COAL ENERGY S.A.

Annual Report for FY2020

Content

Dear Shareholders,

Herewith we are presenting our annual consolidated FY2020 financial report containing unaudited financial data. As the case was in the previous years the Company postponed annual audit procedure due to the ongoing military conflict in the region where most of the assets are located (East of Ukraine) and thus being not able to provide the auditors with necessary access to the assets and documentation and other logistical obstacles (including hostilities, limited entry through the military checkpoints to the zone of conflict, etc.)

As previously reported, the assets of the Company located in the territory which is not controlled by the Ukrainian authorities were idled and have not been working since 2017. For further development of the business the Management decided to restructure the business and alienate assets located in the military conflict zone in the territory which is not controlled by the Ukrainian authorities. Following this strategy the Company sold the production asset LLC Antratcit FY2020. The restructuring process will continue in FY2021.
On the second half of FY 2020 operating and financial results of the Company were affected by the epidemic of COVID-19, in 3Q FY2020 Ukrainian government implemented quarantine measures and the assets of the Company were operating not in full capacity.
Summarized highlights of the 4Q FY2020 and full FY2020 are presented below:

- **Total output.** Mining output of thermal and coking coal in the 4Q FY2020 composed 2.5 thousand tonnes, as opposed to 1.5 thousand tonnes in 3Q FY2020 or increased by 66.7% q-o-q. Annual mining underground output in FY2020 amounted to 40.4 thousand tonnes as compared to 136.8 thousand tonnes in FY2019, decreasing by 70.5 % y-o-y.
- **Coal volume sales.** In the 4Q FY2020 total coal volume sales composed 2.6 thousand tonnes demonstrating growth q-o-q (0.1 thousand tonnes in 3Q FY2020). Annual coal volume sales totaled 41.0 thousand tonnes, demonstrating a decrease by 72.1% y-o-y (146.9 thousand tonnes in FY2019).
- **Revenue from coal sales.** In the 4Q FY2020 generated coal sales revenue composed US$0.2 million (increased q-o-q from US$0.07 million in 3Q FY2020). Annual FY2020 coal sales revenue reached US$3.6 million as opposed to US$12.2 million in FY2019 decreasing by 70.5% y-o-y.
- **EBITDA.** EBITDA in 4Q FY2020 comprised US$1.1 million as opposed to negative EBITDA of US$1.9 million for the 3Q FY2020. For the 12 months of FY2020 the Company recorded negative EBITDA of US$0.02 million EBITDA as compared to positive results of US$2.5 million in FY2019.

The Company has people’s health and safety as a top priority and in this regard, operates in accordance with the government requirements regarding industrial safety measures related to the COVID-19 pandemic. Despite the challenges faced by the Company in FY2020, management remains focused on the development of coal mining assets located in the territory which is under control of the Ukrainian authorities - CwAL LE “Mine St.Matrona Moskovskaya” and Tekhinovatsiya LLC.

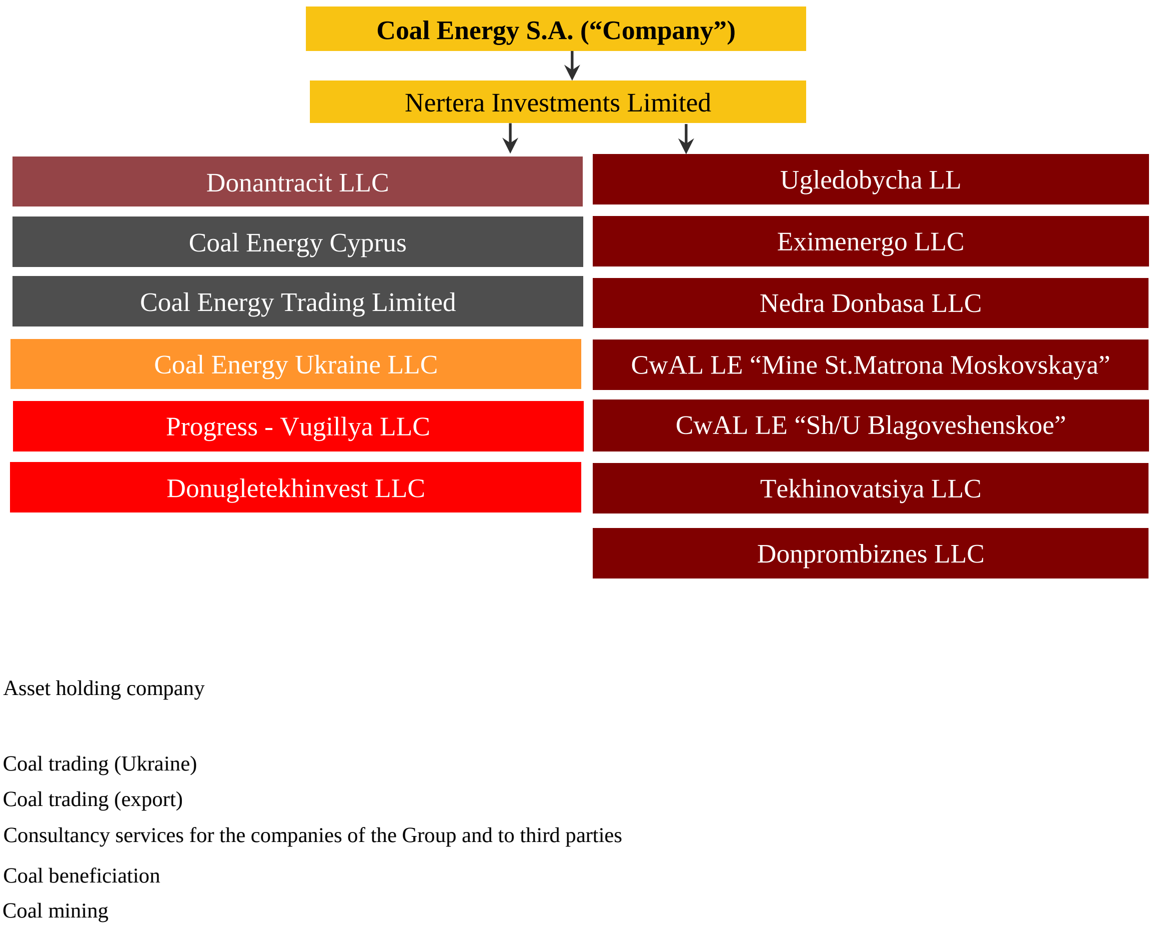
Viktor Vyshnevetskyy
Chairman of the Board of Directors and Chief Executive Officer

Business overview

Business overview

Coal Energy S.A. (hereinafter “Coal Energy” or “the Company” or “the Group”) incorporated in the Grand Duchy of Luxembourg is a holding company for a group of 14 companies operating in the mining industry. In July 2011 the Group placed 25% of its shares on the Warsaw Stock Exchange via initial public offering.

Structure of the Coal Energy S.A. Group



Coal Energy holds mining license through seven subsidiary companies located in Ukraine’s largest coal basin – Donbas. The Group’s principal business comprises of underground coal mining and sale of thermal and coking coals and coal trading. Coal Energy’s coal reserves allow producing of a wide range of coal grades, such as anthracite, thermal coal and coking coal.

In accordance with the restructuring of the business strategy, in 2020FYthe Company sold the production asset LLC Antratcit, located in the territory, which is not controlled by the Ukrainian authorities, in the zone of military operations.

Production overview/ Coal mining

In the FY2020 total output composed 40.4 thousand tonnes as opposed to 136.8 thousand tonnes in FY2019 or decreased by 70.5% y-o-y. The main reasons for the decline in production were the introduction of quarantine in connection with the pandemic of the coronavirus COVID-19.

As was reported earlier, assets of the Company that are located on the territory, which are not under control of Ukrainian authorities were idled as transportation of coal to ultimate customer turned out to be impossible because of the military conflict.

Coking and dual purpose coal output composed 29.2 thousand tonnes in FY2020 decreasing from 134.6 thousand tonnes in FY2019, or by 78.3% y-o-y.
Thermal coal output composed 11.3 thousand tonnes in FY2020 increasing from 2.2 thousand tonnes in FY2019, or by 413.6% y-o-y.

The table below shows mining volumes by each legal entity that operates the Group's mines (numbers are rounded):

in thousand of tonnes	Coal type	FY2020	FY2019
Donprombiznes LLC	Thermal	-	-
Eximenergo LLC	Thermal	-	-
Ugledobycha LLC	Thermal	-	-
CwAL LE "Sh/U Blagoveshenskoe"	Thermal	-	-
Tekhinovatsiya LLC	Thermal	11	2
Sub-total thermal		*11*	*2*
Nedra Donbasa LLC	Coking	-	-
Tekhinovatsiya LLC	Coking	-	10
CwAL LE "Mine St.Matrona Moskovskaya"	Coking	29	124
Sub-total coking and dual-purpose		*29*	*134*
Total mining		**40**	**136**

Coal beneficiation

The Company's coal beneficiating business - Postnikovskaya beneficiation plant (LLC Donugletekhinvest) was idled since May 2016 due to significant difficulties with logistics in the zone of military conflict.

