COAL ENERGY S.A.

1q2021FY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

Coal Energy S.A.

1q2021FY

CONTENTS **PAGE**

STATEMENT OF MANAGEMENT RESPONSIBILITY

To the best of our knowledge, consolidated financial statements as of 30 September 2020 of Coal Energy S.A. which have been prepared in accordance with the international financial reporting standards, give a true and fair view of the assets, liabilities, financial position and result of its operations for the three months ended 30 September 2020 as required under the applicable Law. The interim management report includes a fair review of the information required under the applicable Law.

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

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

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

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

On behalf of management

Directors A:

________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, 29 November 2021

MANAGEMENT REPORT

Management of the Company hereby presents its interim consolidated financial statements for the three months on 30 September 2020.

1. Results and developments during the three months ended on 30 September 2020.
For the three months ended on 30 September 2020 the Group recorded an EBITDA loss of USD 139 thousand (EBITDA for the three months ended 30 September 2019 – USD 1,008 thousand). After depreciation, amortization, finance costs and finance income the net loss for the three months ended 30 September 2020 after taxation was USD 2,816 thousand (net loss for the three months ended 30 September 2019 – USD 2,231 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 three months ended 30 September 2020, the Company and its affiliates have not repurchased shares of Coal Energy S.A.

5. Group's internal control.
Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
Our internal control over financial reporting includes those policies and procedures that:

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

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

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

The Group does not use hedging derivatives.

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, 29 November 2021

(all amounts in USD thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended 30 September 2020 (unaudited)	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019 (unaudited)
Revenue	5	72	3,693	2,707
Cost of sales	6	(43)	(4,431)	(2,366)
GROSS PROFIT/(LOSS)		**29**	**(738)**	**341**
General and administrative expenses	7	(16)	(402)	(55)
Selling and distribution expenses	8	(1)	(55)	(36)
Other operating income/(expenses), net	9	4	372	535
Idle capacity expenses	10	(748)	(2,032)	(484)
OPERATING PROFIT/(LOSS)		**(732)**	**(2,855)**	**301**
Other non-operating income/(expenses), net	11	156	(3,371)	(1,220)
Finance income	13	250	9,699	4,720
Finance expenses	14	(2,490)	(11,796)	(1,715)
Disposal of subsidiaries	32	-	38,446	-
PROFIT/(LOSS) BEFORE TAX		**(2,816)**	**30,123**	**2,231**
Income tax benefit/(expenses), net	15	-	993	145
NET PROFIT/(LOSS)		**(2,816)**	**31,116**	**2,231**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the parent		(2,799)	31,065	2,119
Non-controlling interests		(17)	51	112
OTHER COMPREHENSIVE INCOME/(LOSS)				
Reclassification of currency translation reserve	32	-	989	-
Effect of foreign currency translation		(2,531)	318	(2,422)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**(2,531)**	**1,307**	**(2,422)**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(5,357)**	**32,423**	**(191)**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the parent		(5,328)	32,402	(208)
Non-controlling interests		(19)	21	17
EARNINGS PER SHARE				
Weighted average number of ordinary shares		45,011,120	45,011,120	45,011,120
BASIC PROFIT/(LOSS) PER ORDINARY SHARE (USD cents)		**(6.22)**	**69.02**	**4.71**

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

Notes on pages 9 to 26 are an integral part of these consolidated financial statements.

(all amounts in USD thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2020 (unaudited)	As at 30 June 2020 (unaudited)	30 September 2019 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	16	23,691	25,645	32,020
Intangible assets	17	310	495	799
Right-of-use assets	26	3,730	3,686	4,085
Financial assets	18	41,400	43,892	22
Deferred tax assets	15	2,309	2,448	1,811
		71,440	**76,166**	**38,737**
Current assets				
Inventories	19	22,470	23,869	29,397
Trade and other receivables	20	19,577	20,747	18,293
Prepayments and prepaid expenses	21	2,914	3,071	405
Other taxes receivables	22	324	344	377
Cash and cash equivalents	23	11	16	7
		45,296	**48,047**	**48,479**
TOTAL ASSETS		**116,736**	**124,213**	**87,216**
EQUITY				
Share capital	24	450	450	450
Share premium		77,578	77,578	77,578
Retained earnings		(50,251)	(47,452)	(76,066)
Currency translation reserve		(73,255)	(70,726)	(74,390)
Equity attributable to equity holders of the parent		**(45,478)**	**(40,150)**	**(72,428)**
Non-controlling interest		(888)	(869)	(1,205)
TOTAL EQUITY		**(46,366)**	**(41,019)**	**(73,633)**
LIABILITIES				
Non-current liabilities				
Loans and borrowings	25	-	-	-
Lease liabilities	26	3,477	3,418	3,788
Defined benefit obligation		8,461	8,970	10,007
Provisions	27	2,571	2,729	2,876
Deferred tax liabilities	15	10	11	116
		14,519	**15,128**	**16,787**
Current liabilities				
Loans and borrowings	25	64,566	64,754	70,598
Lease liabilities	26	253	268	305
Trade and other payables	28	78,993	81,362	65,087
Income tax payables	15	1,339	1,420	1,417
Provisions	27	1,793	1,901	2,107
Other tax payables	22	1,639	399	4,548
		148,583	**150,104**	**144,062**
TOTAL LIABILITIES		**163,102**	**165,232**	**160,849**
TOTAL EQUITY AND LIABILITIES		**116,736**	**124,213**	**87,216**

