditure                            | 67                                       | -              | -              | -   | 67               |

As at 31 March 2017 assets of segments do not include financial assets (USD 8 thousand), cash (USD 32 thousand), other taxes receivable (USD 84 thousand), as well as deferred tax assets (USD 1,298 thousand), since management of these assets is carried out at the Group's level.

As at 31 March 2017 liabilities of segments do not include deferred tax liabilities (USD 649 thousand), other taxes payable (USD 3,536 thousand), income tax payables (USD 1,429 thousand), provision on tax liabilities (USD 1,883 thousand), since management of these liabilities is carried out at the Group's level.

|  | 9 months ended<br>31 March 2018 | 3 months ended<br>31 March 2018 | 9 months ended<br>31 March 2017 | 3 months ended<br>31 March 2017 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Revenue received from sale of finished goods | 4,931                           | 1,961                           | 15,915                          | 2,760                           |
| Revenue from trading activity                | 3,183                           | 950                             | 4,433                           | 4,023                           |
| Revenue from other activity                  | 69                              | 4                               | 374                             | 133                             |
|  | <b>8,183</b>                    | <b>2,915</b>                    | <b>20,722</b>                   | <b>6,916</b>                    |

During the reviewed periods sales were performed on the territory of Ukraine exclusively.  
All non-current assets of the Group are located in Ukraine.

**6 Cost of sales**

|   | 9 months ended<br>31 March 2018 | 3 months ended<br>31 March 2018 | 9 months ended<br>31 March 2017 | 3 months ended<br>31 March 2017 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Raw materials                             | (763)                           | (240)                           | (8,000)                         | (1,684)                         |
| Cost of merchandising inventory           | (2,413)                         | (770)                           | (2,997)                         | (2,804)                         |
| Depreciation and amortization expenses    | (465)                           | (151)                           | (922)                           | (219)                           |
| Wages and salaries of operating personnel | (905)                           | (341)                           | (1,001)                         | (262)                           |
| Subcontractors services                   | (2,081)                         | (744)                           | (1,103)                         | (307)                           |
| Energy supply                             | (774)                           | (308)                           | (838)                           | (203)                           |
| Change in finished goods                  | 695                             | (137)                           | (488)                           | 131                             |
| Other expenses                            | (659)                           | (577)                           | (221)                           | (53)                            |
|   | <b>(7,365)</b>                  | <b>(3,268)</b>                  | <b>(15,570)</b>                 | <b>(5,401)</b>                  |

**7 General and administrative expenses**

|  | 9 months ended<br>31 March 2018 | 3 months ended<br>31 March 2018 | 9 months ended<br>31 March 2017 | 3 months ended<br>31 March 2017 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Subcontractors services                        | (115)                           | (63)                            | (478)                           | (168)                           |
| Wages and salaries of administrative personnel | (71)                            | (26)                            | (107)                           | (38)                            |
| Depreciation and amortization expenses         | (22)                            | (7)                             | (22)                            | (6)                             |
| Bank services                                  | (6)                             | (2)                             | (8)                             | (2)                             |
| Other (expenses)/income                        | (6)                             | (1)                             | (19)                            | (4)                             |
|  | <b>(220)</b>                    | <b>(99)</b>                     | <b>(634)</b>                    | <b>(218)</b>                    |

**8 Selling and distribution expenses**

|  | 9 months ended<br>31 March 2018 | 3 months ended<br>31 March 2018 | 9 months ended<br>31 March 2017 | 3 months ended<br>31 March 2017 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Delivery costs                               | (102)                           | (27)                            | (795)                           | (139)                           |
| Subcontractors services                      | (12)                            | (4)                             | (54)                            | (10)                            |
| Wages and salaries of distribution personnel | (1)                             | -                               | (3)                             | (1)                             |
| Depreciation and amortization expenses       | (1)                             | -                               | (3)                             | (1)                             |
| Other expenses                               | -                               | -                               | (1)                             | -                               |
|  | <b>(116)</b>                    | <b>(31)</b>                     | <b>(856)</b>                    | <b>(151)</b>                    |

**9 Other operating income/(expenses)**

|   | 9 months ended<br>31 March 2018 | 3 months ended<br>31 March 2018 | 9 months ended<br>31 March 2017 | 3 months ended<br>31 March 2017 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Doubtful debts income/(expenses)        | 60                              | 41                              | 82                              | 7                               |
| Writing-off of VAT                      | (18)                            | (2)                             | (41)                            | (28)                            |
| Profit (loss) from exchange differences | (143)                           | (59)                            | 48                              | (43)                            |
| Other operating expenses                | -                               | -                               | (9)                             | (6)                             |
| Other operating income                  | -                               | -                               | 79                              | -                               |
|   | <b>(101)</b>                    | <b>(20)</b>                     | <b>159</b>                      | <b>(70)</b>                     |

**9.1 Idle capacity expenses**

|  | 9 months ended<br>31 March 2018 | 3 months ended<br>31 March 2018 | 9 months ended<br>31 March 2017 | 3 months ended<br>31 March 2017 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Depreciation and amortization expenses | (1,583)                         | (500)                           | (1,313)                         | (463)                           |
| Wages and salaries                     | (649)                           | (217)                           | (517)                           | (226)                           |
| Energy supply                          | -                               | -                               | (58)                            | (58)                            |
| Raw materials                          | -                               | -                               | (34)                            | (23)                            |
| Other expenses                         | (4)                             | (2)                             | (156)                           | (137)                           |
|  | <b>(2,236)</b>                  | <b>(719)</b>                    | <b>(2,078)</b>                  | <b>(907)</b>                    |

**10 Other non-operating income/(expenses)**

|   | 9 months ended<br>31 March 2018 | 3 months ended<br>31 March 2018 | 9 months ended<br>31 March 2017 | 3 months ended<br>31 March 2017 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Social sphere expenses  | (9)                             | (3)                             | -                               | -                               |
| Recognized penalties, fines, charges  | (1,662)                         | (654)                           | (2,249)                         | (963)                           |
| Writing-off of non-current assets   | (5)                             | (3)                             | (265)                           | -                               |
| Depreciation of non-operating property, plant and equipment                               | (5)                             | (1)                             | (5)                             | (3)                             |
| Income attributable to allowance for receivables on sale of property, plant and equipment | -                               | -                               | 56                              | -                               |
| Income/(loss) from sale of property, plant and equipment                                  | 1                               | 1                               | 5                               | (4)                             |
| Other non-operating income  | 93                              | 53                              | 263                             | 124                             |
| Other non-operating expenses  | (13)                            | (6)                             | (56)                            | (19)                            |
|   | <b>(1,600)</b>                  | <b>(613)</b>                    | <b>(2,251)</b>                  | <b>(865)</b>                    |