Our markets (based on available statistical and media information)

In the 1H FY2020 Ukrainian economy demonstrated improvement, while 2H of FY2020 was affected by the epidemic of COVID-19, starting March 2020 Ukrainian government implemented quarantine measures. According to the Cabinet of Ministry of Ukraine dynamics of GDP in 2019 calendar demonstrated growth by 3.2% y-o-y. While for 1H 2020 calendar year (2H FY2020) the decline of GDP composed 6.5% y-o-y under negative effect of the strict quarantine measures both within the country and abroad. Furthermore, over the first six months of 2020 calendar year (2H FY2020) Ukrainian industrial output decreased by 8.3% y-o-y, in particular, output in mining industry decreased by 6.3% y-o-y.
Further macroeconomic situation in Ukraine slightly improved after cancellation of strict quarantine measures and the transition to an adaptive one. However, according to experts, the risks to the economy still remain high.

In 2020 coal production in Ukraine amounted to 31.2 million tonnes of coal and decreased by 6.2% y-o-y. For the first 6 months of 2020 calendar year (2H FY2020) coal mining enterprises of Ukraine produced 13.1 million tonnes of ROM coal demonstrating substantial decline by 14.2% y-o-y. At the same time in the 1H 2020 calendar year (2H FY2020) Ukraine imported 8.6 million tonnes of coals, decreasing import supplies by 18.4% y-o-y. The government of Ukraine from May 1, 2020 introduced a protective duty on thermal coal in the amount of 65% for coal from the Russian Federation for such types of coal, which Ukraine is able to independently provide for its market.

In the 2Q 2020(4Q FY2020), thermal coal prices dropped to multi-year low. For the 1H FY2020 analysts estimated a decrease in the volume of global sea coal trade by 10% y-o- y.
The coronavirus pandemic also resulted in a 3.0% reduction in global electricity production during the 1H of 2020. Lower demand was the main factor behind the decline in global coal production by 8.3% y-o-y.

Basic consumers of thermal coal in Ukraine are thermal power plants (TPP). TPP's accounted for 32.9% in electricity generation balance of Ukraine. Over the first half of 2020 calendar year (2H FY2020) electricity production decreased by 8.0% y-o-y. According to statistics from the Ministry of Energy during preparations to the upcoming heating season coal reserves in the warehouses of TPP's in 2020 calendar year are significantly higher than last year's. As of 19th October 2020 coal reserves in the thermal power plants amounted to 2.6 million tonnes

The slowdown in global economic activity - as a result of the COVID-19 pandemic has led to a sharp decline in steel production in a number of countries, affecting the demand for coking coal, in April 2020 coking coal prices fell sharply. Coking coal prices are expected to start recovering from 2021 with a restoration of steel production.

For the first six-month of 2020 steel production in Ukraine decreased by 7.6% y-o-y, and amounted to 10.1 million tonnes. In total, for the first six-month of 2020 6.5 million tonnes of coking coals were supplied on Ukrainian coke plants, decreasing by 8.0% y-o-y. At the same time, the share of imported coals in the total supply amounted to 72.5%. Ukrainian steel industry is highly export-oriented, as Ukraine exports. In the 1H 2020, Ukrainian metallurgical export of steel products dropped by 8.4% y-o-y, down to 7.4 million tonnes. At the same time, in January-June 2020, Ukrainian metallurgical enterprises increased revenues from the export of cast iron by 8.0% as compared to the same period of 2019 - up to US$ 422,3 million. According to experts the results metallurgy of Ukraine in the first half of 2020 indicate an ongoing crisis in the industry, which is associated with the general situation in the global steel market, since the 3Q 2019, aggravated by the COVID-19 coronavirus pandemic.

The main reasons for the decline in the production of the main types of metallurgical products in Ukraine, along with the global quarantine, are state protectionism in the export countries, a decrease in prices and in demand for metal products. According to the updated forecast, in 2020 metallurgical enterprises of Ukraine will reduce steel production by 4.1%, to 20 million tonnes as compared to actual production in 2019.

General economic outlook for 2020 calendar year by IMF for Ukraine suggests GDP decline by 7.2% and average annual inflation rate around 3.2%. While expectations for 2021 calendar year according to IMF are as follows: GDP growth will make up 3.0% and inflation is estimated circa 5.0%. According to experts the economy recovery rate will depend on the duration of the quarantine measures; on the external environment, including the dynamics of recovery of the main trade partners of Ukraine; and support measures of fiscal and monetary policy, etc.

People

In FY2020 the Group employed 243 employees (weighted average headcount) demonstrating a decrease by 25.0% y-o-y. As most of the operations facilities were in the sustained/idled the headcount of personnel is declining. The Company also used subcontractor services for underground mining thus headcount of mining personnel also decreased.
Additional information concerning the average number of the Group's employees by category for FY2020 and FY2019 is set forth in the table below:

	FY2020	FY2019
Mining	9	28
Support production	166	201
Administrative and sales personnel	68	95
Total	**243**	**324**

Summary of payments to the Ukrainian authorities

The following information (numbers are rounded) is provided as part of the initiative Publish What You Pay, a global civil society coalition, to achieve transparency of the Company's payments to agencies and representative of governments as a step towards a more accountable system for the management of natural resources and with the mission that mining revenues improve the lives of women, men and youth in resource-rich countries (http://www.publishwhatyoupay.org/about).

in thousand of US$	FY2020	FY2019
Social Insurance Funds employer	-	1
Social Insurance Funds individual	-	4
Concession fee	6	46
Income tax	-	-
Natural resources payment	11	12
VAT	2	6
Environmental tax payments	4	3
Total	**23**	**72**

Financial overview

Overview

Business of the Company was adversely affected by the military conflict in the region of assets location as well as the epidemic of COVID-19 and relevant quarantine measures.

The following table summarizes the Group's key margins and ratios for FY2020 and FY2019 (numbers are rounded):

in million of US$	FY2020	FY2019	Relative change y-o-y
Revenue	3.7	12.9	(71.3%)
Gross profit	(0.7)	1.0	*n/a*
EBIT	(2.9)	(0.4)	*n/a*
EBITDA	(0.02)	2.5	*n/a*
Net loss/profit	31.1	(9.2)	*n/a*
as a percentage of revenue			**Δ percentage points**
Gross margin %	(18.9%)	7.8%	(26.7)
EBIT %	(78.4%)	(3.1%)	(75.3)
EBITDA %	(0.5%)	19.4%	(19.9)
Net earnings %	840.5%	(71.3%)	911.9

Revenue

For the FY2020 total revenue composed U$3.7 million as compared to the US$12.9 million for the FY2019 declining by 71.3% y-o-y under influence of decline in trading activity. While for the 4Q FY2020 revenue composed US$0.2 million as opposed toUS$0.02 million for the 3Q FY2020 thus increasing q-o-q.

Revenues in FY2020 are presented in the table below:

in thousand of US$, except percentages	FY2020	FY2019	change in %
Revenue			
Revenue received from sale of finished goods	3,379	11,591	(70.8%)
Trade activity	254	1,200	(78.8%)
Other activity	60	89	(32.6%)
Total revenue	**3,693**	**12,880**	**(71.3%)**

There were no export operations during the reporting period. Coal sales volumes are presented in the table below:

in thousand tonnes	FY2020	FY2019	change in %
Thermal	5	13	(59.2%)
Coking	36	134	(73.4%)
Total	**41**	**147**	**(72.1%)**

Coking coal prevailed in the sales structure as the company currently is working on assets that are mining mostly coking coal grades. Thermal coal sales comprised 12.2% of total coal sales volumes in the reporting year versus 8.8% in the FY2019. Due to the adverse influence of the quarantine measures in 2020FY total coal sales decreased by 72.1% y-o-y . Company's sales results on quarterly basis improved slightly in 4Q FY2020 total sales comprised 2.6 thousand tonnes as opposed to 0.1 thousand tonnes in 3Q FY2020.

Company's weighted average sales prices for FY2020 for thermal coal price composed 1355 UAH/tonne, for coking coal 2405 UAH/tonne (for FY2019 prices were in following ranges: thermal – 900-3305 UAH/tonne; coking – 1480-3275 UAH/tonne).

Cost of sales and cash cost of production

The following table demonstrates cost of sales of the Company in the FY2020 and the FY2019:

in thousand of US$	**FY2020**	**FY2019**
Cost of sales	**4,431**	**11,878**
Less:		
Cost of merchandising inventory	157	936
Change in inventories	(81)	(113)
Cost of other services	1,513	-
Depreciation and amortization	877	754
Total cash cost of production	**1,965**	**10,301**
Including:		
Total cash cost of mining	*1,965*	*10,301*
in US$ per tonne		
Cash cost of mining per 1 tonne of ROM coal	67.3	75.3

In order to provide fair view on the financial statements, all expenses related to idle assets were allocated to the group Idle. Cash cost of mining in FY2020 decreased by 35.5% as opposed to FY2019 under influence of reduction in coal production and considering fixed costs per 1 tonne of coal and influence of conditionally fixed expenditures.

