COAL ENERGY S.A.

Unaudited interim consolidated report for the six months FY2022 ended 31st December 2021

Dear Ladies and Gentlemen,

Herewith we are presenting our unaudited interim consolidated financial report for the first six months of FY2022 (1H FY2022) and 2Q FY2022, ended 31st December 2021.

As of the beginning of our Company's 2022 financial year quarantine measures were still in place in Ukraine due to the COVID-19 pandemic.

In the first six months of financial year 2022, the Company observed upward trends in coal prices, the demand for coal in Ukraine remained high.

We are increasing the coal output following completion of restructuring process. Our average monthly output in 1H 2022 (FY) was 1.5 thousand tonnes, demonstrating improvement. While the levels of output are still low, the Company has made a good progress following completion of restructuring and continues working on enhancements of its mining capacities.

Summarized highlights of the 2Q FY2022 and 1H FY2022 are presented below:

- **Total output.** Output of coking coal and thermal coal in the 1H FY2022 reached 5.7 thousand tonnes.
- **Coal volume sales.** In the 2Q FY2022 total coal volume sales composed 4.3 thousand tonnes increasing by 30.3% q-o-q (3.3 thousand tonnes in 1QFY2022).For the 1H FY2022 coal volume sales composed 7.6 thousand tonnes or increased by 2.4 times y-o-y (3.1 thousand tonnes in 1H FY2021).
- **Revenue from coal sales.** In the 2Q FY2022 coal sales revenue composed US$0.6 thousand demonstrating an increase from US$0.4 thousand in 1Q FY2022 or by 50.0% q-o-q. For the 1H FY2022 revenues from coal sales composed US$1.0 thousand as opposed to US$0.1 million in 1H FY2021.
- **EBITDA.** In the 2Q FY2022 the Company recorded EBITDA of US$0.2 million, while for the 1H FY2022 EBITDA composed US$0.5 million as opposed to negative EBITDA US$0.7 million for 1H FY2021.

As of the date of publication of these report military troops of the Russian Federation invaded Ukraine and the Company decided to stop mining operations at our mines in order not to put our employees at risk. Currently mines are working on pumping out water and maintaining systems. As of the date of this report Company's the territories, where assets are located are not under active military actions and property complex has not been damaged, however the Management has no ability to evaluate possible further risks caused by invasion factors. People's health and safety is a top priority for management of the Company, which operates in accordance with the government requirements and relies on resolution of this situation by diplomatic negotiations or victory of Ukrainian nation strongly supported by an alliance of countries and nations across the world. We hope and envisage continuing our plans of growth for increasing our mining capacities, obtaining new mining licenses and offering our mining-related services to other companies in our industry across different geographies.

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

General market and economic overview (on available statistical information)

In 2021 calendar year coal mining companies in Ukraine produced 29.4 million tonnes of ROM coal thus general coal output increased by 5.8% y-o-y, thermal coal output decreased by 12.3% y-o-y while coking coal output increased by 10.3% y-o-y. Along with that Ukraine increased import of coal up to of 19.6 million tonnes in 2021 calendar year or by 15.4% y-o-y. For the 1H FY2022 (2H 2022 calendar year) coal mining companies in Ukraine produced 14.0 million tonnes of ROM coal.

At the same time in 2021 calendar year electricity production in Ukraine decreased by 5.2% y-o-y. While share of TPP in energy balance of Ukraine composed 29.3% (decreased from 35.2% in 2021).

In 2021, Ukrainian coke plants reduced imports of coking coal for coking by 4.5% compared to 2020. The share of imported coal in the total volume of supplies was 71.8% - by 1 percentage point lower than in 2020. Deliveries of Ukrainian coal to national metallurgical enterprises amounted to 3.6 million tonnes, which is 0.6% more than in 2020. In 2021, Ukrainian enterprises produced 21.4 million tonnes of steel, which is 3.6% more than in 2020. According to Worldsteel Ukraine was ranked 14th in the global ranking of steel producers. For the 1H FY2022 (2H 2022 calendar year) metallurgic enterprises in Ukraine produced 10.5 million tonnes of steel.

As of the beginning of 2022 National Bank of Ukraine worsened its GDP growth forecast for 2022 year from 3.8% to 3.4% due to the tense geopolitical situation, which will negatively affect investment decisions. Further outlook for Ukraine economy for 2022 calendar year might be revised because of invasion of military troops of the Russian Federation and military actions in Ukraine.

Review of the financial and operational results of Coal Energy S.A. including parent company and its subsidiaries (hereinafter “Company”) for the six months (1H) FY2022 and 2Q FY2022.

The following table summarizes the Company’s key margins and ratios for the 2Q FY2022, the 1Q FY2022, 1H FY2022 and 1H FY2021 (numbers are rounded):

in thousands of US$	2Q FY2022	1Q FY2022	Relative change q-o-q	1H FY2022	1H FY2021	Relative change y-o-y
Revenue	586	432	35.6%	1,018	272	274.3%
Gross profit/(loss)	38	(41)	*n/a*	(3)	91	*n/a*
EBIT	(1)	25	*n/a*	24	(1816)	*n/a*
EBITDA	219	241	0.0%	460	(677)	*n/a*
Net profit	(454)	14	*n/a*	(440)	44,445	*n/a*

Revenue

For the reporting six months total revenue comprised US$1 018 thousand as opposed to US$272 thousand for the 1H FY2021 demonstrating increase by 274.3% y-o-y due recovering of Company's business after business restructuring as much as during the first six months of FY 2022 the Company did not take advantage from increasing prices of coal. On quarterly basis total revenue slightly improved and comprised US$586 thousand in 2Q FY2022 as compared to US$432 thousand in 1Q FY2022.