**11 Depreciation and amortization expenses**

|   | 9 months ended<br>31 March 2018 | 3 months ended<br>31 March 2018 | 9 months ended<br>31 March 2017 | 3 months ended<br>31 March 2017 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Depreciation</b>   |                                 |                                 |                                 |                                 |
| Cost of sales   | (453)                           | (147)                           | (901)                           | (212)                           |
| Idle capacity: depreciation expenses                        | (1,387)                         | (436)                           | (1,155)                         | (412)                           |
| General and administrative expenses                         | (22)                            | (7)                             | (22)                            | (6)                             |
| Selling and distribution expenses                           | (1)                             | -                               | (3)                             | (1)                             |
| Depreciation of non-operating property, plant and equipment | (5)                             | (1)                             | (5)                             | (3)                             |
|   | <b>(1,868)</b>                  | <b>(591)</b>                    | <b>(2,086)</b>                  | <b>(634)</b>                    |
| <b>Amortization</b>   |                                 |                                 |                                 |                                 |
| Idle capacity: amortization expenses                        | (196)                           | (64)                            | (158)                           | (51)                            |
| Cost of sales   | (12)                            | (4)                             | (21)                            | (7)                             |
|   | <b>(208)</b>                    | <b>(68)</b>                     | <b>(179)</b>                    | <b>(58)</b>                     |
|   | <b>(2,076)</b>                  | <b>(659)</b>                    | <b>(2,265)</b>                  | <b>(692)</b>                    |

**12 Financial income**

|   | 9 months ended<br>31 March 2018 | 3 months ended<br>31 March 2018 | 9 months ended<br>31 March 2017 | 3 months ended<br>31 March 2017 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Income from measurement of financial assets at amortized cost | 1,560                           | 1,502                           | 39                              | -                               |
| Gain from non-operational exchange differences                | 3,216                           | 2,648                           | 855                             | 354                             |
| Income from disposal of notes                                 | 1                               | -                               | 1                               | -                               |
|   | <b>4,777</b>                    | <b>4,150</b>                    | <b>895</b>                      | <b>354</b>                      |

**13 Financial costs**

|   | 9 months ended<br>31 March 2018 | 3 months ended<br>31 March 2018 | 9 months ended<br>31 March 2017 | 3 months ended<br>31 March 2017 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Loss from non-operational exchange differences                  | (4,004)                         | -                               | (4,485)                         | -                               |
| Interest expenses   | (5,407)                         | (1,739)                         | (5,065)                         | (1,715)                         |
| Unwinding of discount expenses                                  | (202)                           | (80)                            | (210)                           | (74)                            |
| Finance lease income (expenses)                                 | -                               | -                               | (79)                            | -                               |
| Expenses from measurement of financial assets at amortized cost | (5)                             | -                               | (7)                             | -                               |
|   | <b>(9,618)</b>                  | <b>(1,819)</b>                  | <b>(9,846)</b>                  | <b>(1,789)</b>                  |



| <b>14 Income tax expenses</b>                                     | <b>9 months ended<br/>31 March 2018</b> | <b>3 months ended<br/>31 March 2018</b> | <b>9 months ended<br/>31 March 2017</b> | <b>3 months ended<br/>31 March 2017</b> |
|---|---|---|---|---|
| Current income tax (rate 18%)                                     | (76)                                    | (5)                                     | -                                       | -                                       |
| Deferred tax  | 400                                     | 139                                     | 376                                     | 69                                      |
| <b>Income tax income/(expenses)</b>                               | <b>324</b>                              | <b>134</b>                              | <b>376</b>                              | <b>69</b>                               |
| <b>At the beginning of the period</b>                             | <b>(1,647)</b>                          | <b>(1,788)</b>                          | <b>(1,459)</b>                          | <b>(1,386)</b>                          |
| Current income tax charge (rate 18%)                              | (76)                                    | (5)                                     | -                                       | -                                       |
| Amount paid in the period   | -                                       | -                                       | -                                       | -                                       |
| Effect of translation to presentation currency                    | (131)                                   | (61)                                    | 30                                      | (43)                                    |
| <b>At the end of the period</b>                                   | <b>(1,854)</b>                          | <b>(1,854)</b>                          | <b>(1,429)</b>                          | <b>(1,429)</b>                          |
| <b>Effect</b>   |   |   |   |   |
| (Loss)/profit before tax (rate 18%)                               | (8,296)                                 | 496                                     | (9,459)                                 | (2,131)                                 |
| Income tax (rate 18%)   | 1,493                                   | 89                                      | 1,703                                   | 384                                     |
| Effect of different statutory tax rates of overseas jurisdictions | 330                                     | 128                                     | 434                                     | 124                                     |
| Tax effect of permanent differences                               | (1,499)                                 | (83)                                    | (1,761)                                 | (439)                                   |
| <b>Income tax income/(expenses)</b>                               | <b>324</b>                              | <b>134</b>                              | <b>376</b>                              | <b>69</b>                               |

According to the Tax Code from 1 January 2014 a tax rate 18%.

When estimating deferred taxes as at 31 March 2018, the Group accounted for income tax rate and other implications of the Tax Code.

**14 Income tax expenses (continued)**
**Recognized tax assets and liabilities**

|  | 30 June 2017 | Recognized in<br>profit (loss) | Effect of<br>translation to<br>presentation<br>currency | 31 March 2018 |
|--|--------------|--------------------------------|---|---------------|
| <b>Effect of temporary differences on deferred tax assets</b>      |              |                                |   |               |
| Property, plant and equipment, intangible assets                   | 187          | 31                             | (3)   | 215           |
| Inventories  | 53           | -                              | (1)   | 52            |
| Provisions   | 387          | 36                             | (5)   | 418           |
| Defined benefit plan obligations                                   | 1,705        | 160                            | (28)  | 1,837         |
| Charged vacation expenses  | 16           | 4                              | (1)   | 19            |
| Folded on individual Companies' level                              | (918)        |                                |   | (906)         |
| <b>Total deferred tax assets</b>                                   | <b>1,430</b> | <b>231</b>                     | <b>(38)</b>   | <b>1,635</b>  |
| <b>Effect of temporary differences on deferred tax liabilities</b> |              |                                |   |               |
| Property, plant and equipment, intangible assets                   | (1,531)      | 171                            | 26  | (1,334)       |
| Folded on individual Companies' level                              | 918          |                                |   | 906           |
| <b>Total deferred tax liabilities</b>                              | <b>(613)</b> | <b>171</b>                     | <b>26</b>   | <b>(428)</b>  |
| <b>Net deferred tax asset/(liability)</b>                          | <b>817</b>   | <b>402</b>                     | <b>(12)</b>   | <b>1,207</b>  |