Gross loss/profit

The Company recorded gross loss of US$0.7 million for the reporting FY2020 as opposed to gross profit of US$1.0 million for the FY2019, under lower price quotations for coal during FY2020 and decrease in trading activity.

Operating expenses

General and administrative expenses

General and administrative expenses composed US$0.4 million in FY2020, as opposed to US$0.3 million in FY2019

Selling and distribution expenses

Selling and distribution expenses composed US$ 0.05 million versus US$0.2 million in FY2019 with considerably lower delivery costs.

Idle capacity expenses

Idle capacity expenses slightly decreased y-o-y amounting to US$2.0 million for the FY2020 as opposed to US$2.6 million for the FY2019. Despite the difficult situation associated with military conflict and trade blockade the Company remains focused on business preservation.

Management of the Company 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.

Operating profit/ loss

For the FY2020 the Company recorded operating loss of US$2.9 million, as opposed to US$0.4 million of loss for the FY2019.

Financial income

For the FY2020 the Company recorded US$9.7 million of financial income, as compared to US$6.4 million for the FY2019. The effect of financial income is caused by strengthening of Ukrainian hryvnia in 2Q-3Q FY2020.

Financial costs

For the FY2020 financial costs composed US$11.8 million remaining almost flat y-o-y as opposed to US$11.9 million for the FY2019.

Net loss / profit

The Company recorded US$31.1 million of net profit for FY2020 as opposed to US$9.2 million of losses for the FY2019. During 2020FY two subsidiaries were disposed with total gain of US$38.5 million due to its net liability position. After deducting of this gain the Group incurred losses in amount of US$7.3 million of continued operation. For the 4Q FY2020 the Company recorded profit of US$3.9 million versus US11.9 million of loss for the 3Q FY2020.

Cash Flow

The following table summarizes the Group's statement of cash flow for the financial years ended June 30, 2020 and 2019, respectively:

in thousand of US$	**FY2020**	**FY2019**
Net cash flow from operating activity	134	577
Net cash flow from investing activity	(81)	(407)
Net cash flow from financial activity	(44)	(171)
Net cash flows	**9**	**(1)**

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 a bit 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 efficiency 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 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.

The Company's activity may be influenced by political instability and/or uncertainty 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.

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.

Corporate Governance Report

The Company has decided to observe the majority of the WSE Corporate Governance Rules included in the Code of Best Practice for WSE Listed Companies to the form and extent determined by the Resolution No. 19/1307/2012 of the Exchange Supervisory Board dated November 21, 2012. However, certain principles apply to the Company accordingly, with due observance of Luxembourg corporate law and the Company's corporate structure, especially the single board structure as opposed to the two-tier system that the WSE Corporate Governance Rules assume. The Company does not have two separate governing bodies (supervisory board and management board) which are obligatory in Polish joint stock companies. Instead, the Board of Directors of the Company performs both the management and supervisory functions. As a result, the Company applies those principles of the WSE Corporate Governance Rules which refer to relations between supervisory board and management board not directly, but accordingly. In all cases, the Company endeavours to create procedures maintaining the spirit of all rules applied accordingly. Therefore, the Company is of an opinion that it complies with the rules that refer to relations between supervisory board and management board or to the functioning of those bodies.

RULE	STATUS IN THE COMPANY
I. Recommendations for Best Practice for Listed Companies	
1. A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular: - maintain a company website whose scope and method of presentation should be based on the model investor relations service available at http://naszmodel.gpw.pl/; - ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication.	The Company made the broad use of both traditional and modern methods /i.e. Internet tools/ to ensure effective communication and access to information for shareholders, analysts and investors. The Company’s website is not identical with the scope and method of presentation specified by naszmodel.gpw.pl, however the Company has launched website which in Company’s opinion meets the requirements for fast and secure communication with stakeholders and is designed to pursue effective information policy.
3. A company should make every effort to ensure that any cancellation of a General Meeting or change of its date should not prevent or restrict the exercise of the shareholders’ right to participate in a General Meeting	Complies
4. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded	Not applicable, the Company’s securities are listed and traded on the WSE only

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

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

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

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

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

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

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

	Meetings in the future.

Board of Directors

The Company has a one-tier corporate governance structure and is administered and managed by the Board of Directors.
In FY2020 Company's Board of Directors composed of 4 directors. The information below sets forth the names, positions, election date, and terms of office of the members of the Board of Directors, discharging their responsibilities as for reporting date of 30th June 2020.

Name	Position/ Function	Class
Viktor Vyshnevetskyy	Chairman of the Board of directors, executive director	Class A director
Oleksandr Reznyk	Executive director	Class A director
Arthur David Johnson	Non-executive independent director	Class A director
Diyor Yakubov	Non-executive independent director	Class B director

The business address for all directors is: 205, route d'Arlon, L-1150 Luxembourg

According to Articles of Association the number of directors is fixed by General Meeting of Shareholders. The General Meeting of Shareholders may decide to appoint Directors of two different classes, being class A Director(s) and class B Director(s). Any such classification of Directors shall be duly recorded in the minutes of the relevant meeting and the Directors be identified with respect to the class they belong. The Directors are to be appointed by the General Meeting of Shareholder for a period not exceeding six years until their successors are elected. Decision to suspend or dismiss a Director must be adopted by the General Meeting of Shareholders with a majority of more than one-half of all voting rights present or represented.

Committees of the Board of Directors

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

General Meeting of Shareholders

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

The Annual General Meeting shall be held in Luxembourg in accordance with Luxembourg law at registered office of the Company or at such other place as specified in the notice of the meeting, on the 12th day of December. If such day is a legal or a bank holiday in Luxembourg, the Annual General Meeting shall be held on the following business day in Luxembourg. In accordance with the Article 3 of the law of 24 May 2011 on exercise of certain rights of shareholders at the general meeting of companies admitted to trading, participation at the AGM is reserved to shareholders of the Company, whose shareholding is determined on the latest the 28th day of November at 24.00 (Central European Time) prior to Meeting, and who give notice of their intention to attend the AGM by mail or return by no later than 6 December.

If all shareholders are present or represented and consider themselves as being duly convened and informed of the agenda, the General Meeting may take place without notice of meeting. An attendance list will be established at the AGM recording the shareholder(s) of the Company attending the AGM in person or by proxy. To be recorded in such a list, a natural or a legal person will have to prove his/her/its quality of shareholder of the Company. In case of a natural person he/she will have to prove his/her identity. In case of a legal person, its representative will have to prove that he/she is a duly authorized representative empowered to bind the legal person. The General Meeting of shareholders shall appoint a chairman and be chaired by the chairman who shall preside over the meeting. The General Meeting shall also appoint a secretary who shall be charged with keeping minutes of the meeting and a scrutineer. All General Meetings of shareholders shall be conducted in English. The shareholders may not decide on subjects that were not listed on the agenda (which shall include all matters required by law) and business incidental to such matters, unless all shareholders are present or represented at the meeting.
Each share is entitled to one vote at all General Meetings of shareholders. Blank votes are considered null and void. A shareholder may act at any General Meeting of shareholders by giving a written proxy to another person, who need not be a shareholder. Unless otherwise provided by law resolutions of the General Meeting are passed by a majority of more than one-half of all voting rights present or represented. The approval of resolutions of the AGM require the affirmative vote of the majority of the voting rights present or represented and expressed at the General Meeting.

One or several shareholders representing at least 5% (five percent) of the issued share capital of the Company (i) have the right to put items on the agenda of the AGM, provided that each such item is accompanied by a justification or a draft resolution to be adopted in the AGM; and (ii) have the right to table draft resolutions for items included or to be included on the agenda of the AGM.

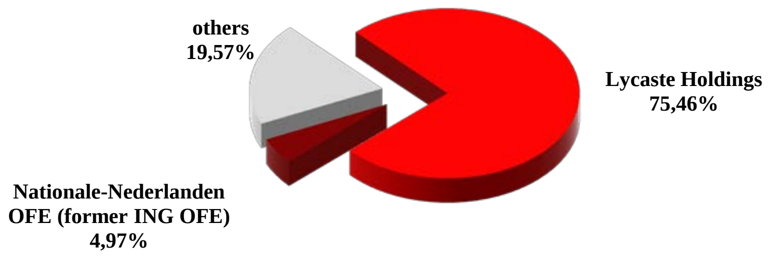
The AGM will be conducted in conformity with the voting requirements of the Luxembourg law on commercial companies dated 10 August 1915 as amended and the Company’s articles of association.

Equity and ownership structure of the parent company

As at the report's publication date and on the June 30, 2019, share capital of Coal Energy S.A. comprised 45,011,120 shares.