Notes on pages 9 to 26 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	Currency translation reserve	Total	Non-controlling interest	Total equity
As at 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 at 30 June 2020	**450**	**77,578**	**(47,452)**	**(70,726)**	**(40,150)**	**(869)**	**(41,019)**
Profit/(loss) for the year	**-**	**-**	(2,799)	-	**(2,799)**	(17)	**(2,816)**
Other comprehensive income/(loss)	**-**	**-**	-	(2,529)	**(2,529)**	(2)	**(2,531)**
As at 30 September 2020	**450**	**77,578**	**(50,251)**	**(73,255)**	**(45,478)**	**(888)**	**(46,366)**

Notes on pages 9 to 26 are an integral part of these consolidated financial statements.

(all amounts in USD thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	3 months ended 30 September 2020 (unaudited)	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019 (unaudited)
OPERATING ACTIVITIES				
Loss before tax		(2,816)	30,123	2,086
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation and amortization expenses	12	593	2,831	707
Finance income	13	(250)	(9,699)	(4,720)
Finance costs	14	2,490	11,796	1,715
Expenses for doubtful debts/(Recovery of doubtful debts)	11	(4)	(329)	(470)
Writing-off of non-current assets	11	-	-	-
(Profit)/Loss from exchange differences	9	-	(58)	(74)
Movements in defined benefits plan obligations		-	-	-
Disposal of subsidiaries	32	-	(38,446)	-
		13	**(3,782)**	**(2,095)**
Working capital adjustments:				
Change in trade and other receivables		(240)	1,023	2,414
Change in prepayments made and deferred expenses		(509)	122	2,544
Change in inventories		(43)	(3,960)	(2,364)
Change in trade and other payables		798	1,321	(240)
Change in tax balances		-	5,410	(204)
		19	**134**	**55**
Income tax paid		-	-	-
Net cash flow from operating activity		**19**	**134**	55
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets		(24)	(81)	(55)
Net cash flow from investing activity		**(24)**	**(81)**	**(55)**
FINANCING ACTIVITIES				
Repayment of loans and borrowings		-	(44)	-
Net cash flow from financial activity		**-**	**(44)**	**-**
NET CASH FLOWS		**(5)**	**9**	**-**
Cash and cash equivalents at the beginning of the period		**16**	**7**	**7**
Effect of translation to presentation currency		-	-	-
Cash and cash equivalents at the end of the period		**11**	**16**	**7**

Notes on pages 9 to 26 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

Parent company and its subsidiaries	Country of incorporation	Group shareholding, % as at	
		30 September 2020	30 September 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	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

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.

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 4 “Insurance Contracts” (Amendments): Deferral of IFRS 9 (effective for annual periods beginning on or after 1 January 2021);
IFRS 9 “Financial Instruments” (Amendments), IAS 39 “Financial Instruments: Recognition and Measurement” (Amendments) and IFRS 7 “Financial Instruments: Disclosures” (Amendments): Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021).

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 September 2020	28.2989
- 30 June 2020	26.6922
- 30 September 2019	24.0828
Average for the:	
- three months ended 30 September 2020	27.5996
- three months ended 30 September 2019	25.2613

(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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.5 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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
-	Other projections and permissions	5 - 20 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

(all amounts in USD thousand, unless otherwise stated)

4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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.

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.