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

in thousand tonnes	2Q FY2022	1Q FY2022	change in %	1H FY2022	1H FY2021	change in %
Thermal	1.6	2.1	(23.8%)	3.7	-	*n/a*
Coking	2.7	1.2	125.0%	3.9	3.1	25.8%
Total	**4.3**	**3.3**	**30.3%**	**7.6**	**3.1**	**145.2%**

Total coal sales composed 4.3 thousand tonnes in the 2Q FY2022 thus increased q-o-q, while for the 1H FY2022 total coal sales increased considerably by 145.2% y-o-y under growth of production volumes and prices for coal.

Cost of sales and cash cost of production

The following table links cost of sales with total cash cost of production in each business segment of the Company in the 2Q FY2022 and 1Q FY2022:

in thousand of US$	2Q FY2022	1Q FY2022
Cost of sales	**548**	**473**
Less:		
Cost of merchandising inventory	-	-
Change in inventories	(59)	-
Cost of other services	20	16
Depreciation and amortization	218	216
Total cash cost of production	369	241
in US$ per tonne		
Cash cost of mining per 1 tonne of ROM coal	41.0	73.0

During 1Q FY2022 cash cost of mining decreased by 43.8% q-o-q following increase in production volumes and under influence of fixed costs per 1 tonne of coal and conditionally fixed expenditures.

Gross profit

Gross loss composed US$3 thousand for the reporting six months of FY2022 as opposed to US$91 thousand in the 1H FY2021 of gross profit. While in the 2Q FY2022 gross profit comprised US$38 thousand as opposed to US$41 thousand of gross loss in the 1Q FY2022.

Operating profit

For the 1H FY2022 the Company recorded US$24 thousand of operating profit, as opposed to US$1 816 thousand of loss for the 1H FY2021. Meanwhile the Company reported operating loss of US$1 thousand for the 2Q FY2022 as compared to operating profit of US$25 thousand for the 1Q FY2022.

Financial costs

For the reporting six months financial costs declined substantially and amounted to US$45 thousand as compared to US$3166 thousand for the 1H FY2021 in line with decreased debt obligations and decline of loss from non-operational exchange differences. On the quarterly basis financial costs increased up to US$30 thousand in the 2Q FY2022 as opposed to US$15 thousand in the 1Q FY2022 remaining under influence of interest expenses.

Net profit/ loss

The Company recorded net loss for the 1H FY2022 amounting to US$440 thousand as compared to US$44,4 million of net profit for the 1H FY2021. The Company's net loss for the 2Q FY2022 comprised US$454 thousand.

Production results

Coal output for the 1HFY2022 composed 9.0 thousand tonnes demonstrating growth both y-o-y and q-o-q.

in thousand of tonnes	2Q FY22	1Q FY22	change,%	1H FY22	1H FY21
Thermal coal	3.0	2.1	42.9%	5.1	-
Coking and dual-purpose coal	2.7	1.2	125.0%	3.9	-
Total production	**5.7**	**3.3**	72.7%	**9.0**	-

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.

COAL ENERGY S.A.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2021

Coal Energy S.A.

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STATEMENT OF MANAGEMENT RESPONSIBILITY

To the best of our knowledge, consolidated financial statements as of 31 December 2021 of Coal Energy S.A. which have been prepared in accordance with the international financial reporting standards, give a true and fair view of the assets, liabilities, financial position and result of its operations for the six months ended 31 December 2021 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, 28 February 2022

COAL ENERGY S.A.
MANAGEMENT REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

Management of the Company hereby presents its interim consolidated financial statements for the six months on 31 December 2021.

1. Results and developments during the six months ended on 31 December 2021.
For the six months ended on 31 December 2021, the Group recorded EBITDA of USD 460 thousand (EBITDA loss for the six months ended 31 December 2020 USD 677 thousand). After depreciation, amortization, finance costs, finance income and other non-operating income and expenses the final loss for the six months ended 31 December 2021 after taxation was USD 440 thousand (profit for the six months ended 31 December 2020 was USD 44,445 thousand).

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

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

4. Own shares.
During the period ended 31 December 2021, 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, 28 February 2022

(all amounts in USD thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	6 months ended 31 December 2021 (unaudited)	3 months ended 31 December 2021 (unaudited)	12 months ended 30 June 2021 (unaudited)	6 months ended 31 December 2020 (unaudited)	3 months ended 31 December 2020 (unaudited)
Revenue	5	1,018	586	850	272	200
Cost of sales	6	(1,021)	(548)	(855)	(181)	(138)
GROSS PROFIT/(LOSS)		**(3)**	**38**	**(5)**	**91**	**62**
General and administrative expenses	7	(87)	(70)	(124)	(42)	(26)
Selling and distribution expenses	8	-	-	(1)	(1)	-
Other operating income/(expenses), net	9	275	85	26	(371)	(375)
Recovery/(impairment) of financial assets		(161)	(54)	-		
Idle capacity expenses	10	-	-	(2,398)	(1,493)	(745)
OPERATING PROFIT/(LOSS)		**24**	**(1)**	**(2,502)**	**(1,816)**	**(1,084)**
Other non-operating income/(expenses), net	11	19	19	(53,694)	(149)	(305)
Finance income	13	6	3	8,626	456	206
Finance expenses	14	(45)	(30)	(3,352)	(3,166)	(676)
Disposal of subsidiaries		-	-	99,319	49,018	49,018
PROFIT/(LOSS) BEFORE TAX		**4**	**(9)**	**48,397**	**44,343**	**47,159**
Income tax benefit/(expenses), net	15	(444)	(445)	(757)	102	102
NET PROFIT/(LOSS)		**(440)**	**(454)**	**47,640**	**44,445**	**47,261**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:						
Equity holders of the parent		(439)	(451)	47,746	44,375	47,174
Non-controlling interests		(1)	(3)	(106)	70	87
OTHER COMPREHENSIVE INCOME/(LOSS)						
Effect of foreign currency translation		(29)	(174)	(4,528)	3,110	5,641
Reclassification of currency translation reserve		-	-	1,889	(247)	(247)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**(29)**	**(174)**	**(2,639)**	**2,863**	**5,394**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(469)**	**(628)**	**45,001**	**47,308**	**52,655**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:						
Equity holders of the parent		(469)	(629)	45,009	47,287	52,615
Non-controlling interests		-	1	(8)	21	40
EARNINGS PER SHARE						
Weighted average number of ordinary shares		45,011,120	45,011,120	45,011,120	45,011,120	45,011,120
BASIC PROFIT/(LOSS) PER ORDINARY SHARE (USD cents)		**(0.98)**	**(1.00)**	**106.08**	**98.59**	**104.81**