The following changes in the ownership structure occurred during FY2020:

Ownership structure of significant blocks of shares (at least 5% of the total number of votes at the Shareholder Meeting of Coal Energy S.A.) as of the date of releasing this financial report is as follows:



There are no restrictions on transferability of the Company's Shares. According to Articles of Association any transfer of registered shares shall be recorded in the register by the delivery to the Company of an instrument of transfer satisfactory to the Company. There are no holders with special control rights. As at the date of this report as to our knowledge, Group's employees do not have any shareholdings in the Company, do not hold any stock options or other rights to Shares and do not participate in any other way, in the capital of the Company. There are no arrangements relating to such participation. As at the date of this report there are no agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities or voting right.

The Company may acquire its own Shares to the extent permitted by law. To the extent permitted by Luxembourg law the Board of Directors or as the case may be the Sole Director, is irrevocably authorized and empowered to take any and all steps to execute any and all documents and to do and perform any and all acts for and in the name and on behalf of the Company which may be necessary or advisable in order to effectuate the acquisition of the Shares and the accomplishment and completion of all related action. There are no agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

2020FY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Coal Energy S.A.

2020FY

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STATEMENT OF MANAGEMENT RESPONSIBILITY

To the best of our knowledge, the consolidated financial statements as of 30 June 2020 of Coal Energy S.A.(the "Group") which have been prepared in accordance with the international financial reporting standards, give a true and fair view of the assets, liabilities, financial position and result of its operations for the year ended 30 June 2020 as required under article 3(3) of the Law. The annual management report includes a fair review of the information required under article 3(3) of the Law.

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

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

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

The Management is also responsible for:

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

On behalf of management:

Directors A:

__________signed__________________
Chairman of the Board of Directors
Viktor Vyshnevetskyy

_________signed___________________
Business Development Director
Oleksandr Reznyk

_________signed___________________
Independent Non-executive Director
Arthur David Johnson

Directors B:

___________signed__________________
Independent Non-executive Director
Diyor Yakubov

Luxembourg, 30 October 2020

MANAGEMENT REPORT

Management of the Group hereby presents the consolidated financial statements for the year ended 30 June 2020.

1. Results and developments during the year ended 30 June 2020

For the year ended 30 June 2020 the Group recorded EBITDA loss of USD 24 thousand (for the year ended 30 June 2019 – USD 2,544 thousand). After depreciation, amortization, finance costs and finance income, profit for the year ended 30 June 2020 after taxation was USD 31,116 thousand (loss for the year ended 30 June 2019 USD 9,240 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 year ended 30 June 2020, the Group 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.

7. Other information

Having in mind safety of people and being not able to provide the auditors with necessary access to the assets and documentation and other logistical obstacles (including hostilities, military checkpoints on the roads, absence of electricity, etc.) the Company, took the decision to postpone the annual audit procedure until the military unrests are resolved**.** The Group does not use hedging derivatives.

On behalf of management:

Directors A:

______signed______________________
Chairman of the Board of Directors
Viktor Vyshnevetskyy

______signed______________________
Business Development Director
Oleksandr Reznyk

______signed______________________
Independent Non-executive Director
Arthur David Johnson

Directors B:

________signed_____________________
Independent Non-executive Director
Diyor Yakubov

Luxembourg, 30 October 2020

(all amounts in USD thousand, unless otherwise stated)

Coal Energy S.A.

Société anonyme
Registered address: 205, route d`Arlon L-1150 Luxembourg,
the Grand Duchy of Luxembourg
R.C.S. Luxembourg: B 154144
(the "**Company**")

CORPORATE GOVERNANCE STATEMENT

Directors:

Name	Date of Appointment	Date of Resignation
Vyktor Vyshnevetskyy – Director A	17 May 2011	-
Oleksandr Reznyk – Director A	17 May 2011	-
Arthur David Johnson – Director A	10 June 2011	-
Diyor Yakubov - Director B	1 August 2016	-

Audit Committee:

Name	Date of Appointment	Date of Resignation
Oleksandr Reznyk – Director A	17 May 2011	-
Ihor Nikitenko – Director B	16 Mar 2019	-
Arthur David Johnson – Director A	10 June 2011	-

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

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

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

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

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

The Group's policies and the Board's instructions with relevance for financial reporting are updated and communicated via appropriate channels, such as e-mail, correspondence and meetings to ensure that all financial reporting information requirements are met in a complete and accurate manner. The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.
There are no restrictions on voting rights.

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

In order to ensure, that established controls over financial reporting system worked effectively during the year ended 30 June 2020, a summary of the work performed by the internal audit department was reviewed by the Audit Committee.

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

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

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

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

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

On behalf of management:

Directors A:

________signed____________________
Chairman of the Board of Directors
Viktor Vyshnevetskyy

________signed____________________
Business Development Director
Oleksandr Reznyk

_______signed_____________________
Independent Non-executive Director
Arthur David Johnson

Directors B:

________signed_____________________
Independent Non-executive Director
Diyor Yakubov

Luxembourg, 30 October 2020

(all amounts in USD thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 30 June 2020 (unaudited)	Year ended 30 June 2019 (unaudited)
Revenue	5	3,693	12,880
Cost of sales	6	(4,431)	(11,878)
GROSS PROFIT/(LOSS)		**(738)**	**1,002**
General and administrative expenses	7	(402)	(272)
Selling and distribution expenses	8	(55)	(200)
Other operating income/(expenses), net	9	372	1,700
Idle capacity expenses	9.1	(2,032)	(2,620)
OPERATING PROFIT/(LOSS)		**(2,855)**	**(390)**
Other non-operating income/(expenses), net	10	(3,371)	(3,407)
Finance income	12	9,699	6,450
Finance expenses	13	(11,796)	(11,942)
Disposal of subsidiaries	33	38,446	-
PROFIT/(LOSS) BEFORE TAX		**30,123**	**(9,289)**
Income tax benefit/(expenses), net	14	993	49
NET PROFIT/(LOSS)		**31,116**	**(9,240)**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the parent		31,065	(9,179)
Non-controlling interests		51	(61)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Disposal of subsidiaries		989	-
Effect of foreign currency translation		318	(2,135)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**1,307**	**(2,135)**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**32,423**	**(11,375)**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the parent		32,402	(11,310)
Non-controlling interests		21	(65)
EARNINGS PER SHARE			
Weighted average number of ordinary shares		45,011,120	45,011,120
BASIC PROFIT/(LOSS) PER ORDINARY SHARE (USD cents)		**69.02**	**(20.39)**

Basic profit/(loss) per ordinary share is equal to diluted profit/(loss) per ordinary share.

Notes on pages 11 to 33 are an integral part of these consolidated financial statements.

(all amounts in USD thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of 30 June 2020 (unaudited)	As of 30 June 2019 (unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment	15	25,645	29,246
Intangible assets	16	495	813
Right-of-use assets	26	3,686	3,760
Financial assets	17	43,892	20
Deferred tax assets	14	2,448	1,553
		76,166	**35,392**
Current assets			
Inventories	18	23,869	27,829
Trade and other receivables	19	20,747	19,724
Prepayments and prepaid expenses	20	3,071	2,949
Other taxes receivables	22	344	139
Cash and cash equivalents	23	16	7
		48,047	**50,648**
TOTAL ASSETS		**124,213**	**86,040**
EQUITY			
Share capital	24	450	450
Share premium		77,578	77,578
Retained earnings		(47,452)	(78,185)
Effect of foreign currency translation		(70,726)	(72,063)
Equity attributable to equity holders of the parent		**(40,150)**	**(72,220)**
Non-controlling interest		(869)	(1,222)
TOTAL EQUITY		**(41,019)**	**(73,442)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	25	-	-
Lease liabilities	26	3,418	3,487
Defined benefit obligation		8,970	9,249
Provisions	27	2,729	2,633
Deferred tax liabilities	14	11	136
		15,128	**15,505**
Current liabilities			
Loans and borrowings	25	64,754	70,156
Lease liabilities	26	268	281
Trade and other payables	28	81,362	65,635
Income tax payables	14	1,420	1,491
Provisions	27	1,901	1,940
Other tax payables	22	399	4,474
		150,104	**143,977**
TOTAL LIABILITIES		**165,232**	**159,482**
TOTAL EQUITY AND LIABILITIES		**124,213**	**86,040**

Notes on pages 11 to 33 are an integral part of these consolidated financial statements.

(all amounts in USD thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent						
	Share capital	Share premium	Retained earnings	Effect of foreign currency translation	Total	Non-controlling interest	Total equity
As of 30 June 2018	**450**	**77,578**	**(69,006)**	**(69,932)**	**(60,910)**	**(1,157)**	**(62,067)**
Profit/(loss) for the year	**-**	**-**	(9,179)	-	**(9,179)**	(61)	**(9,240)**
Other comprehensive income/(loss)	**-**	**-**	-	(2,131)	**(2,131)**	(4)	**(2,135)**
As of 30 June 2019	**450**	**77,578**	**(78,185)**	**(72,063)**	**(72,220)**	**(1,222)**	**(73,442)**
Profit/(loss) for the year	**-**	**-**	31,065	-	**31,065**	51	**31,116**
Other comprehensive income/(loss)	**-**	**-**	-	348	**348**	(30)	**318**
Disposal of subsidiaries	**-**	**-**	(332)	989	**657**	332	**989**
As of 30 June 2020	**450**	**77,578**	**(47,452)**	**(70,726)**	**(40,150)**	**(869)**	**(41,019)**

Notes on pages 11 to 33 are an integral part of these consolidated financial statements.