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

|  | 30 June 2016 | Recognized in<br>profit (loss) | Effect of<br>translation to<br>presentation<br>currency | 31 March 2017 |
|--|--------------|--------------------------------|---|---------------|
| <b>Effect of temporary differences on deferred tax assets</b>      |              |                                |   |               |
| Property, plant and equipment, intangible assets                   | 143          | 37                             | (9)   | 171           |
| Inventories  | 72           | (16)                           | (5)   | 51            |
| Provisions   | 375          | 38                             | (52)  | 361           |
| Defined benefit plan obligations                                   | 1,626        | 135                            | (169)   | 1,592         |
| Charged vacation expenses  | 19           | -                              | (2)   | 17            |
| Folded on individual Companies' level                              | (1,074)      |                                |   | (894)         |
| <b>Total deferred tax assets</b>                                   | <b>1,161</b> | <b>194</b>                     | <b>(237)</b>  | <b>1,298</b>  |
| <b>Effect of temporary differences on deferred tax liabilities</b> |              |                                |   |               |
| Property, plant and equipment, intangible assets                   | (1,900)      | 182                            | 175   | (1,543)       |
| Financial instruments  | (1)          | -                              | 1   | -             |
| Folded on individual Companies' level                              | 1,074        |                                |   | 894           |
| <b>Total deferred tax liabilities</b>                              | <b>(827)</b> | <b>182</b>                     | <b>176</b>  | <b>(649)</b>  |
| <b>Net deferred tax asset/(liability)</b>                          | <b>334</b>   | <b>376</b>                     | <b>(61)</b>   | <b>649</b>    |

**15 Property, plant and equipment**

|  | Underground<br>mining | Buildings<br>and<br>constructions | Machinery,<br>equipment<br>and vehicles | Other        | Construction<br>in progress | Total           |
|--|-----------------------|-----------------------------------|---|--------------|-----------------------------|-----------------|
| <b>Cost</b>                                    |                       |                                   |   |              |                             |                 |
| <b>as at 30 June 2016</b>                      | <b>37,871</b>         | <b>10,539</b>                     | <b>11,646</b>                           | <b>700</b>   | <b>831</b>                  | <b>61,587</b>   |
| Additions                                      | 26                    | -                                 | 104                                     | 22           | -                           | 152             |
| Disposals                                      | (971)                 | (626)                             | (165)                                   | (102)        | -                           | (1,864)         |
| Effect of translation to presentation currency | (3,140)               | (798)                             | (913)                                   | (52)         | (65)                        | (4,968)         |
| <b>as at 31 March 2017</b>                     | <b>33,786</b>         | <b>9,115</b>                      | <b>10,672</b>                           | <b>568</b>   | <b>766</b>                  | <b>54,907</b>   |
| <b>as at 30 June 2017</b>                      | <b>34,919</b>         | <b>9,421</b>                      | <b>11,109</b>                           | <b>578</b>   | <b>791</b>                  | <b>56,818</b>   |
| Additions                                      | 177                   | -                                 | 168                                     | -            | -                           | 345             |
| Disposals                                      | -                     | -                                 | (27)                                    | (2)          | -                           | (29)            |
| Effect of translation to presentation currency | (585)                 | (158)                             | (186)                                   | (11)         | (13)                        | (953)           |
| <b>as at 31 March 2018</b>                     | <b>34,511</b>         | <b>9,263</b>                      | <b>11,064</b>                           | <b>565</b>   | <b>778</b>                  | <b>56,181</b>   |
| <b>Accumulated depreciation</b>                |                       |                                   |   |              |                             |                 |
| <b>as at 30 June 2016</b>                      | <b>(7,698)</b>        | <b>(3,024)</b>                    | <b>(9,256)</b>                          | <b>(613)</b> | -                           | <b>(20,591)</b> |
| Depreciation for the period                    | (1,110)               | (302)                             | (660)                                   | (19)         | -                           | (2,091)         |
| Disposals                                      | 264                   | 114                               | 98                                      | 97           | -                           | 573             |
| Effect of translation to presentation currency | 613                   | 243                               | 748                                     | 46           | -                           | 1,650           |
| <b>as at 31 March 2017</b>                     | <b>(7,931)</b>        | <b>(2,969)</b>                    | <b>(9,070)</b>                          | <b>(489)</b> | -                           | <b>(20,459)</b> |
| <b>as at 30 June 2017</b>                      | <b>(8,566)</b>        | <b>(3,167)</b>                    | <b>(9,525)</b>                          | <b>(497)</b> | -                           | <b>(21,755)</b> |
| Depreciation for the period                    | (1,073)               | (317)                             | (457)                                   | (22)         | -                           | (1,869)         |
| Disposals                                      | -                     | -                                 | 22                                      | 2            | -                           | 24              |
| Effect of translation to presentation currency | 137                   | 51                                | 159                                     | 9            | -                           | 356             |
| <b>as at 31 March 2018</b>                     | <b>(9,502)</b>        | <b>(3,433)</b>                    | <b>(9,801)</b>                          | <b>(508)</b> | -                           | <b>(23,244)</b> |
| <b>Net book value</b>                          |                       |                                   |   |              |                             |                 |
| <b>as at 31 March 2017</b>                     | <b>25,855</b>         | <b>6,146</b>                      | <b>1,602</b>                            | <b>79</b>    | <b>766</b>                  | <b>34,448</b>   |
| <b>as at 31 March 2018</b>                     | <b>25,009</b>         | <b>5,830</b>                      | <b>1,263</b>                            | <b>57</b>    | <b>778</b>                  | <b>32,937</b>   |

As at 31 March 2018 loans and borrowings of the Group were pledged by the property, plant and equipment with carrying amount of USD 5,299 thousand (31 March 2017 – USD 5,589 thousand): Note 25 "Loans and borrowings".

During the nine months ended 31 March 2018 any borrowing costs were capitalized as property, plant and equipment.

During the nine months ended 31 March 2018 any research and development costs were capitalized as property, plant and equipment. The Group's mining activity in current financial period relates to exploitation of the existing mines and mined beds.