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

Notes on pages 9 to 27 are an integral part of these consolidated financial statements.

(all amounts in USD thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2021 (unaudited)	Restated 30 June 2021 (unaudited)	31 December 2020 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	16	10,178	10,678	13,939
Intangible assets	17	117	125	310
Right-of-use assets	26	3,985	4,026	3,479
Financial assets	18	877	872	82,713
Deferred tax assets	15	-	36	1,881
		15,157	**15,737**	**102,322**
Current assets				
Inventories	19	2,063	1,930	9,583
Trade and other receivables	20	882	320	11,793
Prepayments and prepaid expenses	21	-	-	1,775
Other taxes receivables	22	539	538	713
Financial assets	18	-	-	537
Cash and cash equivalents	23	3	3	2
		3,487	**2,791**	**24,406**
TOTAL ASSETS		**18,644**	**18,528**	**126,725**
EQUITY				
Share capital	24	450	450	450
Share premium		77,578	77,578	77,578
Retained earnings		(1,275)	(836)	(3,366)
Currency translation reserve		(73,493)	(73,463)	(67,814)
Equity attributable to equity holders of the parent		**3,260**	**3,729**	**6,848**
Non-controlling interest		(141)	(141)	(559)
TOTAL EQUITY		**3,119**	**3,588**	**6,289**
LIABILITIES				
Non-current liabilities				
Lease liabilities	26	1,905	1,849	3,227
Defined benefit obligation		630	863	3,969
Provisions	27	1,012	972	2,156
Deferred tax liabilities	15	208	55	-
		3,755	**3,739**	**9,352**
Current liabilities				
Loans and borrowings	25	931	925	55,122
Lease liabilities	26	373	362	253
Trade and other payables	28	5,135	5,224	52,114
Income tax payables	15	2,484	2,233	1,758
Provisions	27	-	-	69
Defined benefit obligation		1,321	1,096	-
Other tax payables	22	1,526	1,361	1,738
		11,770	**11,201**	**111,084**
TOTAL LIABILITIES		**15,525**	**14,940**	**120,436**
TOTAL EQUITY AND LIABILITIES		**18,644**	**18,528**	**126,725**

Notes on pages 9 to 27 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	NCI	Total equity
30 June 2020	**450**	**77,578**	**(47,452)**	**(70,726)**	**(40,150)**	**(869)**	**(41,019)**
Profit/(loss) for the year	-	-	47,746	-	**47,746**	(106)	**47,640**
Other comprehensive income/(loss)	-	-	-	1,791	**1,791**	98	**1,889**
Disposal of subsidiaries	-	-	(736)	(4,528)	**(5,264)**	736	**(4,528)**
30 June 2021	**450**	**77,578**	**(442)**	**(73,463)**	**4,123**	**(141)**	**3,982**
Effect of misstatements correction	-	-	(394)	-	**(394)**	-	**(394)**
Restated 30 June 2021	**450**	**77,578**	**(836)**	**(73,463)**	**3,729**	**(141)**	**3,588**
Profit/(loss) for the period	**-**	**-**	(439)	-	**(439)**	(1)	**(440)**
Other comprehensive income/(loss)	**-**	**-**	-	(30)	**(30)**	1	**(29)**
31 December 2021	**450**	**77,578**	**(1,275)**	**(73,493)**	**3,260**	**(141)**	**3,119**

Notes on pages 9 to 27 are an integral part of these consolidated financial statements.