(all amounts in USD thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 June 2020 (unaudited)	Year ended 30 June 2019 (unaudited)
OPERATING ACTIVITIES			
Loss before tax		30,123	(9,289)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortization expenses	11	2,831	2,934
Finance income	12	(9,699)	(6,450)
Finance costs	13	11,796	11,942
Expenses for doubtful debts/(Recovery of doubtful debts)	9	(329)	(59)
Writing-off of non-current assets	10	-	508
(Profit)/Loss from exchange differences	9	(58)	(308)
Movements in defined benefits plan obligations		-	(1,432)
Disposal of subsidiaries	33	(38,446)	-
Return/(Income) of/from current assets received free of charge		-	(3)
		(3,782)	**(2,157)**
Working capital adjustments:			
Change in trade and other receivables		1,023	1,731
Change in advances made and deferred expenses		122	(1,841)
Change in inventories		(3,960)	(3,763)
Change in trade and other payables		1,321	6,791
Change in tax balances		5,410	(184)
		134	**577**
Income tax paid	14	-	-
Net cash flow from operating activity		**134**	**577**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		(81)	(407)
Net cash flow from investing activity		**(81)**	**(407)**
FINANCING ACTIVITIES			
Repayment of loans and borrowings		(44)	(171)
Net cash flow from financial activity		**(44)**	**(171)**
NET CASH FLOWS		**9**	**(1)**
Cash and cash equivalents at the beginning of the period	23	**7**	**8**
Effect of translation to presentation currency		-	-
Cash and cash equivalents at the end of the period	23	**16**	**7**

Notes on pages 11 to 33 are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1 GENERAL INFORMATION

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

Parent company and its subsidiaries	Country of incorporation	Group shareholding, % as of	
		30 June 2020	30 June 2019
Coal Energy S.A.	Luxembourg	Parent	Parent
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
Donugletekhinvest LLC	Ukraine	99,00	99,00
Nedra Donbasa LLC	Ukraine	99,00	99,00
Donprombiznes LLC	Ukraine	99,00	99,00
Ugledobycha LLC	Ukraine	99,99	99,99
Donantracit LLC	Ukraine	99,99	99,99
Tekhinovatsiya LLC	Ukraine	99,99	99,99
Eximenergo LLC	Ukraine	99,00	99,00
Antratcit LLC*	Ukraine	-	99,00
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
Toretsk Coal Mining Company LLC*	Ukraine	-	100,00

The parent company, Coal Energy S.A., was incorporated in Luxembourg as a joint stock company on 17 June 2010. The registered office is located at 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.

*During the year ended 30 June 2020, two subsidiaries disposed from the Group. Details of such disposals are disclosed in Note 33.

These consolidated financial statements were authorized by the Board of Directors as of 30 October 2020.

2 BASIS OF PREPARATION OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of preparation

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

These consolidated financial statements are presented in thousands of US dollars (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 (EU).

2.3 Basis of consolidation

(a) Subsidiaries

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

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

2 BASIS OF PREPARATION OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

Financial statements of Parent company and its Subsidiaries, which are used while preparing the consolidated financial statements, should be prepared as of 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 amendments to them that have been issued but are not yet effective:

IFRS 17 – Insurance Contracts – standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard (effective from 1 January 2021);
IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective date postponed indefinitely).

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

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.

(all amounts in USD thousand, unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency transactions

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

Date/period	UAH/USD
As of:	
- 30 June 2020	26.6922
- 30 June 2019	26.1664
Average for the:	
- three months ended 30 June 2020	26.9143
- three months ended 31 March 2020	25.0525
- three months ended 31 December 2019	24.2606
- three months ended 30 September 2019	25.2613
- three months ended 30 June 2019	26.5615
- three months ended 31 March 2019	27.3058
- three months ended 31 December 2018	27.9502
- three months ended 30 September 2018	27.3490

(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 from contracts with customers

The Group mines and sells coal commodities. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

3.3 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:
– Leases of low-value assets;
– Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:
– Amounts expected to be payable under any residual value guarantee;
– The exercise price of any purchase option granted in favor of the Group if it is reasonable certain to assess that option;
– Any penalties payable for terminating the lease, if the term of the lease has been estimated based on termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

– Lease payments made at or before commencement of the lease;
– Initial direct costs incurred;
– The amount of any provision recognized where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Derecognition of financial assets

The Group derecognizes financial assets when:
- the assets are redeemed or the rights to cash flows from the assets have otherwise expired;
- or the Group has transferred substantially all the risks and rewards of ownership of the assets;
- or the Group has neither transferred not retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

3.10 Financial liabilities

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.11 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 labor 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 based on the analysis of prices in the market of such inventories, existed at the reporting date and issued in official sources.

3.12 Value added tax

Value added tax (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.

3.13 Cash and cash equivalents

Cash and cash equivalents include 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.

3.14 Share capital

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

3.15 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.

3.16 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, considering the risks and uncertainties surrounding obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, it's 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 it's 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 AND 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:

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.

4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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.

Impairment of non-current assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the 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.

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.

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.

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.

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.

Expected credit losses measurement

Measurement of expected credit losses (ECL) is a significant estimate that involves determination methodology, models and data inputs. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

(all amounts in USD thousand, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Legal proceedings

The Group's management applies significant assumptions in measurement and reflection of reserves and risks of exposure to contingent liabilities, related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a secured claim against the Group or incurring material liabilities, and in determining feasible amount of the final settlement or liabilities. Due to uncertainty inherent to the process of estimation, actual expenses may differ from the initial estimates. Such preliminary estimates may alter as far as new information is received, from internal specialists within the Group, if any, or from third parties, such as lawyers. Revision of such estimates may have significant effect on the future results of operating activity.

Contingent liabilities

Contingent liabilities are determined by the occurrence or non-occurrence of one or more future events. Measurement of contingent liabilities is tightly connected with development of significant judgments and estimates relating to the consequences of such future events.

5 INFORMATION ON OPERATING 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 year ended 30 June 2020:

	Business segments				
	Mineral resource and processing industry	**Trade activity**	**Other activity**	**Assets and liabilities not included in segments**	**Total**
Revenue					
Sales to external customers	3,379	254	60	-	**3,693**
	3,379	**254**	**60**	**-**	**3,693**
Profit/(loss) before tax of the segment	**(3,570)**	**(76)**	**33,769**	**-**	**30,123**
Depreciation and amortization expenses	(2,831)	-	-	-	**(2,831)**
Defined benefits plan obligations expenses	-	-	-	-	**-**
Operational assets	**69,768**	**2,965**	**48,667**	**2,813**	**124,213**
Operational liabilities	**89,628**	**5,813**	**66,060**	**3,731**	**165,232**
Disclosure of other information					
Capital expenditure	2,034	-	-	-	**2,034**

As of 30 June 2020, assets of segments do not include financial assets (USD 5 thousand), cash (USD 16 thousand), other taxes receivable (USD 344 thousand), as well as deferred tax assets (USD 2,448 thousand), since management of these assets is carried out at the Group level.

As of 30 June 2020, liabilities of segments do not include deferred tax liabilities (USD 11 thousand), other taxes payable (USD 399 thousand), income tax payables (USD 1,420 thousand), provision on tax liabilities (USD 1,901 thousand), since management of these liabilities is carried out at the Group level.

(all amounts in USD thousand, unless otherwise stated)

5 INFORMATION ON OPERATIONAL SEGMENTS (continued)

Information about the segments of business for the year ended 30 June 2019:

	Business segments				
	Mineral resource and processing industry	**Trade activity**	**Other activity**	**Assets and liabilities not included in segments**	**Total**
Revenue					
Sales to external customers	11,591	1,200	89	-	**12,880**
	11,591	**1,200**	**89**	**-**	**12,880**
Profit/(loss) before tax of the segment	**(9,647)**	**269**	**89**	**-**	**(9,289)**
Depreciation and amortization expenses	(2,934)	-	-	-	**(2,934)**
Defined benefits plan obligations expenses	(3,211)	-	-	-	**(3,211)**
Operational assets	**83,069**	**1,142**	**110**	**1,719**	**86,040**
Operational liabilities	**149,798**	**1,466**	**177**	**8,041**	**159,482**
Disclosure of other information					
Capital expenditure	2,416	-	-	-	**2,416**

As of 30 June 2019, assets of segments do not include financial assets (USD 5 thousand), cash (USD 7 thousand), other taxes receivable (USD 139 thousand), as well as deferred tax assets (USD 1,553 thousand), since management of these assets is carried out at the Group level.

As of 30 June 2019, liabilities of segments do not include deferred tax liabilities (USD 136 thousand), other taxes payable (USD 4,474 thousand), income tax payables (USD 1,491 thousand), provision on tax liabilities (USD 1,940 thousand), since management of these liabilities is carried out at the Group level.