As of the date of publication of interim report Group's management has no possibility to estimate impact of military conflict on impairment of property, plant and equipment considering uncertainties of their future economic benefits.

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

**16 Intangible assets**

|  | Licenses, special permissions and patent rights | Other intangible assets | Other projects and permissions | Total          |
|--|---|-------------------------|--------------------------------|----------------|
| <b>Cost</b>                                    |   |                         |                                |                |
| <b>as at 30 June 2016</b>                      | <b>3,470</b>                                    | <b>17</b>               | <b>40</b>                      | <b>3,527</b>   |
| Additions                                      | -   | -                       | 1                              | 1              |
| Disposals                                      | (1)   | -                       | (5)                            | (6)            |
| Effect of translation to presentation currency | (273)   | (1)                     | (2)                            | (276)          |
| <b>as at 31 March 2017</b>                     | <b>3,196</b>                                    | <b>16</b>               | <b>34</b>                      | <b>3,246</b>   |
| <b>as at 30 June 2017</b>                      | <b>3,302</b>                                    | <b>16</b>               | <b>35</b>                      | <b>3,353</b>   |
| Additions                                      | 1   | -                       | -                              | 1              |
| Disposals                                      | -   | -                       | (1)                            | (1)            |
| Effect of translation to presentation currency | (53)  | -                       | (1)                            | (54)           |
| <b>as at 31 March 2018</b>                     | <b>3,250</b>                                    | <b>16</b>               | <b>33</b>                      | <b>3,299</b>   |
| <b>Accumulated depreciation</b>                |   |                         |                                |                |
| <b>as at 30 June 2016</b>                      | <b>(1,728)</b>                                  | <b>(14)</b>             | <b>(29)</b>                    | <b>(1,771)</b> |
| Amortization charge for the period             | (177)   | (1)                     | (1)                            | (179)          |
| Disposals                                      | 1   | -                       | 3                              | 4              |
| Effect of translation to presentation currency | 141   | 2                       | 2                              | 145            |
| <b>as at 31 March 2017</b>                     | <b>(1,763)</b>                                  | <b>(13)</b>             | <b>(25)</b>                    | <b>(1,801)</b> |
| <b>as at 30 June 2017</b>                      | <b>(1,926)</b>                                  | <b>(14)</b>             | <b>(29)</b>                    | <b>(1,969)</b> |
| Amortization charge for the period             | (206)   | (1)                     | (2)                            | (209)          |
| Disposals                                      | -   | -                       | 1                              | 1              |
| Effect of translation to presentation currency | 29  | -                       | 1                              | 30             |
| <b>as at 31 March 2018</b>                     | <b>(2,103)</b>                                  | <b>(15)</b>             | <b>(29)</b>                    | <b>(2,147)</b> |
| <b>Net book value</b>                          |   |                         |                                |                |
| <b>as at 31 March 2017</b>                     | <b>1,433</b>                                    | <b>3</b>                | <b>9</b>                       | <b>1,445</b>   |
| <b>as at 31 March 2018</b>                     | <b>1,147</b>                                    | <b>1</b>                | <b>4</b>                       | <b>1,152</b>   |

As at 31 March 2017 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 USD177 thousand (Tekhinnovatsiya 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 USD426 thousand (CwAL "LE "Shakhtoupravlinnia Blagoveshenskoe");

-special permissions for subsurface use # 4820 as of 16 December 2008 issued by Ministry of ecology and natural resources of Ukraine for 12 years. Net book value of this permission equals to USD319 thousand (CwAL "LE "Shakhtoupravlinnia Blagoveshenskoe");

- special permissions for subsurface use # 5438 as of 27 December 2011 issued by Ministry of ecology and natural resources of Ukraine for 20 years. Net book value of this permission equals to USD137 thousand (Nedra Donbasa LLC).

As at 31 March 2018 there are no pledged intangible assets.

As at 31 March 2018 there are no contractual commitments as for intangible assets of the Group.

**17 Financial assets**

|                                     | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|-------------------------------------|------------------------|-----------------------|------------------------|
| <b>Non-current financial assets</b> |                        |                       |                        |
| Held-to-maturity investments        | 9                      | 9                     | 8                      |
|                                     | <b>9</b>               | <b>9</b>              | <b>8</b>               |
| <b>Current financial assets</b>     |                        |                       |                        |
| Loans issued                        | 5,051                  | 6,659                 | 6,442                  |
| Allowance for loans issued          | (5,051)                | (6,659)               | (6,442)                |
|                                     | -                      | -                     | -                      |

**18 Inventories**

|                     | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|---------------------|------------------------|-----------------------|------------------------|
| Raw materials       | 9,257                  | 15,482                | 12,929                 |
| Merchandise         | 10,445                 | 3,341                 | 3,232                  |
| Finished goods      | 3,015                  | 2,366                 | 1,907                  |
| Goods on commission | 736                    | 758                   | 829                    |
| Spare parts         | 2,407                  | 1,677                 | 1,177                  |
| Other inventories   | 22                     | 22                    | 21                     |
|                     | <b>25,882</b>          | <b>23,646</b>         | <b>20,095</b>          |

As at 31 March 2018 bank loans were secured by finished goods, carrying amount of which is USD 5,500 thousand (As at 31 March 2017 finished goods were pledged as collateral on amount USD 5,500 thousand).

As of the day of publication of interim financial report Group's management has no possibility to assess inventory damage and theft probability.

**19 Trade and other receivables**

|  | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|--|------------------------|-----------------------|------------------------|
| Trade receivables  | 17,771                 | 22,086                | 19,126                 |
| Allowance for trade receivables                                    | (2,194)                | (2,251)               | (2,178)                |
| Receivables under factoring contracts                              | 1,214                  | 1,281                 | 1,259                  |
| Other receivables  | 5,814                  | 5,708                 | 3,337                  |
| Allowance for other receivables                                    | (1)                    | (44)                  | (42)                   |
| Receivables on sale of property, plant and equipment               | 271                    | 276                   | 267                    |
| Allowance for receivables on sale of property, plant and equipment | (233)                  | (237)                 | (229)                  |
|  | <b>22,642</b>          | <b>26,819</b>         | <b>21,540</b>          |

As at 31 March 2018 bank loans were secured by trade receivables, carrying amount of which was USD 4,577 thousand (As at 31 March 2017 – USD 4,586 thousand).