(all amounts in USD thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	6 months ended 31 December 2021 (unaudited)	12 months ended 30 June 2021 (unaudited)	6 months ended 31 December 2020 (unaudited)
OPERATING ACTIVITIES				
Profit/(loss) before tax		4	48,397	44,343
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation and amortization expenses	12	436	1,607	1,139
Finance income	13	(6)	(8,626)	(456)
Finance costs	14	45	3,352	3,166
Disposal of subsidiaries		-	(99,319)	(49,018)
(Profit)/Loss from disposal of property, plant and equipment	16	(27)	267	-
Expenses for doubtful debts/(Recovery of doubtful debts)	9	(45)	-	368
Impairment of non-current loans issued		-	55,801	-
Impairment of current assets		-	8,442	
Accounts payable write-off	9	(212)	(8,420)	-
Recovery of previously impaired assets		-	(2,089)	
Changes in defined benefits plan obligations		-	191	-
		195	**(397)**	**(458)**
Working capital adjustments:				
Change in trade and other receivables		(362)	681	(492)
Change in advances made and deferred expenses		-	340	(620)
Change in inventories		(112)	1,518	1,432
Change in trade and other payables		279	(3,728)	(1,138)
Change in tax balances		-	1,642	1,283
		-	**56**	**7**
Income tax paid		-	-	-
Net cash flow from operating activity		**-**	**56**	**7**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets		-	(75)	(24)
Net cash flow from investing activity		**-**	**(75)**	**(24)**
FINANCING ACTIVITIES				
Repayment of loans and borrowings		-	-	-
Net cash flow from financial activity		**-**	**-**	**-**
NET CASH FLOWS		**-**	**(19)**	**(17)**
Cash and cash equivalents at the beginning of the period	23	**3**	**16**	**16**
Effect of translation to presentation currency		-	-	-
Cash received as consideration of subsidiaries disposal		-	9	
Cash disposed with subsidiaries		-	(3)	3
Cash and cash equivalents at the end of the period	23	**3**	**3**	**2**

Notes on pages 9 to 27 are an integral part of these consolidated financial statements.

(all amounts in USD thousand, unless otherwise stated)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

1 GENERAL INFORMATION

1.1. Information about the Group

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	
		31 December 2021	31 December 2020
Coal Energy S.A.	Luxembourg	Parent company	Parent company
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
Nedra Donbasa LLC	Ukraine	-	99,00
Tekhinovatsiya LLC	Ukraine	99,92	99,99
CwAL LE "Sh/U Blagoveshenskoe"	Ukraine	-	99,00
CwAL LE "Mine St.Matrona Moskovskaya"	Ukraine	99,00	99,00
Progress-Vugillya LLC	Ukraine	-	99,99
Perspective resources 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.

1.2. Operating environment

Since 2016, the Ukrainian economy has demonstrated signs of stabilization after years of political and economic tension. During the year ended 30 June 2021, the Ukrainian economy has quite a stable real GDP with 0.3% decline (2020: real GDP growth of around 2%), annual inflation comprised of 9.5% (2020: 2.4%), with devaluation of the national currency (by around 9.8% to USD and 18.5% to EUR comparing to previous year averages).

Ukraine continues to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions. As a result of this, the Ukrainian economy is continuing refocusing on the European Union (the "EU") market by realizing potentials of established Deep and Comprehensive Free Trade Area with the EU as well as other markets.

To further facilitate business activities in Ukraine, the National Bank of Ukraine (the "NBU") in 2019 has lifted the surrender requirement for foreign currency proceeds, cancelled all limits on repatriation of dividends and gradually decreased its discount rate for the first time during the recent two years, from 18.0% in April 2019 to 11.0% in January 2020. The discount rate was further decreased during 2020, with 6.0% valid from 12 June 2020 till 5 March 2021. Since 5 March 2021 it is started increasing to current 9% from 10 December 2021.

The degree of macroeconomic uncertainty in Ukraine in 2020 still remains high due to a significant amount of public debt scheduled for repayment in 2021, which requires mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned structural reforms and effective cooperation with the International Monetary Fund (the "IMF").

Fitch's current rating of Ukraine's Long-Term Foreign- revised from stable to positive in August 2021, while Ukraine's Local-Currency Issuer Default Ratings was stated as "B" with stable outlook since April 2020.

Starting from early 2020, a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world, resulting in announcement of the pandemic status by the World Health Organization (the "WHO") in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have a significant impact on global financial markets. As the situation is rapidly evolving, it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to, such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Ukrainian economy.

2 BASIS OF PREPARATION OF THE 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 Going concern

During the six months ended 31 December 2021, the Group continued operation activity and recorded USD 440 thousand of net loss (during the six months ended 31 December 2020, the Group recorded USD 44,445 thousand of net profit). The Group renewed operation activity during the six months ended 31 December 2021, mining output is increasing, and appropriate budgets and plans are approved.

Since 2014 the Group's financial position and financial performance are significantly affected by military conflict in the East of Ukraine. As of 31 December 2021, the Group’s current liabilities exceeded its current assets by USD 8,283 thousand. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

Management believes that the renewed operation activity will allow the Group to maintain the positive working capital and operate on a going concern basis in the foreseeable future.

These consolidated financial statements are prepared on a going concern basis, which contemplates the realisation of assets and the settlement of liabilities in the normal course of business.

2.4 Basis of consolidation

(a) Subsidiaries

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

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

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

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

Before June 30, 2010 the Parent company did not have 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 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Changes in accounting policy and disclosures

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" (effective for annual periods beginning on or after 1 January 2023);
- IAS 1 "Presentation of Financial Statements" (Amendments): Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023);
- IFRS 3 "Business Combinations" (Amendments): Reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022);
- IAS 16 "Property, Plant and Equipment" (Amendments): Property, Plant and Equipment — Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022);
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (Amendments): Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018–2020 (effective for annual periods beginning on or after 1 January 2022).

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.

2.6 Correction of misstatements

During the preparation of the consolidated financial statements for three months ended 30 September 2021, the Group identified a computational misstatement in calculations of deferred tax assets and liabilities, as well as in valuation of the right-of-use assets existed as of 30 June 2021. Abovementioned misstatements resulted understatement of right-of-use assets and overstatement of deferred tax assets and liabilities. Misstatements have been corrected by restating of the affected consolidated financial statement items as of 30 June 2021 as follows:

Corrected items in the statement of financial position	30 June 2021	Correction	Restated 30 June 2021
Right-of-use assets	3,730	296	4,026
Deferred tax assets	738	(702)	36
Deferred tax liabilities	54	1	55
Defined benefit obligation	876	(13)	863
Retained earnings	(442)	(394)	(836)

The correction further affected some of the amounts disclosed in appropriate notes to the consolidated financial statements.