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 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 three months ended 30 September 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	56	-	16	-	**72**
(Loss)/profit before tax of the segment	**(2,436)**	**248**	**234**	**-**	**(2,918)**
Depreciation and amortization expenses	(593)	-	-	-	**(593)**
Defined benefits plan obligations expenses	-	-	-	-	**-**
Operational assets	**71,654**	**939**	**99**	**44,044**	**116,736**
Operational liabilities	**156,802**	**1,356**	**163**	**4,781**	**163,102**
Disclosure of other information					
Capital expenditure	24	-	-	-	**24**

(all amounts in USD thousand, unless otherwise stated)

5 INFORMATION ON OPERATIONAL SEGMENTS (continued)

As at 30 September 2020 assets of segments do not include financial assets (USD 41,400 thousand), cash (USD 11 thousand), other taxes receivable (USD 324 thousand) and deferred tax assets (USD 2,309 thousand), since management of these assets is carried out at the Group's level.

As at 30 September 2020 liabilities of segments do not include deferred tax liabilities (USD 10 thousand), other taxes payable (USD 1,639 thousand), income tax payables (USD 1,339 thousand) and provision on tax liabilities (USD 1,793 thousand), since management of these liabilities is carried out at the Group's level.

Information about the segments of business for the three months ended 30 September 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	2,688	-	19	-	**2,707**
(Loss)/profit before tax of the segment	**2,067**	**-**	**19**	**-**	**2,086**
Depreciation and amortization expenses	(707)	-	-	-	**(707)**
Defined benefits plan obligations expenses	-	-	-	-	**-**
Operational assets	**83,780**	**1,103**	**116**	**2,217**	**87,216**
Operational liabilities	**150,876**	**1,593**	**192**	**8,188**	**160,849**
Disclosure of other information					
Capital expenditure	1,315	-	-	-	**1,315**

As at 30 September 2019 assets of segments do not include financial assets (USD 22 thousand), cash (USD 7 thousand), other taxes receivable (USD 377 thousand) and deferred tax assets (USD 1,811 thousand), since management of these assets is carried out at the Group's level.

As at 30 September 2019 liabilities of segments do not include deferred tax liabilities (USD 116 thousand), other taxes payable (USD 4,548 thousand), income tax payables (USD 1,417 thousand) and provision on tax liabilities (USD 2,107 thousand), since management of these liabilities is carried out at the Group's level.

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Revenue received from sale of finished goods	56	3,379	2,688
Revenue from trading activity	-	254	-
Revenue from other activity	16	60	19
	72	**3,693**	**2,707**

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

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Cost of merchandising inventory	-	(157)	(135)
Raw materials	-	(931)	(781)
Wages and salaries of operating personnel	-	(419)	(148)
Change in finished goods	(43)	80	21
Energy supply	-	(416)	(8)
Depreciation and amortization expenses	-	(877)	(226)
Subcontractors services	-	(1,514)	(958)
Other expenses	-	(197)	(131)
	(43)	**(4,431)**	**(2,366)**

(all amounts in USD thousand, unless otherwise stated)

7 GENERAL AND ADMINISTRATIVE EXPENSES

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Subcontractors services	(5)	(171)	(29)
Wages and salaries of administrative personnel	(6)	(53)	(17)
Depreciation and amortization expenses	(5)	(35)	(9)
Bank services	-	(1)	-
Other expenses	-	(142)	-
	(16)	**(402)**	**(55)**

8 SELLING AND DISTRIBUTION EXPENSES

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Delivery costs	(1)	(50)	(35)
Subcontractors services	-	(3)	(1)
Wages and salaries of distribution personnel	-	-	-
Depreciation and amortization expenses	-	(2)	-
	(1)	**(55)**	**(36)**

9 OTHER OPERATING INCOME/EXPENSES, NET

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Doubtful debts income/(expenses)	4	329	470
Writing-off of VAT	-	(15)	(9)
Profit/(loss) from exchange differences	-	58	74
Other operating income	-	-	-
	4	**372**	**535**

10 IDLE CAPACITY EXPENSES

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Depreciation and amortization expenses	(588)	(1,915)	(471)
Wages and salaries	(54)	(117)	(13)
Other expenses	(106)	-	-
	(748)	**(2,032)**	**(484)**

11 OTHER NON-OPERATING INCOME/EXPENSES, NET

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Non-current assets write-off	-	-	-
Recognized penalties, fines, charges	-	(3,361)	(1,127)
Depreciation of non-operating PPE	-	(2)	(1)
Other non-operating income	156	5	8
Other non-operating expenses	-	(13)	(100)
	156	**(3,371)**	**(1,220)**