	Year ended 30 June 2020	**Year ended 30 June 2019**
Revenue received from sale of finished goods	3,379	11,591
Revenue from trading activity	254	1,200
Revenue from other activity	60	89
	3,693	**12,880**

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

	Year ended 30 June 2020	**Year ended 30 June 2019**
Cost of merchandising inventory	(157)	(936)
Raw materials	(931)	(3,968)
Wages and salaries of operating personnel	(419)	(929)
Change in finished goods	80	113
Energy supply	(416)	(1,438)
Depreciation and amortization expenses	(877)	(754)
Subcontractors services	(1,514)	(3,412)
Other expenses	(197)	(554)
	(4,431)	**(11,878)**

7 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 30 June 2020	**Year ended 30 June 2019**
Subcontractors services	(171)	(159)
Wages and salaries of administrative personnel	(53)	(74)
Depreciation and amortization expenses	(35)	(32)
Bank services	(1)	(3)
Other expenses	(142)	(4)
	(402)	**(272)**

(all amounts in USD thousand, unless otherwise stated)

8 SELLING AND DISTRIBUTION EXPENSES

	Year ended 30 June 2020	Year ended 30 June 2019
Delivery costs	(50)	(193)
Subcontractors services	(3)	(5)
Wages and salaries of distribution personnel	-	(1)
Depreciation and amortization expenses	(2)	(1)
	(55)	**(200)**

9 OTHER OPERATING INCOME/EXPENSES, NET

	Year ended 30 June 2020	Year ended 30 June 2019
Doubtful debts income/(expenses)	329	59
Writing-off of VAT	(15)	(20)
Profit/(loss) from exchange differences	58	308
Other operating income	-	1,353
	372	**1,700**

9.1 IDLE CAPACITY EXPENSES

	Year ended 30 June 2020	Year ended 30 June 2019
Depreciation and amortization expenses	(1,915)	(2,141)
Wages and salaries	(117)	(478)
Other expenses	-	(1)
	(2,032)	**(2,620)**

10 OTHER NON-OPERATING INCOME/EXPENSES, NET

	Year ended 30 June 2020	Year ended 30 June 2019
Social sphere expenses	-	(3)
Writing-off of non-current assets	-	(508)
Recognized penalties, fines, charges	(3,361)	(2,782)
Depreciation of non-operating property, plant and equipment	(2)	(7)
Income/(Expenses) attributable to allowance for receivables on sale of PPE	-	56
Other non-operating income	5	97
Other non-operating expenses	(13)	(205)
	(3,371)	**(3,407)**

11 DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended 30 June 2020	Year ended 30 June 2019
Depreciation		
Idle capacity: depreciation expenses	(1,642)	(1,888)
Cost of sales	(838)	(734)
Selling and distribution expenses	(2)	(1)
General and administrative expenses	(24)	(29)
Depreciation of non-operating property, plant and equipment	(2)	(6)
	(2,508)	**(2,658)**
Amortization		
Idle capacity: amortization expenses	(273)	(253)
General and administrative expenses	(11)	(3)
Cost of sales	(39)	(20)
	(323)	**(276)**
	(2,831)	**(2,934)**

12 FINANCIAL INCOME

	Year ended 30 June 2020	Year ended 30 June 2019
Gain from non-operational exchange differences	9,364	6,308
Interests received	93	-
Income from measurement of financial instruments at amortized cost	242	142
	9,699	**6,450**

(all amounts in USD thousand, unless otherwise stated)

13 FINANCIAL COSTS

	Year ended 30 June 2020	Year ended 30 June 2019
Interest expenses	(2,091)	(6,735)
Loss from non-operational exchange differences	(9,535)	(4,970)
Expenses from measurement of financial instruments at amortized cost	(170)	(237)
	(11,796)	**(11,942)**

14 INCOME TAX EXPENSES

	Year ended 30 June 2020	Year ended 30 June 2019
Current income tax	(2)	(5)
Deferred tax	995	54
Income tax expenses	**993**	**49**
At the beginning of the period	**(1,491)**	**(1,762)**
Current income tax charge	(2)	(5)
Other IFRS effect	-	215
Effect of translation to presentation currency	73	61
At the end of the period	**(1,420)**	**(1,491)**
Effect		
Profit/(Loss) before tax	30,123	(9,289)
Income tax (18%)	(5,422)	1,672
Disposal of subsidiaries effect	6,920	-
Effect of different statutory tax rates of overseas jurisdictions	(666)	106
Tax effect of permanent differences	161	(1,729)
Income tax income/(expenses)	**993**	**49**

According to the Tax Code, a tax rate of 18% is applied starting from 1 January 2014.

Recognized tax assets and liabilities

	30 June 2019	Recognized in profit/(loss)	Translation currency	30 June 2020
Effect of temporary differences on deferred tax assets				
Property, plant and equipment, intangible assets	280	(48)	21	253
Inventories	19	94	(47)	66
Provisions	474	43	(26)	491
Defined benefit plan obligations	1,665	(67)	17	1,615
Charged vacation expenses	32	(11)	5	26
Folded on individual Companies' level	(917)	896	18	(3)
Total deferred tax assets	**1,553**	**907**	**(12)**	**2,448**
Effect of temporary differences on deferred tax liabilities				
Property, plant and equipment, intangible assets	(1,053)	1,018	21	(14)
Folded on individual Companies' level	917	(896)	(18)	3
Total deferred tax liabilities	**(136)**	**122**	**3**	**(11)**
Net deferred tax asset/(liability)	**1,417**	**1,029**	**(9)**	**2,437**

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 2018	Recognized in profit/(loss)	Translation currency	30 June 2019
Effect of temporary differences on deferred tax assets				
Property, plant and equipment, intangible assets	233	94	(47)	280
Inventories	53	(68)	34	19
Provisions	429	90	(45)	474
Defined benefit plan obligations	1,922	(516)	259	1,665
Charged vacation expenses	19	26	(13)	32
Folded on individual Companies' level	(923)	13	(7)	(917)
Total deferred tax assets	**1,733**	**(362)**	**182**	**1,553**
Effect of temporary differences on deferred tax liabilities				
Property, plant and equipment, intangible assets	(1,297)	489	(245)	(1,053)
Folded on individual Companies' level	923	(13)	7	917
Total deferred tax liabilities	**(374)**	**476**	**(238)**	**(136)**
Net deferred tax asset/(liability)	**1,359**	**115**	**(57)**	**1,417**

(all amounts in USD thousand, unless otherwise stated)

15 PROPERTY, PLANT AND EQUIPMENT

Historical cost	Underground mining	Buildings and constructions	Machinery, equipment, vehicles	Other	Construction in progress	Total
as of 30 June 2018	**35,976**	**9,389**	**11,225**	**573**	**789**	**57,952**
Additions	1,466	56	185	9	700	**2,416**
Disposals	(644)	-	(90)	(40)	(233)	**(1,007)**
Reclassification to Right-of-use assets	(3,760)	-	-	-	-	**(3,760)**
Effect of translation to presentation currency	315	10	9	-	4	**(338)**
as of 30 June 2019	**33,353**	**9,455**	**11,329**	**542**	**1,260**	**55,939**
Additions	1,074	306	654	-	-	**2,034**
Disposals	-	(2,709)	(1,132)	(23)	(1,034)	**(4,898)**
Effect of translation to presentation currency	(1,237)	43	(167)	(10)	51	**(1,320)**
as of 30 June 2020	**33,190**	**7,095**	**10,684**	**509**	**277**	**51,755**
Accumulated depreciation						
as of 30 June 2018	**(10,001)**	**(3,587)**	**(10,067)**	**(523)**	**-**	**(24,178)**
Depreciation for the period	(1,488)	(699)	(440)	(31)	-	**(2,658)**
Disposals	139	-	85	40	-	**264**
Effect of translation to presentation currency	(64)	(32)	(25)	-	-	**(121)**
as of 30 June 2019	**(11,414)**	**(4,318)**	**(10,447)**	**(514)**	**-**	**(26,693)**
Depreciation for the period	(1,733)	(436)	(325)	(14)	-	**(2,508)**
Disposals	-	1,514	1,122	23	-	**2,659**
Effect of translation to presentation currency	324	(29)	127	10	-	**432**
as of 30 June 2020	**(12,823)**	**(3,269)**	**(9,523)**	**(495)**	**-**	**(26,110)**
Net book value						
as of 30 June 2018	**25,975**	**5,802**	**1,158**	**50**	**789**	**33,774**
as of 30 June 2019	**21,939**	**5,137**	**882**	**28**	**1,260**	**29,246**
as of 30 June 2020	**20,367**	**3,826**	**1,161**	**14**	**277**	**25,645**

As of 30 June 2020, property, plant and equipment amounted USD 6,034 thousand were pledged under loans and borrowings agreements disclosed in Note 25 "Loans and borrowings" (As of 30 June 2019 – USD 5,979 thousand). During the year ended 30 June 2020 and 30 June 2019 there were no capitalized borrowing costs. During the year ended 30 June 2020 and 30 June 2019 there were no capitalized research and development costs. The Group's mining activity currently relates to exploitation of the existing mines and mined beds. As of 30 June 2020 and 30 June 2019, contractual commitments for property, plant and equipment of the Group were immaterial.