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.

(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:	
- 31 December 2021	27.2782
- 30 June 2021	27.1763
- 31 December 2020	28.2746
Average for the:	
- three months ended 31 December 2021	26.6806
- three months ended 30 September 2021	26.9110
- three months ended 31 December 2020	28.2678
- three months ended 30 September 2020	27.5996

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Translation into presentation currency

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

3.2 Revenue 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	5 - 80 years
- Buildings and constructions	10 - 80 years
- Machinery, equipment and vehicles	2 - 20 years
- Other	2 - 20 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as 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	2 - 20 years
-	Other intangible assets	2 - 20 years
-	Other projections and permissions	2 - 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.

3.9 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Environmental obligations

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

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

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the comprehensive income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. 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.

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.

4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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.

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.

(all amounts in USD thousand, unless otherwise stated)

5 INFORMATION ON OPERATIONAL SEGMENTS

The group defines the following business segments that include goods and services distinguished by the level of risk and terms of acquisition of income:
mineral resource and processing industry — includes income from sale of own coal products and income from coal beneficiation;
trade activity - includes income from sale of merchandises;
other activity - includes income from rendering of other works and services.
Management controls the results of operating segments separately for the purpose of decision making about allocation of resources and performance measurement. The results of segments are estimated on profit/(loss) before tax.

Information about the segments of business for the six months ended 31 December 2021:

	Business segments				
	Mineral resource and processing industry	**Trade activity**	**Other activity**	**Assets and liabilities not included in segments**	**Total**
Revenue					
Sales to external customers	1,014	-	4	-	**1,018**
Profit/(Loss) before tax of the segment	**60**	**-**	**(56)**	**-**	**4**
Depreciation and amortization expenses	(436)	-	-	-	**(436)**
Defined benefits plan obligations expenses	-	-	-	-	**-**
Operational assets	**17,223**	**-**	**2**	**1,419**	**18,644**
Operational liabilities	**9,901**	**51**	**1,355**	**4,218**	**15,525**
Disclosure of other information					
Capital expenditures	58	-	-	-	**58**

As at 31 December 2021 assets of segments do not include financial assets (USD 877 thousand), cash (USD 3 thousand), other taxes receivable (USD 539 thousand), since management of these assets is carried out at the Group level.

As at 31 December 2021 liabilities of segments do not include deferred tax liabilities, other taxes payable (USD 1,526 thousand), income tax payables (USD 2,484 thousand), deferred tax liabilities (USD 208 thousand), since management of these liabilities is carried out at the Group level.

Information about the segments of business for the three months ended 31 December 2021:

	Business segments				
	Mineral resource and processing industry	**Trade activity**	**Other activity**	**Assets and liabilities not included in segments**	**Total**
Revenue					
Sales to external customers	584	-	2	-	**586**
Profit/(Loss) before tax of the segment	**59**	**-**	**(50)**	**-**	**(9)**
Depreciation and amortization expenses	(220)	-	-	-	**(220)**
Defined benefits plan obligations expenses	-	-	-	-	**-**
Operational assets	**17,223**	**-**	**2**	**1,419**	**18,644**
Operational liabilities	**9,901**	**51**	**1,355**	**4,218**	**15,525**
Disclosure of other information					
Capital expenditures	-	-	-	-	**-**

(all amounts in USD thousand, unless otherwise stated)

5 INFORMATION ON OPERATIONAL SEGMENTS (CONTINUED)

Information about the segments of business for the six months ended 31 December 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	126	-	146	-	**272**
Profit/(Loss) before tax of the segment	**(5,099)**	**657**	**48,785**	**-**	**44,343**
Depreciation and amortization expenses	(1,139)	-	-	-	**(1,139)**
Defined benefits plan obligations expenses	-	-	-	-	**-**
Operational assets	**30,046**	**9,966**	**867**	**85,846**	**126,725**
Operational liabilities	**109,212**	**7,659**	**-**	**3,565**	**120,436**
Disclosure of other information					
Capital expenditures	24	-	-	-	**24**

As at 31 December 2020 assets of segments do not include financial assets (USD 83,250 thousand), cash (USD 2 thousand), other taxes receivable (USD 713 thousand), as well as deferred tax assets (USD 1,881 thousand), since management of these assets is carried out at the Group level.

As at 31 December 2020 liabilities of segments do not include deferred tax liabilities, other taxes payable (USD 1,738 thousand), income tax payables (USD 1,758 thousand), provision on tax liabilities (USD 69 thousand), since management of these liabilities is carried out at the Group level.

Information about the segments of business for the three months ended 31 December 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	70	-	130	-	**200**
Profit/(Loss) before tax of the segment	**(2,663)**	**905**	**49,019**	**-**	**47,261**
Depreciation and amortization expenses	(546)	-	-	-	**(546)**
Defined benefits plan obligations expenses	-	-	-	-	**-**
Operational assets	**30,046**	**9,966**	**867**	**85,846**	**126,725**
Operational liabilities	**109,212**	**7,659**	**-**	**3,565**	**120,436**
Disclosure of other information					
Capital expenditures	-	-	-	-	**-**

	6 months ended 31 December 2021	**3 months ended 31 December 2021**	**6 months ended 31 December 2020**	**3 months ended 31 December 2020**
Revenue received from sale of finished goods	1,014	584	126	70
Revenue from other activity	4	2	146	130
	1,018	**586**	**272**	**200**

During the reviewed periods sales were performed on the territory of Ukraine exclusively.