**20 Prepayments and prepaid expenses**

|                              | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|------------------------------|------------------------|-----------------------|------------------------|
| Advances paid                | 3,246                  | 3,329                 | 3,160                  |
| Allowances for advances paid | (2,240)                | (2,278)               | (2,204)                |
| Deferred expenses            | 3                      | 16                    | 14                     |
|                              | <b>1,009</b>           | <b>1,067</b>          | <b>970</b>             |

**21 Changes in allowance made**

|  | As at 31<br>March 2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|--|------------------------|-----------------------|------------------------|
| <b>Balance as at the beginning of the period</b>                   | (9,191)                | (9,833)               | (9,833)                |
| (Accrual)/Reverse  | -                      | -                     | -                      |
| Use of allowances  | 1,546                  | 170                   | 170                    |
| Effect of translation to presentation currency                     | 166                    | 472                   | 772                    |
| <b>Balance as at the end of the period</b>                         | <b>(7,479)</b>         | <b>(9,191)</b>        | <b>(8,891)</b>         |
|  | As at 31<br>March 2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
| Allowance for loans issued   | (5,051)                | (6,659)               | (6,442)                |
| Allowance for trade accounts receivable                            | (2,194)                | (2,251)               | (2,178)                |
| Allowance for receivables on sale of property, plant and equipment | (233)                  | (237)                 | (229)                  |
| Allowance for other accounts receivable                            | (1)                    | (44)                  | (42)                   |
|  | <b>(7,479)</b>         | <b>(9,191)</b>        | <b>(8,891)</b>         |

**22 Other taxes**

|  | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|--|------------------------|-----------------------|------------------------|
| <b>Current taxes receivable</b>              |                        |                       |                        |
| VAT recoverable                              | 8                      | 13                    | 30                     |
| Prepayments for other taxes                  | 54                     | 54                    | 54                     |
|  | <b>62</b>              | <b>67</b>             | <b>84</b>              |
| <b>Current taxes payable</b>                 |                        |                       |                        |
| Payable for wages and salaries related taxes | (2,591)                | (2,230)               | (2,076)                |
| VAT payable                                  | (481)                  | (967)                 | (948)                  |
| Payables for other taxes                     | (611)                  | (530)                 | (512)                  |
|  | <b>(3,683)</b>         | <b>(3,727)</b>        | <b>(3,536)</b>         |

**23 Non-current deposit, cash and cash equivalents**

|              | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|--------------|------------------------|-----------------------|------------------------|
| Cash in bank | 8                      | 34                    | 32                     |
|              | <b>8</b>               | <b>34</b>             | <b>32</b>              |

**24 Share capital**

|                           | As at 31 March<br>2018 |            | As at 30 June 2017 |            | As at 31 March<br>2017 |            |
|---------------------------|------------------------|------------|--------------------|------------|------------------------|------------|
|                           | %                      | Amount     | %                  | Amount     | %                      | Amount     |
| Lycaste Holding Limited * | 75                     | 338        | 75                 | 338        | 75                     | 338        |
| Free float                | 25                     | 112        | 25                 | 112        | 25                     | 112        |
|                           | <b>100</b>             | <b>450</b> | <b>100</b>         | <b>450</b> | <b>100</b>             | <b>450</b> |

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

During the nine months ended 31 March 2018 quantity of shares did not change.

**25 Loans and borrowings**

|   | As at<br>31 March 2018 | As at 30 June 2017 | As at<br>31 March 2017 |
|---|------------------------|--------------------|------------------------|
| <b>Non-current loans and borrowings</b>                   |                        |                    |                        |
| Loans received  | (35,000)               | (35,500)           | (39,500)               |
| Borrowings received                                       | -                      | -                  | (20,000)               |
| Payables under factoring contract                         | (1,214)                | -                  | (1,259)                |
| Notes issued  | (26)                   | -                  | -                      |
|   | <b>(36,240)</b>        | <b>(35,000)</b>    | <b>(60,759)</b>        |
| <i>Deducting current portion of long-term borrowings:</i> |                        |                    |                        |
| Current portion of long-term loans and borrowings         | 28,000                 | 24,500             | 45,500                 |
| Current portion of payables under factoring contract      | 811                    | -                  | 841                    |
| <b>Total non-current loans and borrowings</b>             | <b>(7,429)</b>         | <b>(10,500)</b>    | <b>(14,418)</b>        |
| <b>Current loans and borrowings</b>                       |                        |                    |                        |
| Bank loans  | (33,879)               | (33,892)           | (9,251)                |
| Current portion of long-term loans and borrowings         | (28,000)               | (24,500)           | (45,500)               |
| Current portion of payables under factoring contract      | (811)                  | (1,281)            | (841)                  |
| <b>Total current loans and borrowings</b>                 | <b>(62,690)</b>        | <b>(59,673)</b>    | <b>(55,592)</b>        |

Non-current notes issued are presented by the interest free notes, issued to third parties. These notes are reflected at amortized cost with using effective interest rate 18% for the nine months ended 31 March 2018.

**The amount of non-current loans and borrowings as at 31 March 2018 comprises the followings borrowings:**

— loan amounting to USD 35,000 thousand received by Coal Energy S.A. in USD according to the credit agreement concluded with European Bank for Reconstruction and Development with credit limit USD 35,000 thousand. Annual interest rate equals to 6m Libor plus 5,85% margin per annum. Obligations under this credit agreement are guaranteed by the property of Antracit LLC, pledging value of which amounts to USD 271 thousand and by 14,99% of total shares in Coal Energy S.A. (6,747,167 shares), also obligations under this credit agreement are guaranteed by 99% of share capital of Antracit LLC and Progress-Vugillya LLC. Maturity date is on 20 June 2020. As at 31 March 2018 current portion composed USD 28,000 thousand.

— factoring amounting to USD 1,214 thousand received by Donantracit LLC in UAH according to factoring contract concluded with OJSC "OTP Bank" with credit limit equaling to USD 1,397 thousand. Annual interest rate range to 0,01%. Obligations under this factoring contract are guaranteed by the revenue under the contracts amounting to USD 1,517 thousand, guarantee of CwAL LE "Sh/U Blagoveshenskoe" and Coal Energy S.A. amounting to USD 1,477 thousand. Maturity date is on 27 June 2019.

