SADOVAYA GROUP S.A.

incorporated as a public limited liability company (société anonyme),
under the laws of the Grand Duchy of Luxembourg,
having its registered office at 412F route d'Esch, L-2086 Luxembourg, the Grand Duchy of Luxembourg

SUPPLEMENT No. 1

dated 7 December 2010

TO THE PROSPECTUS

dated 29 November, 2010

relating to the offering of up to 10,771,423 Shares with a nominal value of USD 0.01 each, in the share capital of Sadovaya Group S.A., and admission of all the issued Offer Shares to trading on the main market of the Warsaw Stock Exchange (the "Prospectus")

including in particular

INTERIM FINANCIAL STATEMENTS

FOR THE 9 MONTHS ENDED 30 SEPTERMBER 2010

This Supplement constitutes a supplement to the prospectus in the meaning of article 13 of the Prospectus Act 2005 (as defined in the Prospectus).

Terms defined in the Prospectus have the same meaning when used in this Supplement. This Supplement is supplemental to, and should be read in conjunction with, the Prospectus dated 29 November, 2010.

Sadovaya Group S.A. accepts responsibility for the information contained in this Supplement. To the best of the knowledge of Sadovaya Group S.A. (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement will be published in the same way as the Prospectus, i.e. on the website of the Issuer www.sadovayagroup.com and of the Co-Lead Manager www.dmbzwbk.pl. In addition, the Supplement shall be published on the website of the Luxembourg Stock Exchange www.bourse.lu.

To the extent that there is any inconsistency between any statement in this Supplement and any other statement in the Prospectus, the statements in this Supplement will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus since the approval of the Prospectus.

The page numbers indicated in the Supplement relates to the numbering of the Prospectus approved by the *Commission de Surveillance du Secteur Financier*.

I. ADDED INTERIM FINANCIAL STATEMENTS FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2010

1. New Section "Shahta Sadovaya Group of Companies Special Purpose Interim Combined Financial Statements – nine months ended 30 September 2010 "

(to be added after page F-92):

Group of companies

“Shahta “Sadovaya”

Special Purpose Interim

Combined Financial Statements

nine months ended 30 September 2010

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Report on Review
of Special Purpose Interim Combined Financial Statements

To the owners of: "Shahta "Sadovaya" LTD, "Shahta "Rassvet-1" LTD, "Volat Trans" PE, "Interinvest" LTD, "Interdon" PE, "Donvostok" LTD, which together comprise the Group of companies "Shahta "Sadovaya".

Introduction

We have reviewed the interim special purpose combined financial statements of the Group of companies "Shahta "Sadovaya" (the Group hereinafter), which comprise the interim special purpose combined statement of financial position as at 30 September 2010, interim special purpose combined income statement and interim special purpose combined statement of comprehensive income, interim special purpose combined statement of changes in equity and interim special purpose combined statement of cash flows for the nine months ended 30 Septemeber 2010, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim special purpose combined financial statements in accordance with the Basis of preparation described in p.2.1 of the accompanying interim special purpose combined financial statements. Our responsibility is to express a conclusion on these interim special purpose combined financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Statements performed by the Independent Auditor of the Entity". A review of interim special purpose combined financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

We have not received sufficient evidence concerning the nature and completeness of the transactions with certain counterparties in respect of the formation of cost of inventories, dividend distribution, prepayments made, trade and other accounts payable. As a result, we are not able to confirm in full the cost of sales in the Group's interim special purpose combined income statement, the amount of dividends in the interim special purpose combined statement of changes in equity for the nine months ended 30 Septemeber 2010. We are also not able to confirm all the amount of prapayments made and not able to confirm that trade and other accounts payable are recorded in full in the interim special purpose combined statements of financial position as at 30 Septemeber 2010.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim special purpose combined financial statements do not give a true and fair view of the financial position of the entity as at 30 Septemeber 2010, of its financial performance and cash flows for the nine months then ended in accordance with the Basis of preparation described in p.2.1 of the accompanying interim special purpose combined financial statements.

Emphasis of matter

Without qualifying our opinion, we draw your attention to the following:

As indicated in Note 2.1. "Basis of preparation", the interim special purpose combined financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board, except for IFRS 3 "Business Combinations".

Interpretation of the transactions described in Note 14 "Provisions, contingent assets and liabilities" by the Ukrainian tax authorities may differ from their understanding by the Group, which may result in additional income tax and value added tax obligations. Ukrainian tax authorities did not make any additional charges in addition to the declared taxes in the submitted tax returns for the nine months ended 30 September 2010. Based on this experience, the Group does not recognize any additional allowances or liabilities, and we are not able to estimate amounts of such additional allowances and liabilities, should they arise in future.