12 DEPRECIATION AND AMORTIZATION EXPENSES

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Depreciation			
Idle capacity: depreciation expenses	(523)	(1,642)	(403)
Cost of sales	-	(838)	(217)
General and administrative expenses	(5)	(24)	(6)
Selling and distribution expenses	-	(2)	-
Other non-operating expenses	-	(2)	(1)
	(528)	**(2,508)**	**(627)**
Amortization			
Idle capacity: amortization expenses	(65)	(273)	(68)
General and administrative expenses	-	(11)	(3)
Cost of sales	-	(39)	(9)
	(65)	**(323)**	**(80)**
	(593)	**(2,831)**	**(707)**

(all amounts in USD thousand, unless otherwise stated)

13 FINANCIAL INCOME

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Gain from non-operational exchange differences	247	9,364	4,634
Interests received	-	93	-
Income from measurement of financial instruments at amortized cost	3	242	86
	250	**9,699**	**4,720**

14 FINANCIAL EXPENSES

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Interest expenses	(323)	(2,091)	(1,516)
Loss from non-operational exchange differences	(2,149)	(9,535)	(184)
Unwinding of discount expenses	-	-	(15)
Loss from measurement of financial instruments at amortized cost	(18)	(170)	-
	(2,490)	**(11,796)**	**(1,715)**

15 INCOME TAX

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Current income tax	-	(2)	-
Deferred tax	-	995	145
Income tax expenses	**-**	**993**	**145**
At the beginning of the period	**(1,420)**	**(1,491)**	**(1,491)**
Current income tax charge	-	(2)	-
Effect of translation to presentation currency	81	73	74
At the end of the period	**(1,339)**	**(1,420)**	**(1,417)**
Effect			
Profit/(loss) before tax	(2,816)	30,123	2,086
Income tax (18%)	507	(5,422)	(375)
Disposal of subsidiaries effect	-	6,920	-
Effect of different statutory tax rates of overseas jurisdictions	-	(666)	203
Tax effect of permanent differences	(507)	161	317
Income tax income/(expenses)	**-**	**993**	**145**

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

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 of Ukraine.

	30 June 2020	Recognized in profit/(loss)	Effect of currency translation	30 September 2020
Effect of temporary differences on deferred tax assets				
Property, plant and equipment, intangible assets	253	-	(14)	239
Inventories	66	-	(4)	62
Provisions	491	-	(28)	463
Defined benefit plan obligations	1,615	-	(92)	1,523
Charged vacation expenses	26	-	(1)	25
Folded on individual Companies' level	(3)	-	-	(3)
Total deferred tax assets	**2,448**	**-**	**(139)**	**2,309**
Effect of temporary differences on deferred tax liabilities				
Property, plant and equipment, intangible assets	(14)	-	1	(13)
Folded on individual Companies' level	3	-	-	3
Total deferred tax liabilities	**(11)**	**-**	**1**	**(10)**
Net deferred tax asset/(liability)	**2,437**	**-**	**(138)**	**2,299**

(all amounts in USD thousand, unless otherwise stated)

15 INCOME TAX (continued)

	30 June 2019	Recognized in profit/(loss)	Effect of currency translation	30 September 2019
Effect of temporary differences on deferred tax assets				
Property, plant and equipment, intangible assets	280	42	(9)	313
Inventories	19	206	(102)	123
Provisions	474	47	(3)	518
Defined benefit plan obligations	1,665	128	8	1,801
Charged vacation expenses	32	1	1	34
Folded on individual Companies' level	(917)	(43)	(18)	(978)
Total deferred tax assets	**1,553**	**382**	**(124)**	**1,811**
Effect of temporary differences on deferred tax liabilities				
Property, plant and equipment, intangible assets	(1,053)	9	(50)	(1,094)
Folded on individual Companies' level	917	43	18	978
Total deferred tax liabilities	**(136)**	**52**	**(32)**	**(116)**
Net deferred tax asset/(liability)	**(1,417)**	**433**	**(155)**	**1,695**