As of the date of publication of these financial statements, the 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.

16 INTANGIBLE ASSETS

Historical cost	Licenses, special permissions and patent rights	Other intangible assets	Other projects and permissions	Total
as of 30 June 2018	**3,291**	**16**	**34**	**3,341**
Effect of translation to presentation currency	5	-	-	**5**
as of 30 June 2019	**3,296**	**16**	**34**	**3,346**
Effect of translation to presentation currency	(65)	-	(1)	**(66)**
as of 30 June 2020	**3,231**	**16**	**33**	**3,280**
Accumulated amortization				
as of 30 June 2018	**(2,200)**	**(15)**	**(30)**	**(2,245)**
Amortization charge for the period	(282)	-	(2)	**(284)**
Effect of translation to presentation currency	(13)	(1)	-	**(14)**
as of 30 June 2019	**(2,495)**	**(16)**	**(32)**	**(2,543)**
Amortization charge for the period	(323)	-	-	**(323)**
Effect of translation to presentation currency	81	-	-	**81**
as of 30 June 2020	**(2,737)**	**(16)**	**(32)**	**(2,785)**
Net book value				
as of 30 June 2018	**1,091**	**1**	**4**	**1,096**
as of 30 June 2019	**811**	**-**	**2**	**813**
as of 30 June 2020	**494**	**-**	**1**	**495**

(all amounts in USD thousand, unless otherwise stated)

16 INTANGIBLE ASSETS (continued)

Licenses, special permissions and patent rights included following special permissions for subsurface use:
-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 as 30 June 2020 amounted USD 141 thousand (30 June 2019: USD 161 thousand);
-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 as of 30 June 2020 amounted USD 168 thousand (30 June 2019: USD 288 thousand);
-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 as of 30 June 2020 amounted USD 31 thousand (30 June 2019: USD 162 thousand);
- special permissions for subsurface use # 9754 as of 27 December 2011 issued by Ministry of ecology and natural resources of Ukraine for 20 years. Net book value of this permission as of 30 June 2020 amounted USD 112 thousand (30 June 2019: USD 126 thousand);

As of 30 June 2020 and 30 June 2019, there were no pledged intangible assets. As of 30 June 2020 and 30 June 2019 there were no contractual commitments for intangible assets of the Group.

17 FINANCIAL ASSETS

	30 June 2020	30 June 2019
Non-current financial assets		
Held-to-maturity investments	5	20
Loans issued	43,887	
	43,892	**20**
Current financial assets		
Loans issued	5,120	5,124
Allowance for loans issued	(5,120)	(5,124)
	-	**-**

Held-to maturity investments are non-interest notes, issued generally by third parties. These notes are discounted using effective interest rate of 18% and accompanied expenses (incomes) are presented in items 'Finance costs' and 'Finance income'. Management of the Group has the intention to hold these notes to maturity. Held-to maturity investments are not overdue. Loans issued are interest-free loans, generally issued to related parties.

18 INVENTORIES

	30 June 2020	30 June 2019
Merchandise	10,645	10,919
Finished goods	1,896	2,756
Raw materials	9,256	11,209
Spare parts	1,894	2,487
Goods on commission	158	438
Other inventories	20	20
	23,869	**27,829**

As of 30 June 2020, loans were secured by finished goods, carrying amount of which was USD 5,500 thousand (As of 30 June 2019 finished goods were pledged as collateral on amount USD 5,500 thousand).

As of the date of publication of financial statements, Management has no possibility to assess inventory damage and theft probability.

19 TRADE AND OTHER RECEIVABLES

	30 June 2020	30 June 2019
Trade receivables	11,901	14,250
Allowance for trade receivables	(3,497)	(3,895)
Receivables under factoring contracts	490	1,475
Receivables on sale of property, plant and equipment	46	47
Other receivables	11,807	7,848
Allowance for other receivables	-	(1)
	20,747	**19,724**

As of 30 June 2020, loans were secured by trade receivables, carrying amount of which was USD 4,637 thousand (As of 30 June 2019 – USD 4,637 thousand).

20 PREPAYMENTS AND PREPAID EXPENSES

	30 June 2020	30 June 2019
Advances paid	3,764	3,656
Allowances for advances paid	(693)	(707)
	3,071	**2,949**

(all amounts in USD thousand, unless otherwise stated)

21 CHANGES IN ALLOWANCES ACCRUED FOR FINANCIAL ASSETS

	30 June 2020	30 June 2019
Balance as of the beginning of the period	**(9,020)**	**(7,317)**
(Accrual)/Reverse	-	(1,846)
Use of allowances	-	-
Effect of translation to presentation currency	403	143
Balance as of the end of the period	**(8,617)**	**(9,020)**

22 TAXES RECEIVABLE AND PAYABLE

	30 June 2020	30 June 2019
Current taxes receivable		
VAT recoverable	344	139
Prepayments for other taxes	-	-
	344	**139**
Current taxes payable		
VAT payable	(1,423)	600
Payable for wages and salaries related taxes	1,222	2,964
Payables for other taxes	600	910
	399	**4,474**

23 CASH AND CASH EQUIVALENTS

	30 June 2020	30 June 2019
Cash in bank	15	7
Cash in hand	1	-
	16	**7**

24 SHARE CAPITAL

	30 June 2020		30 June 2019	
	%	Amount	%	Amount
Lycaste Holding Limited *	75	338	75	338
Free float	25	112	25	112
	100	**450**	**100**	**450**

* - according to pledge agreement signed as of 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 years ended 30 June 2020 and 30 June 2019, quantity of shares did not change.

25 LOANS AND BORROWINGS

	30 June 2020	30 June 2019
Non-current loans and borrowings		
Loans received	35,000	35,000
	35,000	**35,000**
Deducting current portion of long-term borrowings:		
Current portion of long-term loans and borrowings	(35,000)	(35,000)
Total non-current loans and borrowings	**-**	**-**
Current loans and borrowings		
Bank loans	29,309	33,882
Current portion of long-term loans and borrowings	35,000	35,000
Current portion of payables under factoring contract	369	1,225
Notes issued	76	49
Total current loans and borrowings	**64,754**	**70,156**

Notes issued are presented by the interest-free notes, issued to third parties. These notes are reflected at amortized cost using effective interest rate of 18%.

Terms of current loans and borrowings

	30 June 2020	30 June 2019
On demand	64,754	70,156
Within 3 months	-	-
From 3 to 12 months	-	-
	64,754	**70,156**

(all amounts in USD thousand, unless otherwise stated)

26 LEASE

	30 June 2020		30 June 2019	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Due within 1 year	-	268	-	281
From 1 to 5 years	-	957	-	984
More than 5 years	-	2,729	-	2,503
	-	**3,686**	**-**	**3,768**
Present value of lease obligation	**3,686**	**3,686**	**3,768**	**3,768**
Current portion of lease liabilities		**(268)**		**(281)**
Non-current lease liabilities		**3,418**		**3,487**

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

	30 June 2020	30 June 2019
Property, plant and equipment	-	-
Intangible assets	340	450
	340	**450**

Intangible assets were not reclassified into right-of-use assets due to close termination of appropriate lease agreement.

Right-of-use assets

	30 June 2020	30 June 2019
Property, plant and equipment	3,686	3,760
Intangible assets	-	-
	3,686	**3,760**

27 PROVISIONS

Non-current provisions	30 June 2020	30 June 2019
Provision for land restoration	2,337	2,296
Dismantling provision	392	337
	2,729	**2,633**
Current provisions		
Provision on tax liabilities	1,901	1,940
	1,901	**1,940**

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 land restoration	Dismantling provision	Total provisions
As of 30 June 2018	**2,097**	**286**	**2,383**
Unwinding of discount	194	51	**245**
Effect of translation to presentation currency	5	-	**5**
As of 30 June 2019	**2,296**	**337**	**2,633**
Unwinding of discount	91	63	**154**
Effect of translation to presentation currency	(50)	(8)	**(58)**
As of 30 June 2020	**2,337**	**392**	**2,729**

(all amounts in USD thousand, unless otherwise stated)

28 TRADE AND OTHER PAYABLES

	30 June 2020	30 June 2019
Trade payables	9,165	11,729
Interest due	46,591	42,476
Payables for unused vacations	144	176
Payables for wages and salaries	1,253	1,621
Interest due to factoring contract	1,201	376
Other payables	19,324	6,520
Payables for acquisition property, plant and equipment	531	1,097
Advances received	3,153	1,640
	81,362	**65,635**

29 TRANSACTIONS WITH RELATED PARTIES

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

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

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

	Year ended 30 June 2020	Year ended 30 June 2019
Income from sales of finished products, goods	2,535	12,637
Income from rendering of services	35	67
Purchases of services	-	(51)
Purchases of property, plant and equipment	(21)	(790)
Purchases of inventories	(49)	(1,737)

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

	30 June 2020	30 June 2019
Current loans issued	5,120	5,124
Allowances for loans issued	(5,120)	(5,124)
Non-current loans issued	43,887	-
Held-to-maturity investments	5	20
Trade receivables	7,195	7,215
Allowances for trade receivables	(380)	(399)
Advances paid	323	432
Allowances for advances paid	(27)	(28)
Other receivables	3,837	4,486
Receivables on sale of property, plant and equipment	46	47
Advances received	623	1,238
Other payables	2,719	3,208
Payables for acquisition property, plant and equipment	-	7
Trade payables	112	105

Remuneration of key management personnel

	Year ended 30 June 2020	Year ended 30 June 2019
Wages and salaries	8	9
Contribution to Pension Fund and other social taxes	3	3
	11	**12**
The average number of key management personnel, persons	**7**	**7**

For the years ended 30 June 2020 and 30 June 2019 there were no other benefits to key management personnel except above listed.