**The amount of current loans and borrowings as at 31 March 2018 comprises the followings borrowings:**

— loan amounting to USD 20,000 thousand received by CwAL LE "Sh/U Blagoveshenskoe" in USD according to the credit agreement concluded with Barryntello Investments LTD with credit limit USD 20,000 thousand. Annual interest rate equals to 11,0%. Obligations under this credit agreement are guaranteed by: the corporate rights in share capital of Tekhinovatsiya LLC and property pledged value of which amounts to USD 2,193 thousand; the corporate rights in share capital of Donprombiznes LLC and property pledged value of which amounts to USD 2,813 thousand. Maturity date was on 15 September 2017.

— loan amounting to USD 4,500 thousand received by Antracit LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 4,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the property of Donprombiznes LLC, pledging value of which amounts to USD 22 thousand. Maturity date was on 15 August 2017. According to resolution of National Bank of Ukraine №265 from 23 April 2015 Ukrainian Business Bank is under procedure of liquidation and withdrawal of it's banking license.

— loan amounting to USD 5,500 thousand received by Eximenergo LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 5,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the finished goods (coal) in turnover pledged value of which amounts to USD 5,500 thousand. Maturity date was on 3 June 2015. According to resolution of National Bank of Ukraine №265 from 23 April 2015 Ukrainian Business Bank is under procedure of liquidation and withdrawal of it's banking license.

— loan amounting to USD 1,375 thousand received by Coal Energy Ukraine LLC in UAH according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 1,771 thousand. Annual interest rate equals to 21,0%. Obligations under this credit agreement are guaranteed by the revenue under the sales contracts amounting to USD 1,594 thousand. Maturity date was on 30 January 2015. According to resolution of National Bank of Ukraine №265 from 23 April 2015 Ukrainian Business Bank is under procedure of liquidation and withdrawal of it's banking license.

— loan amounting to USD 1,130 thousand received by Donvuhletekhinvest LLC in UAH according to the credit agreement concluded with OJSC "Delta Bank" (OJSC "Creditprombank") with credit limit USD 1,130 thousand. Annual interest rate equals to 22,0%. Obligations under this credit agreement are guaranteed by the property of Uglodobyvayushie Tehnology LLC pledging value of which amounts to USD 1,849 thousand and by the guarantee of Uglodobyvayushie Tehnology LLC amounting to USD 1,130 thousand. Maturity date was on 31 December 2015. According to resolution of National Bank of Ukraine №664 from 2 October 2015 OJSC "Delta Bank" is under procedure of liquidation and withdrawal of it's banking license.

**25 Loans and borrowings (continued)**

— loan amounting to USD 791 thousand received by Donantracit LLC in UAH according to the credit agreement concluded with Ukrainian Business Bank with credit limit equaling to USD 791 thousand. Annual interest rate equals to 21,0%. Obligations under this credit agreement are guaranteed by: the revenue under the contracts amounting to USD 812 thousand. Maturity date was on 22 December 2014. According to resolution of National Bank of Ukraine №265 from 23 April 2015 Ukrainian Business Bank is under procedure of liquidation and withdrawal of it's banking license.

— loan amounting to USD 583 thousand received by Donantracit LLC in EUR according to the credit agreement concluded with Ukrainian Business Bank with credit limit equaling to USD 1,232 thousand. Annual interest rate equals to 12,0%. Obligations under this credit agreement are guaranteed by: the revenue under the contracts amounting to USD 654 thousand. Maturity date was on 26 December 2014. According to resolution of National Bank of Ukraine №265 from 23 April 2015 Ukrainian Business Bank is under procedure of liquidation and withdrawal of it's banking license.

**The amount of non-current loans and borrowings as at 31 March 2017 comprises the followings borrowings:**

— loan amounting to USD 4,500 thousand received by Antracit LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 4,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the property of Donprombiznes LLC, pledging value of which amounts to USD 31 thousand. Maturity date is on 15 August 2017. As at 31 March 2017 current portion composed USD 4,500 thousand. According to resolution of National Bank of Ukraine №265 from 23 April 2015 Ukrainian Business Bank is under procedure of liquidation and withdrawal of it's banking license.

— loan amounting to USD 20,000 thousand received by CwAL LE "Sh/U Blagoveshenskoe" in USD according to the credit agreement concluded with Barryntello Investments LTD with credit limit USD 20,000 thousand. Annual interest rate equals to 11,0%. Obligations under this credit agreement are guaranteed by: the corporate rights in share capital of Tekhinovatsiya LLC and property pledged value of which amounts to USD 2,271 thousand; the corporate rights in share capital of Donprombiznes LLC and property pledged value of which amounts to USD 2,879 thousand. Maturity date is on 15 September 2017. As at 31 March 2017 current portion composed USD 20,000 thousand.

— loan amounting to USD 35,000 thousand received by Coal Energy S.A. in USD according to the credit agreement concluded with European Bank for Reconstruction and Development with credit limit USD 35,000 thousand. Annual interest rate equals to 6m Libor plus 5,85% margin per annum. Obligations under this credit agreement are guaranteed by the property of Antracit LLC, pledging value of which amounts to USD 408 thousand and by 14,99% of total shares in Coal Energy S.A. (6,747,167 shares), also obligations under this credit agreement are guaranteed by 99% of share capital of Antracit LLC and Progress-Vugillya LLC. Maturity date is on 20 June 2020. As at 31 March 2017 current portion composed USD 21,000 thousand.

— factoring amounting to USD 1,259 thousand received by Donantracit LLC in UAH according to factoring contract concluded with OJSC "OTP Bank" with credit limit equaling to USD 1,453 thousand. Annual interest rate range to 0,01%. Obligations under this factoring contract are guaranteed by the revenue under the contracts amounting to USD 1,574 thousand, guarantee of CwAL LE "Sh/U Blagoveshenskoe" and Coal Energy S.A. amounting to USD 1,453 thousand. Maturity date is on 30 June 2018. As at 31 March 2017 current portion composed USD 841 thousand.

**The amount of current loans and borrowings as at 31 March 2017 comprises the followings borrowings:**

— loan amounting to USD 5,500 thousand received by Eximenergo LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 5,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the finished goods (coal) in turnover pledged value of which amounts to USD 5,500 thousand. Maturity date was on 3 June 2015. According to resolution of National Bank of Ukraine №265 from 23 April 2015 Ukrainian Business Bank is under procedure of liquidation and withdrawal of it's banking license.

— loan amounting to USD 1,353 thousand received by Coal Energy Ukraine LLC in UAH according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 1,742 thousand. Annual interest rate equals to 21,0%. Obligations under this credit agreement are guaranteed by the revenue under the sales contracts amounting to USD 1,569 thousand. Maturity date was on 30 January 2015. According to resolution of National Bank of Ukraine №265 from 23 April 2015 Ukrainian Business Bank is under procedure of liquidation and withdrawal of it's banking license.