16 PROPERTY, PLANT AND EQUIPMENT

Historical cost	Underground mining	Buildings and constructions	Machinery, equipment, vehicles	Other	Construction in progress	Total
as at 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 currency translation	(1,237)	43	(167)	(10)	51	**(1,320)**
as at 30 June 2020	**33,190**	**7,095**	**10,684**	**509**	**277**	**51,755**
Additions	24	-	40	-	-	**64**
Disposals	-	-	(6)	-	(265)	**(271)**
Effect of currency translation	(1,669)	(403)	(607)	(29)	(9)	**(2,717)**
as at 30 September 2020	**31,545**	**6,692**	**10,111**	**480**	**3**	**48,831**
Accumulated depreciation						
as at 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 currency translation	324	(29)	127	10	-	**432**
as at 30 June 2020	**(12,823)**	**(3,269)**	**(9,523)**	**(495)**	**-**	**(26,110)**
Depreciation for the period	(384)	(73)	(69)	(2)	-	**(528)**
Disposals	-	-	4	-	-	**4**
Effect of currency translation	737	187	543	27	-	**1,494**
as at 30 September 2020	**(12,470)**	**(3,155)**	**(9,045)**	**(470)**	**-**	**(25,140)**
Net book value						
as at 30 June 2019	**21,939**	**5,137**	**882**	**28**	**1,260**	**29,246**
as at 30 June 2020	**20,367**	**3,826**	**1,161**	**14**	**277**	**25,645**
as at 30 September 2020	**19,075**	**3,537**	**1,066**	**10**	**3**	**23,691**

As at 30 September 2020, property, plant and equipment amounted USD 5,633 thousand were pledged under loans and borrowings agreements (As at 30 September 2019: USD 7,130 thousand). During the reporting period, there were no capitalized borrowing costs. During the reporting period, 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 at 30 September 2020 and 30 September 2019, contractual commitments for property, plant and equipment of the Group were immaterial.

As at 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.

(all amounts in USD thousand, unless otherwise stated)

17 INTANGIBLE ASSETS

Historical cost	Licenses, special permissions and patent rights	Other intangible assets	Other projects and permissions	Total
as at 30 June 2019	**3,296**	**16**	**34**	**3,346**
Effect of currency translation	(65)	-	(1)	**(66)**
as at 30 June 2020	**3,231**	**16**	**33**	**3,280**
Effect of currency translation	(190)	(2)	(14)	**(206)**
as at 30 September 2020	**3,041**	**14**	**19**	**3,074**
Accumulated amortization				
as at 30 June 2019	**(2,495)**	**(16)**	**(32)**	**(2,543)**
Amortization charge for the period	(323)	-	-	**(323)**
Effect of currency translation	81	-	-	**81**
as at 30 June 2020	**(2,737)**	**(16)**	**(32)**	**(2,785)**
Amortization charge for the period	(65)	-	-	**(65)**
Effect of currency translation	171	2	13	**186**
as at 30 September 2020	**(2,631)**	**(14)**	**(19)**	**(2,664)**
Net book value				
as at 30 June 2019	**811**	**-**	**2**	**813**
as at 30 June 2020	**494**	**-**	**1**	**495**
as at 30 September 2020	**310**	**-**	**-**	**310**

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 September 2020 amounted USD 131 thousand (30 September 2019: USD 170 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 at 30 September 2020 amounted USD 133 thousand (30 September 2019: USD 282 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 at 30 September 2020 amounted USD 0 thousand (30 September 2019: USD 140 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 at 30 September 2020 amounted USD 104 thousand (30 September 2019: USD 134 thousand).

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

18 FINANCIAL ASSETS

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Non-current financial assets			
Held-to-maturity investments	5	5	22
Loans issued	41,395	43,887	-
	41,400	**43,892**	**22**
Current financial assets			
Loans issued	4,829	5,120	5,824
Allowance for loans issued	(4,829)	(5,120)	(5,824)
	-	**-**	**-**

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.

19 INVENTORIES

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Merchandise	10,041	10,645	11,726
Finished goods	1,745	1,896	3,016
Raw materials	8,730	9,256	11,799
Spare parts	1,786	1,894	2,359
Goods on commission	149	158	475
Other inventories	19	20	22
	22,470	**23,869**	**29,397**

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

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

(all amounts in USD thousand, unless otherwise stated)

20 TRADE AND OTHER RECEIVABLES

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Trade receivables	11,225	11,901	13,378
Allowance for trade receivables	(3,298)	(3,497)	(3,738)
Receivables under factoring contracts	462	490	543
Receivables on sale of property, plant and equipment	43	46	51
Other receivables	11,145	11,807	8,060
Allowance for other receivables	-	-	(1)
	19,577	**20,747**	**18,293**

As at 30 September 2020, loans were secured by trade receivables amounted USD 4,751 thousand (30 September 2019: USD 5,037 thousand).