All non-current assets of the Group are located in Ukraine.

(all amounts in USD thousand, unless otherwise stated)

6 COST OF SALES

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Raw materials	(1)	(1)	-	-
Cost of merchandising inventory	-	-	(81)	(81)
Wages and salaries of operating personnel	(59)	(33)	-	-
Depreciation and amortization expenses	(435)	(219)	-	-
Subcontractors services	(36)	(20)	-	-
Energy supply	(458)	(276)	-	-
Change in finished goods	59	59	(100)	(57)
Other expenses	(91)	(58)	-	-
	(1,021)	**(548)**	**(181)**	**(138)**

7 GENERAL AND ADMINISTRATIVE EXPENSES

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Subcontractors services	(57)	(54)	(12)	(7)
Wages and salaries of administrative personnel	(29)	(16)	(12)	(6)
Depreciation and amortization expenses	(1)	(1)	(9)	(4)
Other expenses	-	1	(9)	(9)
	(87)	**(70)**	**(42)**	**(26)**

8 SELLING AND DISTRIBUTION EXPENSES

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Delivery costs	-	-	(1)	-
	-	**-**	**(1)**	**-**

9 OTHER OPERATING INCOME/(EXPENSES), NET

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Doubtful debts income/(expenses)	45	(10)	(368)	(372)
Writing-off of VAT	(2)	(2)	(3)	(3)
Income from lease	15	6	-	-
Accounts payable write-off	212	86	-	-
Other operating income	5	5	-	-
	275	**85**	**(371)**	**(375)**

10 IDLE CAPACITY EXPENSES

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Depreciation and amortization expenses	-	-	(1,130)	(542)
Wages and salaries	-	-	(153)	(99)
Other expenses	-	-	(210)	(104)
	-	**-**	**(1,493)**	**(745)**

11 OTHER NON-OPERATING INCOME/(EXPENSES), NET

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Other non-operating income	20	20	53	35
Other non-operating expenses	(1)	(1)	(202)	(340)
	19	**19**	**(149)**	**(305)**

(all amounts in USD thousand, unless otherwise stated)

12 DEPRECIATION AND AMORTIZATION EXPENSES

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Depreciation				
Cost of sales	(427)	(215)	-	-
Idle capacity expenses	-	-	(1,031)	(508)
General and administrative expenses	(1)	(1)	(9)	(4)
	(428)	**(216)**	**(1,040)**	**(512)**
Amortization				
Cost of sales	(8)	(4)	-	-
Idle capacity expenses	-	-	(99)	(34)
General and administrative expenses	-	-	-	-
	(8)	**(4)**	**(99)**	**(34)**
	(436)	**(220)**	**(1,139)**	**(546)**

13 FINANCIAL INCOME

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Gain from non-operating exchange differences	-	-	450	203
Income from measurement of financial instruments at amortized cost	6	3	6	3
	6	**3**	**456**	**206**

14 FINANCIAL COSTS

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Interest expenses	-	-	(662)	(339)
Loss from non-operating exchange differences	-	-	(2,394)	(245)
Loss from measurement of financial instruments at amortized cost	(45)	(30)	(110)	(92)
	(45)	**(30)**	**(3,166)**	**(676)**

15 INCOME TAX EXPENSES

	6 months ended 31 December 2021	3 months ended 31 December 2021	6 months ended 31 December 2020	3 months ended 31 December 2020
Current income tax	(250)	(250)	-	-
Deferred tax	(194)	(195)	102	102
Income tax expenses	**(444)**	**(445)**	**102**	**102**
At the beginning of the period	**2,233**	**2,233**	**(1,593)**	**(1,751)**
Current income tax charge	250	250	-	-
Effect of translation to presentation currency	1	1	(165)	(7)
At the end of the period	**2,484**	**2,484**	**(1,758)**	**(1,758)**
Income tax reconciliation				
Profit/(loss) before tax	4	(9)	44,343	47,159
Income tax (18%)	(1)	2	(7,982)	(8,489)
Effect of different statutory tax rates of overseas jurisdictions	(250)	(250)	739	232
Tax effect of permanent differences	1	(2)	8,823	8,823
Income tax income/(expenses)	**(250)**	**(250)**	**102**	**102**

According to the Tax Code of Ukraine effective from 1 January 2014, corporate income tax rate is 18%.

Deferred tax assets and liabilities are measured at the corporate 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.

(all amounts in USD thousand, unless otherwise stated)

15 INCOME TAX EXPENSES (CONTINUED)

	30 June 2021	Recognized in profit/(loss)	Currency translation effect	31 December 2021
Effect of temporary differences on deferred tax assets				
Inventories	17	-	-	17
Provisions	175	(180)	5	-
Defined benefit plan obligations	37	-	(1)	36
Folded on individual Companies level	(193)	145	-	(53)
Total deferred tax assets	**36**	**(35)**	**(1)**	**-**
Effect of temporary differences on deferred tax liabilities				
Property, plant and equipment, intangible assets	(248)	(14)	1	(261)
Folded on individual Companies level	193	(145)	5	53
Total deferred tax liabilities	**(55)**	**(159)**	**6**	**(208)**
Net deferred tax asset/(liability)	**(19)**	**(194)**	**5**	**(208)**