Limitation in use

This report is intended solely for the purpose of incorporation into the prospectus of Sadovaya Group S.A., the parent company of the Group incorporated in Luxembourg (the "Issuer"), which prospectus is to be submitted to the Luxembourg capital markets authority in connection with the proposed public offering of the Issuer's shares and listing at the Warsaw Stock Exchange. This report cannot be distributed to any other counterparty without our written consent.

Managing Partner

"BAKER TILLY UKRAINE" LLP

Alexander Pochkun

17 November 2010

Kiev, Ukraine

Registration # 1616

Special purpose interim combined income statement

for the nine months ended 30 September 2010

(in US dollars)

	Note	The nine months ended 30 September	
		2010 г.	**2009 г.**
Revenue	5	40 756 674	9 385 048
Cost of sales		(29 363 757)	(12 198 215)
Gross profit		**11 392 917**	**(2 813 167)**
Selling and distribution expenses	6	(347 652)	(75 697)
General administrative expenses	7	(609 554)	(372 654)
Other income/(expenses), net	8	(982 660)	(1 424 993)
Operating profit/(loss)		**9 453 051**	**(4 686 511)**
Finance expenses	9	(2 402 842)	(1 657 980)
Finance income		293 090	256 048
Profit/(loss) before tax		**7 343 299**	**(6 088 443)**
Income tax benefit		541 023	697 972
Profit/(loss) for the period		**7 884 322**	**(5 390 471)**

Special purpose interim combined statement of comprehensive income

for the nine months ended 30 September 2010

	The nine months ended 30 September	
	2010 г.	**2009 г.**
Profit for the period	**7 884 322**	**(5 390 471)**
Other comprehensive income		
Exchange differences on translation in presentation currency	231 878	(1 170 555)
Other comprehensive income for the period	**231 878**	**(1 170 555)**
Total comprehensive income for the period	**8 116 200**	**(6 561 026)**

Special purpose interim combined income statement

for the three months ended 30 September 2010
(in US dollars)

	The three months ended 30 September	
	2010 г.	**2009 г.**
Revenue	21 611 381	1 481 730
Cost of sales	(15 626 166)	(3 117 619)
Gross profit	**5 985 215**	**(1 635 889)**
Selling and distribution expenses	(245 333)	(7 867)
General administrative expenses	(207 323)	(106 979)
Other income/(expenses), net	(246 309)	(826 243)
Operating profit/(loss)	**5 286 250**	**(2 576 978)**
Finance expenses	(905 496)	(548 976)
Finance income	98 314	82 442
Profit/(loss) before tax	**4 479 068**	**(3 043 512)**
Income tax benefit	167 793	404 597
Profit/(loss) for the period	**4 646 861**	**(2 638 915)**

Special purpose interim combined statement of comprehensive income

for the three months ended 30 September 2010

	The three months ended 30 September	
	2010 г.	**2009 г.**
Profit for the period	**4 646 861**	**(2 638 915)**
Other comprehensive income		
Exchange differences on translation in presentation currency	(14 983)	(1 471 449)
Other comprehensive income for the period	**(14 983)**	**(1 471 449)**
Total comprehensive income for the period	**4 631 878**	**(4 110 364)**

Special purpose interim combined statement of financial position

as at 30 September 2010

(in US dollars)

	Note	As at 30 September 2010	As at 31 December 2009	As at 30 September 2009
Assets				
Non-current assets				
Property, plant and equipment		30 190 719	31 493 825	32 028 281
Intangible assets		482 952	463 469	471 329
Other financial assets	10	-	-	1 853 612
Deferred tax assets		841 079	718 521	415 118
		31 514 750	32 675 815	34 768 340
Current assets				
Inventories		10 361 827	7 144 660	7 441 686
Trade and other receivables		6 706 989	4 699 338	4 621 553
Prepayments and deferred expenses	11	13 997 766	2 747 764	1 978 084
Income tax prepayment		-	-	3 477
Other financial assets	10	2 251 459	1 940 259	-
Cash and cash equivalents		90 297	39 678	58 677
		33 408 338	16 571 699	14 103 477
Total assets		**64 923 088**	**49 247 514**	**48 871 817**
Equity and liabilities				
Equity				
Share capital		2 778 491	2 778 491	2 140 594
Retained earnings		17 283 058	13 517 875	16 202 672
Revaluation reserve		17 913 566	19 057 707	19 394 212
Effect of foreign currency translation		(8 857 285)	(9 089 163)	(9 192 504)
		29 117 830	26 264 910	28 544 974
Non-current liabilities				
Loans and borrowings		-	1 627	14 355
Employee benefit liability		1 710 756	1 264 114	1 152 624
Provisions	14	932 738	811 499	775 991
Deferred tax liability		6 541 693	7 085 674	6 916 926
		9 185 187	9 162 914	8 859 896
Current liabilities				
Trade and other payables	12	10 589 000	2 885 890	2 213 238
Loans and borrowings	13	15 915 802	10 932 826	9 252 924
Income tax payable		95 588	974	785
Provisions		19 681	-	-
		26 620 071	13 819 690	11 466 947
		35 805 258	22 982 604	20 326 843
Total equity and liabilities		**64 923 088**	**49 247 514**	**48 871 817**