(all amounts in USD thousand, unless otherwise stated)

29 TRANSACTIONS WITH RELATED PARTIES (continued)

Remuneration of personnel

	Year ended 30 June 2020	Year ended 30 June 2019
Wages and salaries of operating personnel	419	929
Wages and salaries of administrative personnel	53	74
Wages and salaries of distribution personnel	-	1
Wages and salaries of idle capacity personnel	117	478
	589	**1,482**
The average number of employees, persons	**243**	**324**

30 FINANCIAL RISKS MANAGEMENT

Operating environment

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

Ukrainian tax legislation is characterized by frequent changes is subject to controversial interpretations. Tax authorities may be taking a more assertive position in their interpretation of the legislation and tax assessments. Such cases create a taxation risk exposure which considerably exceeds that of the countries with more advanced tax systems. Management believes that its interpretation of the relevant legislation as of 30 June 2014 is appropriate and all of the Croup's tax will be sustainable. Though, amount of VAT recoverable, as well as terms of such refunds substantially depends on the position of tax authorities.

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

Financial risk factors

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

Credit risk

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

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

The Group recognizes allowance for receivables to secure trade and other receivables. The calculation of the allowance’s amount is based on individual assessment of the financial position of the contractor. Group’s Management performs monitoring of payback period. In case of delay in payment, its reasons are clarified, and the decision whether to implement a sanction or provide a short time delay of payment is made. It should be noted that the average delay period in payment for main debtors is 90 days.

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

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

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

(all amounts in USD thousand, unless otherwise stated)

30 FINANCIAL RISKS MANAGEMENT (continued)

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

	30 June 2020	30 June 2019
Trade receivables	8,404	10,355
Other receivables	11,807	7,847
Receivables on sale of property, plant and equipment	46	47
Held-to-maturity investments	5	20
Loans issued	43,887	-
Cash and cash equivalents	16	7
	64,165	**18,276**

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

Apart from general evaluation made by management, there is an approval procedure which each potential customer must follow.

Customer reliability is evaluated and approved by following departments:

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

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Approach of the Group to the liquidity management lies in providing, as much as possible, permanent availability of the liquid funds, sufficient for the repayment of liabilities in time, not allowing losses and not exposing to risk of the Group.

Liquidity risk management implies maintaining the availability of funding through an adequate amount of committed credit facilities. Management analyses regularly terms of settlement of obligations and receipts from financial assets, monitors the expected cash flows from operating activities.

Market risk

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

- commodity price risk;
- foreign currency risk;
- interest rate risk.

Foreign currency risk

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

	30 June 2020	Increase/decreases in exchange rate	Effect on profit before tax
Loan and borrowings	61,031	+10%	(6,103)
		-10%	6,103
Trade and other payables	58,943	+10%	(5,894)
		-10%	5,894
Total effect of changes in exchange rate		**+10%**	**(11,997)**
		-10%	**11,997**

Commodity price risk

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

(all amounts in USD thousand, unless otherwise stated)

30 FINANCIAL RISKS MANAGEMENT (continued)

Group regularly assesses the potential scenarios of future prices fluctuation in cost of sales components and its influence on operating and investment decisions. The risks of changes in the prices of raw materials and electricity are the most significant risks of the Group, as they are essential cost of sales components.

It should be taken into account that in the current economic situation, Management`s estimates may differ from the actual impact of price's changes on the cost of finished goods and the financial position of the Group.

For the purpose of the commodity price risk assessment Management has used composite index that covers inflation rate, business environment and other factors. Composite index for 2020 financial year was estimated as 5%. Commodity price risk and its influence on main financial indicators for the year ended 30 June 2020 is presented below:

		Change of composite index	
	Current results	**+5%**	**-5%**
Revenue	3,693	3,878	3,508
Cost of sales	(4,431)	(4,653)	(4,209)
Gross profit	**(738)**	**(775)**	**(701)**
Administrative expenses	(402)	(402)	(402)
Selling expenses	(55)	(55)	(55)
Other operation expenses	372	372	372
Idle capacity expenses	(2,032)	(2,032)	(2,032)
Operating loss	**(2,855)**	**(2,892)**	**(2,818)**
Other non-operating expenses	(3,371)	(3,371)	(3,371)
Financial income	9,699	9,699	9,699
Financial costs	(11,796)	(11,796)	(11,796)
Disposal of subsidiaries	38,446	38,446	38,446
Profit before tax	**30,123**	**30,086**	**30,160**
Income tax	993	993	993
Net profit for the year	**31,116**	**31,079**	**31,153**
EBITDA/(loss)	**(24)**	**(61)**	**13**

Interest rate risk

The Group is exposed to the effects of fluctuations in interest rates which may negatively affect the financial results of the Group. Sensitivity analysis attributable to loan attracted with floating interest rate presented below.

		Effect on profit before tax	
	Loan principal 30 June 2019	**+1%**	**-1%**
Interest expenses attributable to loan with floating rate (USD Libor 6m + 5.85%)	35,000	(350)	350

Financial instruments

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

	Carrying amount		Fair value	
	30 June 2020	**30 June 2019**	**30 June 2020**	**30 June 2019**
Financial assets				
Notes receivable	5	20	5	20
Loans issued	43,887	-	43,887	-
Trade and other receivables	20,747	19,724	20,747	19,724
Cash and cash equivalents	16	7	16	7
Financial liabilities				
Loans and borrowings	64,754	70,156	64,754	70,156
Trade and other payables	76,812	62,198	76,812	62,198

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

Cash and deposits, trade receivables, trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments. Receivables are evaluated by the Group based on individual creditworthiness. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As of each reporting date, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values. The fair value of unquoted instruments, loans from banks, long-term promissory notes issued, obligations under finance leases as well as other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

(all amounts in USD thousand, unless otherwise stated)

31 CONTINGENT ASSETS AND LIABILITIES

As of 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

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

As of 30 June 2020, loans and borrowings of CwAL LE "Shahta Putilovska" were pledged by property, plant and equipment of the Group (Eximenergo LLC) amounted USD 24 thousand (As of 30 June 2019 – USD 33 thousand).

33 DISPOSALS OF SUBSIDIARIES

As at 31 October 2019, the Group sold 100% shares of Toretsk Coal Mining Company LLC with total consideration of UAH 1 thousand. As at 10 December 2019, the Group sold 99% shares of Antracit LLC with total consideration of UAH 1 thousand. Net assets and results of disposals are presented as follows:

	Toretsk CMC	Antracit	Total
Property, plant and equipment	-	1,813	1,813
Inventories	1,417	1,434	2,851
Trade and other receivables	196	19,612	19,808
Loans and borrowings	-	(49,197)	(49,197)
Deferred tax liabilities	-	(113)	(113)
Trade and other payables	(5,303)	(6,550)	(11,853)
Taxes payable	(2,529)	(215)	(2,744)
Net assets at the date of disposal	**(6,219)**	**(33,216)**	**(39,435)**
Consideration received	-	-	-
Net assets disposed	**(6,219)**	**(33,216)**	**(39,435)**
Reclassification of currency translation reserve of disposed subsidiaries	652	337	989
Profit from disposal	**5,567**	**32,879**	**38,446**

34 SUBSEQUENT EVENTS

The COVID-19 pandemic has developed rapidly in 2020 with a significant number of cases Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various significant ways: reduction in the supply of goods and materials has affected our ability to continue the mining process; due to government measures taken, we had reduced our production and sales activity.

We have taken a number of measures to monitor and mitigate the effects of COVID-19 such as safety and health measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to our production process.

At this stage, the Management cannot accurately assess the impact of further COVID-19 measures on the business activity and results. The Management is expecting a non-significant effect in the near future now, but everything can change unpredictably. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

According to the Management's opinion there were no other events after the reporting date known to the Management which would substantially influence the financial standing and financial results of the Group.

These consolidated financial statements were authorized by the Board of Directors as of 30 October 2020.