— loan amounting to USD 1,112 thousand received by Donvuhletekhninvest LLC in UAH according to the credit agreement concluded with OJSC "Delta Bank" (OJSC "Creditprombank") with credit limit USD 1,112 thousand. Annual interest rate equals to 22,0%. Obligations under this credit agreement are guaranteed by the property of Ugledobyvayushie Tehnology LLC pledging value of which amounts to USD 1,819 thousand and by the guarantee of Ugledobyvayushie Tehnology LLC amounting to USD 1,112 thousand. Maturity date was on 31 December 2015. According to resolution of National Bank of Ukraine №664 from 2 October 2015 OJSC "Delta Bank" is under procedure of liquidation and withdrawal of it's banking license.

— loan amounting to USD 778 thousand received by Donantracit LLC in UAH according to the credit agreement concluded with Ukrainian Business Bank with credit limit equaling to USD 778 thousand. Annual interest rate equals to 21,0%. Obligations under this credit agreement are guaranteed by: the revenue under the contracts amounting to USD 799 thousand. Maturity date was on 22 December 2014. According to resolution of National Bank of Ukraine №265 from 23 April 2015 Ukrainian Business Bank is under procedure of liquidation and withdrawal of it's banking license.

— loan amounting to USD 508 thousand received by Donantracit LLC in EUR according to the credit agreement concluded with Ukrainian Business Bank with credit limit equaling to USD 1,074 thousand. Annual interest rate equals to 12,0%. Obligations under this credit agreement are guaranteed by: the revenue under the contracts amounting to USD 644 thousand. Maturity date was on 26 December 2014. According to resolution of National Bank of Ukraine №265 from 23 April 2015 Ukrainian Business Bank is under procedure of liquidation and withdrawal of it's banking license.



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

|                  | Currency | Nominal interest rate, % | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|------------------|----------|--------------------------|------------------------|-----------------------|------------------------|
| Non-current loan | USD      | 6-month LIBOR + 5,85%    | (7,000)                | (10,500)              | (14,000)               |
| Non-current loan | USD      | 0,01                     | (403)                  | -                     | (418)                  |
|                  |          |                          | <b>(7,403)</b>         | <b>(10,500)</b>       | <b>(14,418)</b>        |

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

|                   | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|-------------------|------------------------|-----------------------|------------------------|
| within 1 year     | -                      | -                     | -                      |
| from 1 to 5 years | (7,403)                | (10,500)              | (14,418)               |
| more than 5 years | (26)                   | -                     | -                      |
|                   | <b>(7,429)</b>         | <b>(10,500)</b>       | <b>(14,418)</b>        |

**Terms of current loans and borrowings**

|                     | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|---------------------|------------------------|-----------------------|------------------------|
| On demand           | (54,884)               | (48,992)              | (42,951)               |
| Within 3 months     | (3,511)                | (2,413)               | (5,919)                |
| From 3 to 12 months | (4,295)                | (8,268)               | (6,722)                |
|                     | <b>(62,690)</b>        | <b>(59,673)</b>       | <b>(55,592)</b>        |

**26 Finance lease liabilities**

|   | As at 31 March 2018    |   | As at 30 June 2017     |   | As at 31 March 2017    |   |
|---|------------------------|---|------------------------|---|------------------------|---|
|   | 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                                     | 432                    | 393                                     | 439                    | 400                                     | 425                    | 387                                     |
| From 1 to 5 years                                     | 1,696                  | 1,006                                   | 1,725                  | 1,023                                   | 1,669                  | 990                                     |
| More than 5 years                                     | 14,957                 | 963                                     | 15,535                 | 980                                     | 15,134                 | 947                                     |
|   | <b>17,085</b>          | <b>2,362</b>                            | <b>17,699</b>          | <b>2,403</b>                            | <b>17,228</b>          | <b>2,324</b>                            |
| Future finance charges                                | (14,723)               | -                                       | (15,296)               | -                                       | (14,904)               | -                                       |
| Present value of lease obligation                     | <b>2,362</b>           | <b>2,362</b>                            | <b>2,403</b>           | <b>2,403</b>                            | <b>2,324</b>           | <b>2,324</b>                            |
| <b>Current portion of financial lease liabilities</b> |                        | <b>(393)</b>                            |                        | <b>(400)</b>                            |                        | <b>(387)</b>                            |
| <b>Non-current financial lease liabilities</b>        |                        | <b>1,969</b>                            |                        | <b>(2,003)</b>                          |                        | <b>(1,937)</b>                          |

In 2009 CwAL LE Sh/U Chapaeva (current entity name - CwAL LE "Sh/U Blagoveshenskoe") negotiated the contract of lease of state property-integral property complex GC Shakhtoupravlinnia named after V.I. Chapaeva.

In 2010 CwAL LE Novodzerzhynskaya Mine (current entity name - CwAL LE "Mine St.Matrona Moskovskaya") negotiated the contract of lease of state property-integral property complex – integral property complex GC Novodzerzhynskaya Mine.

According to these contracts, the lessee receives state property for the period of 49 years (current entity name CwAL LE "Sh/U Blagoveshenskoe" - until 11 February 2058, CwAL LE "Mine St.Matrona Moskovskaya" - until 27 April 2059) on fee basis. Such property comprises premises, facilities, mine workings, production equipment, transport, assets under construction and special permissions for subsurface use. Also, as term of agreements, the lessee becomes legal success or of rights and liabilities of GC Shakhtoupravlinnia named after V. I. Chapaeva and GC Novodzerzhynskaya Mine. Additionally, the lessee undertakes current and capital maintenance of property, insurance and dismantling of mines in case of mine stock depletion. Under the agreement of lessor, lessee has a right to give property in to sublease and to transfer own rights and liabilities under this agreement to third parties.

There are fixed payments on this contract, but each consequent lease payment is determined by correction of previous month lease payment on current month inflation rate.

Amendments, addendums or cancellation of this contract are possible under agreement of both parties.