	30 June 2020	Recognized in profit/(loss)	Currency translation effect	31 December 2020
Effect of temporary differences on deferred tax assets				
Property, plant and equipment, intangible assets	253	661	(48)	866
Inventories	66	(42)	(1)	23
Provisions	491	(81)	(22)	388
Defined benefit plan obligations	1,615	(861)	(40)	714
Charged vacation expenses	26	(7)	(1)	18
Folded on individual Companies level	(3)	(111)	(14)	(128)
Total deferred tax assets	**2,448**	**(441)**	**(126)**	**1,881**
Effect of temporary differences on deferred tax liabilities				
Property, plant and equipment, intangible assets	(14)	(100)	(14)	(128)
Folded on individual Companies level	3	111	14	128
Total deferred tax liabilities	**(11)**	**11**	**-**	**-**
Net deferred tax asset/(liability)	**2,437**	**(430)**	**(126)**	**1,881**

16 PROPERTY, PLANT AND EQUIPMENT

Historical cost	Underground mining	Buildings and constructions	Machinery, equipment, vehicles	Other	Construction in progress	Total
as of 30 June 2020	**33,190**	**7,095**	**10,684**	**509**	**277**	**51,755**
Additions	50	-	40	-	3,251	**3,341**
Disposals	-	-	(9)	(1)	(265)	**(275)**
Disposal of subsidiaries	(23,976)	(4,095)	(6,837)	(396)	-	**(35,304)**
Effect of currency translation	(2,125)	(1,449)	(1,771)	(35)	50	**(5,339)**
as of 30 June 2021	**7,139**	**1,551**	**2,107**	**77**	**3,304**	**14,178**
Additions	58	-	-	-	-	**58**
Disposals	-	-	(49)	-	-	**(49)**
Effect of currency translation	(26)	(6)	(7)	(1)	(186)	**(226)**
as of 31 December 2021	**7,171**	**1,545**	**2,051**	**76**	**3,118**	**13,961**
Accumulated depreciation						
as of 30 June 2020	**(12,823)**	**(3,269)**	**(9,523)**	**(495)**	**-**	**(26,110)**
Depreciation for the period	(900)	(175)	(218)	(6)	-	**(1,299)**
Disposals	-	-	7	1	-	**8**
Disposal of subsidiaries	10,144	2,047	6,777	393	-	**19,361**
Effect of currency translation	2,064	823	1,619	34	-	**4,540**
as of 30 June 2021	**(1,515)**	**(574)**	**(1,338)**	**(73)**	**-**	**(3,500)**
Depreciation for the period	(176)	(53)	(93)	(2)	-	**(324)**
Disposals	-	-	23	-	-	**23**
Effect of currency translation	9	2	6	1	-	**18**
as of 31 December 2021	**(1,682)**	**(625)**	**(1,402)**	**(74)**	**-**	**(3,783)**
Net book value						
as of 30 June 2020	**20,367**	**3,826**	**1,161**	**14**	**277**	**25,645**
as of 30 June 2021	**5,624**	**977**	**769**	**4**	**3,304**	**10,678**
as of 31 December 2021	**5,489**	**920**	**649**	**2**	**3,118**	**10,178**

(all amounts in USD thousand, unless otherwise stated)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2021, property, plant and equipment amounted USD 3,202 thousand were pledged under loans and borrowings agreements disclosed in Note 24 "Loans and borrowings" (As at 31 December 2020 – USD 3,180 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 31 December 2021 and 31 December 2020, 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.

17 INTANGIBLE ASSETS

Historical cost	**Licenses, special permissions and patent rights**	**Other intangible assets**	**Other projects and permissions**	**Total**
as of 30 June 2020	**3,231**	**16**	**33**	**3,280**
Disposal of subsidiaries	(2,787)	(4)	(19)	**(2,810)**
Effect of currency translation	(157)	(1)	(13)	**(171)**
as of 30 June 2021	**287**	**11**	**1**	**299**
Effect of currency translation	(2)	-	-	**(2)**
as of 31 December 2021	**285**	**11**	**1**	**297**
Accumulated depreciation				
as of 30 June 2020	**(2,737)**	**(16)**	**(32)**	**(2,785)**
Amortization charge for the period	(107)	-	-	**(107)**
Disposal of subsidiaries	2,519	4	17	**2,540**
Effect of currency translation	163	1	14	**178**
as of 30 June 2021	**(162)**	**(11)**	**(1)**	**(174)**
Amortization charge for the period	(8)	-	-	**(8)**
Effect of currency translation	2	-	-	**2**
as of 31 December 2021	**(168)**	**(11)**	**(1)**	**(180)**
Net book value				
as of 30 June 2021	**125**	**-**	**-**	**125**
as of 31 December 2021	**117**	**-**	**-**	**117**

Licenses, special permissions and patent rights are represented by special permissions for subsurface use # 5098 as of 30 December 2009 issued by Ministry of ecology and natural resources of Ukraine for 20 years.

18 FINANCIAL ASSETS

	31 December 2021	**30 June 2021**	**31 December 2020**
Non-current financial assets			
Held-to-maturity investments	157	152	185
Loans issued	720	720	82,528
	877	**872**	**82,713**
Current financial assets			
Loans issued	-	-	3,313
Allowance for loans issued	-	-	(2,776)
	-	**-**	**537**

(all amounts in USD thousand, unless otherwise stated)

19 INVENTORIES

	31 December 2021	30 June 2021	31 December 2020
Merchandise	4	5	1,224
Finished goods	117	61	648
Raw materials	1,338	902	6,368
Spare parts	595	947	1,333
Other inventories	9	8	10
	2,063	**1,923**	**9,583**

As of 31 December 2021, loans were not secured by inventories (31 December 2020: USD 5,500 thousand).

As at the date of publication of these financial statements, the Group`s management has no possibility to assess inventory damage, theft probability and to estimate impact of military conflict on impairment of inventories.