21 PREPAYMENTS AND PREPAID EXPENSES

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Prepayments made and prepaid expenses	3,568	3,764	1,174
Allowances for prepayments made	(654)	(693)	(769)
	2,914	**3,071**	**405**

22 TAXES RECEIVABLE AND PAYABLE

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Current taxes receivable			
VAT recoverable	324	344	377
	324	**344**	**377**
Current taxes payable			
VAT payable	626	(1,423)	221
Payable for wages and salaries related taxes	574	1,222	3,294
Payables for other taxes	439	600	1,033
	1,639	**399**	**4,548**

23 CASH AND CASH EQUIVALENTS

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Cash in bank	11	15	7
Cash in hand	-	1	-
	11	**16**	**7**

24 SHARE CAPITAL

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

* - according to pledge agreement signed as at 11 February 2013 between Lycaste Holding Limited, European Bank For Reconstruction and Development and Coal Energy S.A. 6`747`167 shares owned by Lycaste Holding Limited are pledged. During the three months ended 30 September 2020 and 30 September 2019, quantity of shares has not been changed.

25 LOANS AND BORROWINGS

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Non-current loans and borrowings			
Loans received	35,000	35,000	35,000
Notes issued	-	-	-
Current portion of long-term loans and borrowings	(35,000)	(35,000)	(35,000)
Total non-current loans and borrowings	**-**	**-**	**-**
Current loans and borrowings			
Bank loans	29,146	29,309	34,150
Current portion of long-term loans and borrowings	35,000	35,000	35,000
Current portion of payables under factoring contract	348	369	1,332
Notes issued	72	76	116
Total current loans and borrowings	**64,566**	**64,754**	**70,598**

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%.

(all amounts in USD thousand, unless otherwise stated)

26 LEASE

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Due within 1 year	253	268	305
From 1 to 5 years	903	957	1,063
More than 5 years	2,574	2,729	2,725
	3,730	**3,954**	**4,093**

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 September 2020	30 June 2020 (unaudited)	30 September 2019
Intangible assets	133	340	422
	133	**340**	**422**

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

Right-of-use assets

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Property, plant and equipment	3,730	3,686	4,085
	3,730	**3,686**	**4,085**

27 PROVISIONS

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Non-current provisions			
Provision for land restoration	2,187	2,337	2,494
Dismantling provision	384	392	382
	2,571	**2,729**	**2,876**
Current provisions			
Provision on tax liabilities	1,793	1,901	**2,107**
	1,793	**1,901**	**2,107**

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.

28 TRADE AND OTHER PAYABLES

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Trade payables	9,679	9,165	10,376
Interest due	43,946	46,591	45,621
Payables for unused vacations	136	144	187
Payables for wages and salaries	1,287	1,253	1,882
Interest due to factoring contract	1,133	1,201	409
Other payables	19,337	19,324	4,939
Payables for acquisition property, plant and equipment	501	531	1,192
Advances received	2,974	3,153	481
	78,993	**81,362**	**65,087**

(all amounts in USD thousand, unless otherwise stated)

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.

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

	3 months ended 30 September 2020	Year ended 30 June 2020 (unaudited)	3 months ended 30 September 2019
Income from sales of finished products, goods	56	2,535	1,611
Income from rendering of services	9	35	1
Purchases of services	-	-	-
Purchases of property, plant and equipment	-	(21)	-
Purchases of inventories	-	(49)	-

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

	30 September 2020	30 June 2020 (unaudited)	30 September 2019
Current loans issued	4,829	5,120	5,824
Allowances for loans issued	(4,829)	(5,120)	(5,824)
Non-current loans issued	41,395	43,887	-
Held-to-maturity investments	5	5	22
Trade receivables	6,786	7,195	7,942
Allowances for trade receivables	(358)	(380)	(431)
Prepayments made	305	323	388
Allowances for prepayments made	(25)	(27)	(30)
Other receivables	3,619	3,837	4,864
Receivables on sale of property, plant and equipment	43	46	51
Advances received	588	623	702
Other payables	2,565	2,719	3,022
Payables for acquisition property, plant and equipment	-	-	7
Trade payables	106	112	116

31 CONTINGENT ASSETS AND LIABILITIES

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

32 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**

33 SUBSEQUENT EVENTS

During the three months ended 31 December 2020, the Group sold its 100% shares in the six subsidiaries. During the three months ended 31 March 2021, the Group established new subsidiary – Perspective resources LLC.

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 position and financial results of the Group.