Special purpose interim combined statement of changes in equity
as at 30 September 2010

(in US dollars)

	Share capital	Retained earnings	Revaluation reserve	Effect of foreign currency translation	Total capital
As at 31December 2008	**2 140 594**	**20 147 427**	**21 089 213**	**(8 021 949)**	**35 355 285**
Profit for the period	-	(5 390 471)	-	-	**(5 390 471)**
Other comprehensive income	-	-	-	(1 170 555)	**(1 170 555)**
Depreciation transfer	-	1 695 001	(1 695 001)	-	-
Total comprehensive income	-	**(3 695 470)**	**(1 695 001)**	**(1 170 555)**	**(6 561 026)**
Dividends	-	(249 285)	-	-	**(249 285)**
As at 30 September 2009	**2 140 594**	**16 202 672**	**19 394 212**	**(9 192 504)**	**28 544 974**
As at 31 December 2009	**2 778 491**	**13 517 875**	**19 057 707**	**(9 089 163)**	**26 264 910**
Profit for the period	-	7 884 322	-	-	**7 884 322**
Other comprehensive income	-	-	-	231 878	**231 878**
Depreciation transfer	-	1 144 141	(1 144 141)	-	-
Total comprehensive income	-	9 028 463	(1 144 141)	231 878	**8 116 200**
Dividends	-	(5 263 280)	-	-	**(5 263 280)**
As at 30 September 2010	**2 778 491**	**17 283 058**	**17 913 566**	**(8 857 285)**	**29 117 830**

Special purpose interim combined statement of cash flows

for the nine months ended 30 September 2010

(in US dollars)

	The nine months ended 30 September	
Operating activities	**2010 г.**	**2009 г.**
Profit/(loss) before tax	7 343 299	(6 088 443)
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation and amortization	3 036 934	2 803 077
(Profit)/loss on disposal of property, plant and equipment and intangible assets	(26 169)	356 771
Impairment of receivables	19 175	10 344
Shortages and losses from impairment of inventory	73 987	9 226
Net profit on exchange differences	1 217	(120 404)
Finance expenses	2 402 842	1 657 983
Finance income	(293 090)	(256 050)
Movements in provisions, pensions	454 739	390 132
Working capital adjustments:		
(Increase)/decrease in trade and other receivables and prepayments	(13 173 998)	2 895 200
(Increase)/decrease in inventories	(3 217 813)	1 044 867
Decrease/(increase) in trade and other payables	7 655 633	(359 100)
	4 276 756	**2 343 603**
Interest received	240	3
Income tax paid	(86 678)	(41 286)
Net cash flows from operating activities	**4 190 318**	**2 302 320**
Investing activities		
Proceeds from sale of property, plant, equipment and intangible assets	48 736	58 534
Purchase of property, plant, equipment and intangible assets	(1 491 519)	(2 355 999)
Net cash flows used in investing activities	**(1 442 783)**	**(2 297 465)**
Financing activities		
Proceeds from borrowings	5 098 041	494 961
Repayment of borrowings	(229 094)	(26 878)
Interest paid	(2 290 359)	(1 561 071)
Dividends paid	(5 263 280)	(249 285)
Net cash flows from/(used in) financing activities	**(2 684 692)**	**(1 342 273)**

Net increase in cash and cash equivalents	**62 843**	**(1 337 418)**
Net foreign exchange difference	(12 224)	(9 029)
Cash and cash equivalents at 1 January	39 678	1 405 124
Cash and cash equivalents at 30 September	**90 297**	**58 677**

Notes to the special purpose interim combined financial statements

1. General information

The Group of Companies “Shahta “Sadovaya” (“the Group”) comprises 6 companies, operating in spheres indicated below. These special purpose interim combined financial statements include interim financial statements of the Group’s Companies. Mr. Tolstoukhov A.Y. and Mr. Stetsurin S.N. are ultimate Group’s owners. Note 23 contains detailed information about ownership ratios.