**Net book value of leased assets:**

|                               | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|-------------------------------|------------------------|-----------------------|------------------------|
| Property, plant and equipment | 12,520                 | 13,296                | 15,348                 |
| Intangible assets             | 745                    | 941                   | 1,622                  |
|                               | <b>13,265</b>          | <b>14,237</b>         | <b>16,970</b>          |

**27 Provisions**

|                                | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|--------------------------------|------------------------|-----------------------|------------------------|
| <b>Non-current provisions</b>  |                        |                       |                        |
| Provision for land restoration | (2,050)                | (1,909)               | (1,779)                |
| Dismantling provision          | (270)                  | (243)                 | (225)                  |
|                                | <b>(2,320)</b>         | <b>(2,152)</b>        | <b>(2,004)</b>         |
| <b>Current provisions</b>      |                        |                       |                        |
| Provision on tax liabilities   | (1,915)                | (1,947)               | (1,883)                |
|                                | <b>(1,915)</b>         | <b>(1,947)</b>        | <b>(1,883)</b>         |

The Group liabilities, connected with environmental restoration, notably decommission of property, plant and equipment and land restoration under waste dumps. Estimation of liability bases on estimated prices of decommissions of property, plant and equipment and land restoration under waste dumps procedures. Discount rate used by the Group is 18%.

Management recognized provision for the payment of potential tax liabilities. However, if the tax authorities classify such transactions as subject to taxation and apply such classification to the companies of the Group, actual taxes and penalties may differ from the Management assessment.

**Changes in non-current provisions**

|  | Provision for<br>land restoration | Dismantling<br>provision | Total provisions |
|--|-----------------------------------|--------------------------|------------------|
| <b>As at 30 June 2017</b>                      | <b>(1,909)</b>                    | <b>(243)</b>             | <b>(2,152)</b>   |
| Unwinding of discount                          | (172)                             | (32)                     | (204)            |
| Effect of translation to presentation currency | 31                                | 5                        | 36               |
| <b>As at 31 March 2018</b>                     | <b>(2,050)</b>                    | <b>(270)</b>             | <b>(2,320)</b>   |

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

|  | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|--|------------------------|-----------------------|------------------------|
| Interest due   | (30,544)               | (23,539)              | (21,334)               |
| Trade payables   | (11,885)               | (14,469)              | (10,940)               |
| Other payables   | (6,299)                | (7,028)               | (4,436)                |
| Payables for acquisition property, plant and equipment | (1,083)                | (1,126)               | (757)                  |
| Payables for wages and salaries                        | (1,080)                | (829)                 | (1,091)                |
| Advances received                                      | (773)                  | (1,794)               | (1,124)                |
| Payables for unused vacations                          | (107)                  | (87)                  | (93)                   |
|  | <b>(51,771)</b>        | <b>(49,249)</b>       | <b>(39,775)</b>        |

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

|                | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|----------------|------------------------|-----------------------|------------------------|
| Other payables | (371)                  | -                     | (365)                  |
|                | <b>(371)</b>           | <b>-</b>              | <b>(365)</b>           |

**29 Disposal of subsidiary**

On 28 December 2017, the Group sold its share in Sh/U Blagoveshenskoe Management Company LLC, a 99,99% subsidiary of the Group, for a cash consideration of USD 1 thousand. The company had no operating or fixed assets on its balance.

**30 Related party transactions**

According to existing criteria of determination of related parties, the related parties of the Group are divided into the following categories:

- Entities - related parties under common control with the Companies of the Group;
- Entities - related parties, which have joint key management personnel with the Companies of the Group.

Ultimate controlling party is Mr. Vyshnevetsky V.

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

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

### 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

|  | 9 months ended<br>31 March 2018 | Year ended 30<br>June 2017 | 9 months ended<br>31 March 2017 |
|--|---------------------------------|----------------------------|---------------------------------|
| Income from sales of finished products, goods  | 3,007                           | 23,938                     | 18,406                          |
| Income from rendering of services  | 12                              | 416                        | 320                             |
| Income from reimbursement of doubtful debts  | 42                              | 73                         | 74                              |
| Income from operating lease  | 2                               | 4                          | 3                               |
| (Expenses)/Income attributable to allowance for receivables on sale of property, plant and equipment | -                               | (55)                       | (56)                            |
| Operating lease expenses   | -                               | (15)                       | (15)                            |
| Bad debts return/(Impairment loss of loans issued)   | 1,496                           | (33)                       | (32)                            |
| Purchases of property, plant and equipment   | (128)                           | (144)                      | (142)                           |
| Purchases of services  | (55)                            | (1,800)                    | (1,487)                         |
| Purchases of inventories   | (2,152)                         | (5,363)                    | (4,141)                         |

#### Items of consolidated statements of financial position

|   | As at 31 March<br>2018 | As at 30 June<br>2017 | As at 31 March<br>2017 |
|---|------------------------|-----------------------|------------------------|
| Current loans issued  | 5,051                  | 6,659                 | 6,442                  |
| Allowances for loans issued   | (5,051)                | (6,659)               | (6,442)                |
| Trade receivables   | 7,969                  | 15,323                | 12,719                 |
| Allowances for trade receivables                                    | (448)                  | (475)                 | (460)                  |
| Advances paid   | 395                    | 406                   | 393                    |
| Allowances for advances paid  | (28)                   | (28)                  | (27)                   |
| Other receivables   | 2,104                  | 997                   | 879                    |
| Allowances for other receivables                                    | -                      | (43)                  | (49)                   |
| Receivables on sale of property, plant and equipment                | 254                    | 258                   | 250                    |
| Allowances for receivables on sale of property, plant and equipment | (220)                  | (224)                 | (217)                  |
| Advances received   | (184)                  | (1,763)               | (1,123)                |
| Other payables  | (4,064)                | (5,085)               | (2,372)                |
| Payables for acquisition property, plant and equipment              | (7)                    | (13)                  | (15)                   |
| Trade payables  | (1,455)                | (3,479)               | (2,547)                |

### 31 Contingent assets and liabilities

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

### 32 Off-balance sheet liabilities

Companies of the Group were engaged in indemnity contracts and guarantee contracts to secure liabilities of third parties. As at 31 March 2018 contracts of guarantee assuring liabilities LLC "Ugletechnic" amount to USD 3,014 thousands. As at 31 March 2018 loans and borrowings of CwAL LE "Shahta Putilovska" were pledged by the property, plant and equipment of Group (Eximenergo LLC) with carrying amount of USD 55 thousand.

### 33 Subsequent events

As of the date of publication of this report there are no precedents for early loan repayments (defaults) from any financing institutions. In case of continuing military confrontation in Donetsk and Lugansk regions, the Group is expecting to negotiate further postponement for interest and principals payments.

According to the management's opinion there were no events after the closing date, except for the disclosed above and known to the management which would substantially influence the financial standing of the Group.