20 TRADE AND OTHER RECEIVABLES

	31 December 2021	30 June 2021	31 December 2020
Trade receivables	3,069	2,513	6,691
Allowance for trade receivables	(2,187)	(2,193)	(1,727)
Other receivables	1,910	1,837	6,786
Allowance for other receivables	(1,910)	(1,837)	-
Receivables on sale of property, plant and equipment	-	-	43
Allowance for receivables on sale of property, plant and equipment	-	-	-
	882	**320**	**11,793**

As of 31 December 2021, loans were not secured by receivables (31 December 2020: USD 4,091 thousand).

21 PREPAYMENTS AND PREPAID EXPENSES

	31 December 2021	30 June 2021	31 December 2020
Advances paid	5,901	5,968	2,076
Allowances for advances paid	(5,901)	(5,968)	(301)
	-	**-**	**1,775**

22 TAXES RECEIVABLE AND PAYABLE

	31 December 2021	30 June 2021	31 December 2020
Current taxes receivable			
VAT recoverable	539	538	678
Prepayments for other taxes	-	-	35
	539	**538**	**713**
Current taxes payable			
Payable for wages and salaries related taxes	641	617	664
VAT payable	469	360	609
Payables for other taxes	416	384	465
	1,526	**1,361**	**1,738**

23 CASH AND CASH EQUIVALENTS

	31 December 2021	30 June 2021	31 December 2020
Cash in bank	2	2	2
Cash in hand	1	1	-
	3	**3**	**2**

(all amounts in USD thousand, unless otherwise stated)

24 SHARE CAPITAL

	31 December 2021		30 June 2021		31 December 2020	
	%	Amount	%	Amount	%	Amount
Lycaste Holding Limited*	55	249	75	338	75	338
Free float	25	112	25	112	25	112
Management of subsidiaries	20	89	-	-	-	-
	100	**450**	**100**	**450**	**100**	**450**

As of 15 December 2021, Lycaste Holdings Limited transferred 19.8% of total shares as bonus remuneration to the five Management members of Ukrainian subsidiaries.

During the six months ended 31 December 2021, quantity of shares did not change.

25 LOANS AND BORROWINGS

	31 December 2021	30 June 2021	31 December 2020
Non-current loans and borrowings			
Loans received	-	-	35,000
	-	**-**	**35,000**
Deducting current portion of long-term borrowings:			
Current portion of long-term loans and borrowings	-	-	(35,000)
Total non-current loans and borrowings	**-**	**-**	**-**
Current loans and borrowings			
Bank loans	-	-	20,000
Current portion of long-term loans and borrowings	-	-	35,000
Current borrowings	864	864	-
Notes issued	67	61	122
Total current loans and borrowings	**931**	**925**	**55,122**

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

26 LEASE

Lease liabilities

	31 December 2021	30 June 2021	31 December 2020
Due within 1 year	373	362	253
From 1 to 5 years	974	945	904
More than 5 years	931	904	2,323
	2,278	**2,211**	**3,480**

There are fixed payments on these contracts, 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.

Right-of-use assets

	31 December 2021	30 June 2021	31 December 2020
Property, plant and equipment	3,985	4,026	3,479
	3,985	**4,026**	**3,479**

27 PROVISIONS

	31 December 2021	30 June 2021	31 December 2020
Non-current provisions			
Provision for land restoration	994	955	2,135
Dismantling provision	18	17	21
	1,012	**972**	**2,156**
Current provisions			
Provision on tax liabilities	-	-	69
	-	**-**	**69**

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

(all amounts in USD thousand, unless otherwise stated)

28 TRADE AND OTHER PAYABLES

	31 December 2021	30 June 2021	31 December 2020
Trade payables	3,002	3,070	5,149
Interest due	-	-	29,233
Payables for wages and salaries	985	940	957
Payables for unused vacations	36	33	102
Other payables	1,018	1,036	14,141
Advances received	94	145	2,527
Payables for acquisition property, plant and equipment	-	-	35
	5,135	**5,224**	**52,144**

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.

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

	6 months ended 31 December 2021	Year ended 30 June 2021	6 months ended 31 December 2020
Income from sales of finished products, goods	-	660	126
Income from other sales	54	36	54
Purchases of inventories	-	(146)	-

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

	31 December 2021	30 June 2021	31 December 2020
Held-to-maturity investments	-	-	185
Non-current loans issued	-	-	82,528
Current loans issued	-	-	3,313
Allowances for loans issued	-	-	(2,776)
Trade receivables	2	2	1,879
Allowances for trade receivables	(2)	(1)	-
Prepayments made	1,196	1,201	48
Allowances for prepayments made	(1,196)	(1,201)	-
Other receivables	175	219	17
Receivables on sale of property, plant and equipment	(175)	(219)	43
Advances received	-	-	60
Other payables	285	281	2,235
Trade payables	3	3	172

30 CONTINGENT ASSETS AND LIABILITIES

In 2021 the Group has been involved in legal processes regarding non-compliance with the lease agreement terms by CwAL LE “Mine St.Matrona Moskovskaya” due to overdue payables for salaries and related contributions that can affect the Group’s ability to continue as going concern.

31 SUBSEQUENT EVENTS

In February 2022, the Court declined legal claim to the Group, described in the Note 30.

As of 24 February 2022, the Russian Federation launched a large-scale military invasion of Ukraine. Russian missiles began to hit locations across Ukraine as well as Russian ground forces entered the country. As of the date of publication of these financial statements, the Management has no ability to evaluate possible losses caused by invasion factors.