Group’s Company	Country of incorporation	Kind of activity
“Shahta”Sadovaya” LTD	Ukraine	Mining and sale of coal, wholesale of coal
“Shahta”Rassvet-1” LTD	Ukraine	Mining and sale of coal, wholesale of coal
“Volat Trans” PE	Ukraine	Transportation
“Interinvest” LTD	Ukraine	The Company has machinery which is used by the Group
“Interdon” PE	Ukraine	Processing of waste dumps
“Donvostok” LTD	Ukraine	The Company has machinery which is used by the Group

“Shahta”Sadovaya” LTD is an enterprise registered on 7 June 1995 as “Olvin Trade” LTD. In 2007 name of the company was altered to “Shahta”Sadovaya” LTD. Today “Shahta”Sadovaya” LTD is a highly-developed company, which operates in such areas as mining of Anthracite rank coal, processing and wholesale of coal. Today the Company has 7 coal beds, with general quantity of inventories equalling to– 33 mln. tonnes of coal. The Group employs more than 800 employees. Mining is carried out under the ground. There are 3 production and 8 development faces.

“Shahta”Rassvet-1” LTD has been founded on the bases of “Shahta”Rassvet-1” State OJSK GP SHC "Zhovtenvuhillya" and was registered on 18 May 2007. Basic activity of the Company is mining and coal cleaning. The Company does not have its own processing plant, that’s why in future it plans to buy a dry cleaning coal machine, that will give possibility to dispatch qualitative coal in competitive prices.

“Volat Trans” PE was founded on 25 January 2006. Basic type of services rendered is lease of vehicles. In 2008 there was a significant increase in property, plant and equipment that allows to develop scope of work and to take competitive position at the market. Today companies comprising the Group are principal contractors for the Enterprise.

“Interinvest” LTD was founded on 24 October 2002. The Company has machinery which is used by the Group.

“Interdon” PE was registered on 12 May 1997. The Company processes waste dumps and trades with coal.

“Donvostok” LTD was founded on 05 March 2007. The Company has machinery which is used by the Group.
Property of the Group, and its management are concentrated in Ukraine. Head office is located in Alchevsk, 6 Moskovskaya street.

2.1 Basis of preparation

This report is intended solely for the purpose of incorporation into the prospectus of Sadovaya Group S.A., the parent company of the Group incorporated in Luxembourg (the "Issuer"), which prospectus is to be submitted to the Luxembourg capital markets authority in connection with the proposed public offering of the Issuer's shares and listing at the Warsaw Stock Exchange.

The special purpose interim combined financial statements have been prepared on a historical cost basis, except for property, plant and equipment and available-for-sale financial assets at fair value. The special purpose interim combined financial statements are presented in US dollars and all values are rounded to the whole number except when otherwise indicated.

Essential accounting estimates, valuation figures and assumptions, used for preparation of the interim combined financial statements were described in the Note 3.

Statement of compliance

The special purpose interim combined financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), except for IFRS 3 "Business combination".

Basis of combination

The Group comprises the Companies, which are under the common control of the majority ultimate owners, but are not connected by the formal structure and have no single parent company. The special purpose interim combined financial statements were prepared for the purpose of the presentation of combined balances and transactions results, which show that the Group is under the common control of the majority ultimate owners.

Business combination, which includes the Companies under the common control is not regulated by IFRS 3 "Business combination", therefore financial statements were prepared by means of summarising of the share capital, assets, liabilities, revenues and expenses of the Companies, which are under the common control of the majority ultimate owners. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Accounting policies of the Group of companies were changed for the purpose of complying with the accounting policy accepted by the Group.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

2.2 Summary of significant accounting policies

a) Foreign currency translation

Functional currency for the all the Group's entities is the Ukrainian Hrivnia ("UAH").
Presentation currency of the special purpose interim combined financial statements is the US Dollar.
The principal UAH exchange rates used in the preparation of special purpose interim combined financial statements are as follows:

31 December 2008	Average for 9 months 2009	30 September 2009	31 December 2009	Average for 9 months 2010	30 September 2010
7,7	7,73	8,01	7,99	7,94	7,91

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

ii) Translation into presentation currency

The results and financial position of all the Group entities are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the official rate at the date of the balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates on the dates of the transactions;

(c) share capital is translated at historical exchange rate;

(d) revaluation reserve is translated at historical exchange rate;

(e) all resulting exchange differences are recognized as a separate component of other comprehensive income;

(f) line items of the interim statement of cash flows are translated at average exchange rates of the appropriate reporting period.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. The moment of the risk's and property passing is defined according with the conditions of the contract.

Rendering of services

Revenue from the rendering services is recognised by reference to the stage of completion. The revenue includes freight services, operating lease and others.

Interest income

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

c) Taxes

Current income 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. In Ukraine the income tax rate is 25%.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. 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.

Deferred tax

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

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

where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

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

where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Value added tax

Revenues, expenses and assets are recognised net of the amount of VAT except for:

where the value added tax arising on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;

receivables and payables are measured with the amount of VAT included.

d) Property, plant and equipment

Property, plant and equipment are measured at fair value, net of accumulated depreciation and/or accumulated impairment losses, recognised after the date of revaluation. Revaluation is conducted with sufficient frequency to provide confidence that fair value of a revalued asset does not differ materially from its carrying amount, but at least every 3 years.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is recalculated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals to its revalued amount.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings	20 to 50 years
- Machinery	5 to 12 years
- Vehicles	4 to 7 years
- Furniture, fittings and equipment	3 to 7 years
- Others	3 to 10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included to the other incomes (expenses) in the income statement when the asset is derecognised.

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

Construction–in-progress includes expenses connected with construction, creating of necessary infrastructure and machinery. Finance costs incurred during the construction which is financed due to debt funds are included to construction-in-progress costs. Charge of depreciation starts from the moment when an asset is ready for service.

e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in other expenses in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Amortization is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Rights and licenses	5 to 20 years
- Software	3 to 5 years
- Other intangible assets	3 to 5 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income in other income (expenses) when the asset is derecognised.

f) Leases

The determination of whether the contract is, or contains criteria of a lease is based on the substance of the contract as at the date when contract commences, one should determine, whether fulfilment of the contract is dependent on the use of a specific asset or assets and whether the contract conveys a right to use the asset.

Group as a lessee

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Group as a lessor

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

g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest calculated using effective interest rate method, financial expenses, relating to financial lease, exchange differences, connected with borrowings in foreign currency, to the extent they compensate for reduction of interest costs.

Income, received from investing of borrowing of funds for acquisition of qualifying assets is deducted from the borrowing costs.

All others borrowing costs are recognised in gains and losses as incurred.

h) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

The Group determines the classification of its financial assets on initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the income statement in finance costs.

Impairment costs are recognised in other operating expenses in the statement of comprehensive income. When the Group calculates impairment it uses a service account of valuation reserve.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

The Group evaluated its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and managements intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity.

The reclassification to instruments held to maturity is permitted only when the entity has the ability and intent to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR.

If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired.

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

The EIR amortisation is included in finance cost in the income statement.

Derecognition

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

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

iii) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

When term of overdue payment on an individually insignificant financial asset exceeds 180 days, the Group impairs it on 50%. When term of overdue payment is more than 360 days – impairment is on the whole amount.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement in other expenses. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in other operating expenses in the income statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income.

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the special purpose combined statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 18.

j) Advance payments

Advance payments are stated at cost, net of value added tax and impairment reserve. Prepayments made refer to intangible assets, when goods and services prepaid will be received in a year or later, or when advances are referred to an asset, which after initial recognition will be referred to intangible assets. Advance payments for acquisition of assets are referred to the carrying amount of the asset when the Group receives control and it is probable that the Group will receive future economic benefits, relating to these assets. When there is evidence that assets, goods and services will not be received, carrying amount of advance payments reduces and appropriate impairment loss refers to the financial result.

k) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The writing-off of inventories is reflected on FIFO basis.

l) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

m) Obligations on employee benefits

i) Defined contribution plans

The Group makes definite payments to the Social insurance fund for temporary disability, Pension Fund and National Social Insurance Fund of Ukraine in case of unemployment for benefit of the employees. Payments are calculated as an interest of current gross amount of wages and salaries and are recognised in expenses as incurred.

ii) Defined benefit plans

Some Group's companies take part in state defined benefit plan which provides early retirement of employees, who work with hazardous and dangerous work conditions.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans. The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

Net expenses (incomes) of plan are recognised in sales cost.

n) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash in banks and in hand.

o) Accounts payable

Accounts payable are accounted at the fair value of the consideration due to in future for goods and services which were received.

p) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Land restoration and abandoning of mines

The Group has environmental protection obligations which connected with operating activity in the past and necessity of restoration of its mines. According to the Code of Mineral Resources, Land Code of Ukraine, Mining Law, Law of Protection of Land and other legislation documents, the Group is responsible for site restoration and soil rehabilitation upon abandoning of its mines.

Obligations on environmental activity costs are recognised when there is probability of liquidation of damage for the environment from the Group's activity, outflow of economic benefits, which is required for settlement of the obligation, is probable and reliable assessment of this obligation can be received. Charged amount is the most exact assessment of expenses, necessary for regulation of this obligation at the end of the reporting period.

Provisions are assessed at the present value of expenses, which can appear for settlement of obligations by use of rate, which reflects current market assessment of the risks connected with these obligations. Changes in provision on processing waste dump are recognised in coal mining cost. Amount of provision on mine abandon and dismantling of machinery are included to the initial value of asset after its recognition. Increasing of provisions is recognised by charging interests expenses.

3. Significant accounting judgments, estimates and assumptions

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revaluation of property, plant and equipment

The Group measures its property, plant and equipment at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair value as at 31 December 2008. Comparative method was used for valuation of the machinery, substitution method – for valuation of buildings. It stems from lack of the comparable market information resulting from nature of the property.

Impairment of non-financial 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 cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Net realisable value of inventories

Inventories are written down to net realisable value item by item. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held. The net realisable value of the quantity of inventory held to satisfy firm sales or service contracts is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realisable value of the excess is based on general selling prices.

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Pension benefits

The cost of defined benefit pension plans is determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include 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.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about the assumptions used are given in Note 24.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement 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 reported fair value of financial instruments.

4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issue of the Group's special purposes interim combined financial statements are listed below.

IFRS 7 Financial Instruments: Disclosures - Financial instrument disclosure exemptions - the amendments to the transitional provisions (effective from 1 July 2010);

IFRS 9 Financial Instruments: Classification and Measurement - phase 1 of the accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement (effective from 1 January 2013);

IAS 24 Related Party Disclosure - a revised version of the standard that clarifies and simplifies the definition of a related party (effective from 1 January 2011);

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - this amendment will allow entities that were subject to minimum funding requirements and could not treat any surplus in a defined benefit pension plan as an economic benefit, to recognize a prepayment of pension contributions as an asset rather than an expense (effective from 1 January 2011);

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments - clarifications to the treatment of financial liabilities that are settled with equity instruments (effective from 1 July 2010);

IFRS 3 Business Combinations - Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS; Measurement of non-controlling interests; Un-replaced and voluntarily replaced share-based payment awards (effective from 1 July 2010);

IFRS 7 Financial Instruments: Disclosures - Clarifications of disclosures (effective from 1 January 2011);

IAS 1 Presentation of Financial Statements - Clarification of statement of changes in equity (effective from 1 January 2011);

IAS 27 Consolidated and Separate Financial Statements - Transition requirements for amendments made as result of IAS 27 application (effective from 1 July 2010).

5. Revenue

Increase of revenue of the Group for the nine months 2010 amounting to USD 31 371 626 in comparison with the same period 2009 is due to following factors:

- in 2009 the Group companies lost its' positions at coal production market and only in 2010 number of new agreements were concluded which is resulted in increase of Group's share of coal sold and in extending of outlet;

- in 2009 production capacity of "Shahta"Rassvet-1" LTD were not brought into coal production and processing, but preparatory work was conducted . In 2010 company sold three ranks of coal (Tr-0-200, T-0-100, ASh), which is resulted in significant increase of Group's revenue.

6. Selling and distribution expenses

Increase of selling and distribution expenses for the nine months 2010 amounting to USD 271 955 in comparison with the same period in 2009 is due to increase of number of products sold. These expenses include charges for delivery and use of railway wagons and loading of finished coal products.

7. General administrative expenses

Increase of general administrative expenses for the nine months 2010 amounting to USD 236 900 in comparison with the same period in 2009 is due to additional employing management staff in 2010 and increasing of share of legal and other professional services.

8. Other income/(expenses), net

Decrease of other income/(expenses) for the nine months 2010 amounting to USD 442 333 in comparison with the same period in 2009 is due to reduction of downtime costs and decreasing of transactions with foreign counterparties, which resulted in a decline in income from the sale of foreign currency.

9. Finance expenses

The reason of increase of financial expenses accrued for the nine months of 2010 amounting to USD 744 862 in comparison with the same period in 2009 is due to extension of balances of bank loans of "Shahta"Rassvet-1" LTD.

10. Other financial assets

Other non-current financial assets as at 30 September 2009 and other current financial assets as at 30 September 2010 comprise receivables of "Thermal Power Plant-2" ESHAR" SE which were acquired from "Atomenergokomplekt" OJSC and "Harimpecs" OJSK in December 2007. From the date of acquisition of this financial instrument and on the date of confirmation of these financial statements The Law of Ukraine "On measures aimed at safeguarding the stable functioning of the fuel and energy complex enterprises" №2711-IV dated 23.06.05 is effective, which relieves fuel and energy complex enterprises from discharge of obligations up to 01 January 2011.

This obligation is accounted at amortized cost. Effective interest rate is 20%.
The Group expects that receivables will be discharged in whole amount in January 2011 and provision for impairment wasn't charged.

11. Prepayments and deferred expenses

Increase of prepayments payables as at 30 September 2010 in comparison with 30 September 2009 is mainly due to payment of advances to suppliers amounting to USD 10 707 604 for residue used in coal production.

In 2010 the Group lead preparatory work in longwall for future coal output. Costs charged due to these works are recognized as deferred expenses and will be included into current expenses at the moment of production and selling of finished goods. For the nine months 2010 such deferred expenses were equal to USD 1 086 846 (2009: USD 64 465).

12. Trade and other payables

Increase of trade and other payables as at 30 September 2010 in comparison with 30 September 2009 in amount of USD 7 938 350 is mainly due to increase in purchases of raw materials used in coal mining activities.

13. Loans and borrowings

Increase of liabilities of the Group as at 30 September 2010 in comparison with 30 September 2009 in amount USD 6 662 878 is mainly due to additional financing in UAH of "Shahta"Rassvet-1" LTD according to the loan contract # 121009-KLTM with PJSC "BankCreditDnepr". The amount of trenches under the contract for the period from 30 September 2010 to 30 September 2010 was amounting to USD 6 068 268, the interest rate under the contract is 25% and the maturity date is 25 December 2010.

14. Provisions, contingent assets and liabilities

Provisions

As at 30 September 2010 provision for land reclamation and abandoning of mines is charged in amount USD 932 738 (31 December 2009: USD 811 499; 30 September 2009: USD 775 991) due to mining activity of the Group in the result of which liabilities arise for mine closing and dismantling, and reclamation of land, balance of which was disrupt by underground works and waste dumps.

Contingent tax liabilities in Ukraine

Ukrainian tax system and legislation are fairly new and are characterized by a great number of taxes and frequent changes in the legislation which are often ambiguous, inconsistent and are subject to controversial interpretations by different executive and legislative power bodies entitled to impose significant fines and penalties. All listed creates a taxation risk exposure which considerably exceeds that of the countries with more advanced tax systems.

Tax consequences of business transactions for the purpose of Ukrainian statutory taxation are often determined by the form in which those transactions are documented and reflected based on the requirements stipulated by the Ukrainian Accounting Standards. Accordingly the Group carries out a number of operations aimed at effective taxation rate optimization. In the process of special purpose combined financial statements' preparation, in order to render the economic essence of those operations, the Group's financial position and performance, the Group's management reflected actual revenue and costs receivables and payables.

The Management proceeding from their interpretation of the tax legislation official documents and court decisions think that keeping records of business transactions by the Group is sufficient for confirming its tax returns by the taxation authorities. In connection with the above at 30 June 2010, 2009 the Management did not create any provisions for the payment of potential tax liabilities. However should the controlling authorities classify such transactions as subject to taxation and apply such classification to the companies of the Group, actual taxes and penalties may differ from the Management assessment.

15. Events after the reporting date

On 11 October 2010 company of the Group “Shahta”Rassvet-1” LTD concluded an additional agreement of loan contract # 121009-KLTM with PJSC “BankCreditDnepr” about increasing of credit limit to USD 7 711 757, maturity date was appointed on 1 April 2010.

On 11 October 2010 company of the Group “Shahta”Sadovaya” LTD concluded an additional agreement of loan contract supporting overdraft # 290509-O with PJSC “BankCreditDnepr” according to which maturity date established on 1 April 2010.

On 5 October 2010 company of the Group “Shahta”Sadovaya” LTD concluded an additional agreement of loan contract # 050906-L with PJSC “BankCreditDnepr” according to which maturity date established on 1 April 2010.

Fines and penalties

In October 2010, entities of the Group were inspected by Alchevsk State Tax Inspectorate to confirm the accuracy of calculation and payment of taxes. During the inspection some violations of tax accounting were identified at companies “Shahta”Sadovaya” and “Shahta”Rassvet-1”. As the result of tax audit these two enterprises were fined. The total amount of fines is USD 79 457.

Business combination

In October 2010 Sadovaya LLC (Cyprus) purchased corporate rights in six Ukrainian companies (“Shahta”Sadovaya” LTD, “Shahta”Rassvet-1” LTD, “Volat Trans” PE, “Interinvest” LTD, “Interdon” PE, “Donvostok” LTD). Changes to memorandums of Ukrainian companies were registered on 5 October 2010. Earlier Sadovaya Group S.A. (Luxemburg) received payment-free shares of a set up company Sadovaya LLC (Cyprus), with declared, but unpaid share capital in amount of USD 215 000. As a result of above mentioned operations business combination was performed and Sadovaya Group S.A. (Luxemburg) became a parent company.

II. CHANGES TO THE PROSPECTUS RESULTING FROM ADDING INTERIM 9 MONTH FINANCIAL STATEMENTS

1. Section "Business Description - Significant change in the Issuer's position since the date of the last interim financial information"

As a result of adding the interim financial statements for the 9 months ended 30 September 2010 the following wording is amended in section "Business Description - Significant change in the Issuer's position since the date of the last interim financial information":

a) Title

Previous wording:

"Significant change in the Issuer's position since the date of the last interim financial information":

New wording:

"Significant change in the Issuer's position during the period covered by the latest interim financial information":

b) First and second paragraphs (above the table with Income statement summary)

Previous wording:

The key financial indicators provided below present the change in the financial and trading position of the Group since end of June 2010 which is the end of the last financial period for which interim financial information have been included in the Prospectus. The summary financial data presented below refer to the financial period ended on September 30, 2010 with comparable data for 2009.

The financial data is sourced from unaudited management combined IFRS accounts as of 30 September 2010.

New wording:

The key financial indicators provided below present the change in the financial and trading position of the Group since end of June 2010. The summary financial data presented below refer to the financial period ended on September 30, 2010 with comparable data for 2009.

The financial data is sourced from reviewed combined IFRS financial statements as of 30 September 2010, included on pages F-93 and following of the Prospectus.

c) Third paragraph (below the table with Balance sheet summary)

Previous wording:

The management combined accounts as of 30 September 2010, from which the above data is sourced, have been prepared in accordance with IFRS and have not yet been audited. The accounts are currently being audited and will be published as soon as the audit report relating to the accounts is available. If the audited accounts are available between the date of this Prospectus and the time when trading on the WSE begins, the audited accounts will be included in a supplement to this Prospectus and published in the same manner as this Prospectus.

New wording:

The interim combined financial statements as of 30 September 2010, from which the above data is sourced, have been prepared in accordance with IFRS and have been reviewed by BakerTilly Ukraine LLC, with its seat at Fizkultury Street, Kyiv 03680, Ukraine. The report from review is attached to the Prospectus on pages F-93 and following.

III. CORRECTION OF OBVIOUS MATHEMATICAL ERROR

1. Incorrect sum in the dilution tables

The sum of number of existing shares and number of Offer Shares has been caclulated incorrectly.

a) Section "Principal Shareholder - Dilution" (page 95):

Previous wording:

Dilution

The tables below indicate the Company's shareholding structure as at the date of this Prospectus and after the Offering:

	Shares owned prior to the Offering		**Shares owned after the Offering[1]**	
Shareholder	**Number of shares**	**%**	**Number of shares**	**%**
Connektico Ventures Limited.....	32,314,270	100	32,314,270	75
Public	-	-	10,771,423	25
Total	32,314,270	100	43,097,603	100

(1) Assuming that all the Offer Shares are subscribed in the Offering;

New wording:

Dilution

The tables below indicate the Company's shareholding structure as at the date of this Prospectus and after the Offering:

	Shares owned prior to the Offering		**Shares owned after the Offering[1]**	
Shareholder	**Number of shares**	**%**	**Number of shares**	**%**
Connektico Ventures Limited.....	32,314,270	100	32,314,270	75
Public	-	-	10,771,423	25
Total	32,314,270	100	43,085,693	100

(1) Assuming that all the Offer Shares are subscribed in the Offering;

b) Section "The Offering and Plan of Distribution - Dilution" (page 105):

Previous wording:

Dilution

Upon completion of the Offering the amount and percentage of the immediate dilution of the Issuer's Shares will be as follows, assuming all Offer Shares are sold:

Shareholders	Number of Shares	Percentage
Shares held by the Principal Shareholder	32,314,270	75%
Offer Shares	10,771,423	25%
Total	43,097,603	100%

New wording:

Dilution

Upon completion of the Offering the amount and percentage of the immediate dilution of the Issuer's Shares will be as follows, assuming all Offer Shares are sold:

Shareholders	Number of Shares	Percentage
Shares held by the Principal Shareholder	32,314,270	75%
Offer Shares	10,771,423	25%
Total	43,085,693	100%