

Opinion of an statutory auditor

for the General Meeting of Shareholders and Supervisory Board of KOPEX SA

Opinion on the financial statements

We have audited the accompanying financial statements of KOPEX SA (hereinafter „the Company”) with its registered office in Katowice, 1 Grabowa Street, which comprise the statement of financial position as at 31 December 2016 r, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 1 January to 31 December 2016, as well as additional information on adopted accounting policies and other explanatory notes.

Responsibility of the Management Board and Supervisory Board members

The company's Management Board is responsible for the preparation and fair presentation the financial statements in accordance with international financial reporting standards approved by the European Union and for drawing up the report and for the correctness of the accounts in accordance with applicable regulations. The Board of Directors is also responsible for internal control, which it considers necessary for the preparation of the financial statements contain a material distortion caused by fraud or error.

The Management Board and the Supervisory Board members are obliged to ensure that the financial statements and the report on the activities of the units comply with the requirements provided for in the Act of 29 September 1994 on accounting („ Act on accounting " - Journal of Laws of 2013, pos. 330 as amended).

The liability of the statutory auditor

We are responsible for expressing an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the provisions of Chapter 7 of the Accounting Act and in accordance with International Standards on Auditing adopted by the National Auditing Standards by the resolution of the National Council of Statutory Auditors of February 2015. These standards require respecting ethical requirements and planning and carrying out the audit in such a way that, to obtain reasonable assurance that the financial statements are free from material misstatement.

The audit consisted of carrying out procedures to obtain evidence of the audit of amounts and disclosures in the financial statements. The selection of procedures depends on the auditor's judgment, including the risk assessment of material misstatement of the financial statements, whether due to fraud or error. When assessing that risk, the auditor takes into consideration the internal control function, in terms of the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances and not an expression of the internal control effectiveness of the entity. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide an audit opinion

Opinion

In our opinion, the attached financial statements:

- a. provides a fair and clear view of the Company's financial position as at 31 December 2016 and its financial result and cash flows for the period from 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the European Union and adopted accounting policies;
- b. is consistent in form and content with the Company's legal regulations, including the requirements of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the laws of a non-Member State ("Regulation" - Journal of Laws of 2014, item 133, as amended) and the Company Statute;
- c. have been prepared from accounting records that have been properly maintained

Report on other legal requirements and regulations

Opinion on the activity report

Our opinion on the audit of the financial statements does not include the report on the Company's activities.

The Management Board of the Company is responsible for drawing up the activity report in accordance with the Accounting Act and the Regulation. In addition, the Management Board and members of the Supervisory Board are required to ensure that the activity report meets the requirements of the Accounting Act.

Our responsibility was to review the report, due to auditing the financial statements, and to consider whether the information contained therein is consistent with the provisions of art. 49 of the Accounting Act and the Regulations and whether they are consistent with the

information in the attached financial statements. Our obligation was also to consider, basing on our knowledge about the entity and its environment acquired during the audit of the financial statements, whether the report does not contain material misstatement.

In our opinion, the information included in the report on the Company's activity for the financial year from 1 January to 31 December 2016 takes into account the provisions of Art. 49 of the Accounting Act and the Regulations and are consistent with the information contained in the audited financial statements.

Moreover, in the light of our knowledge of the Company and its surroundings obtained during our audit, we did not find significant distortions in the activity report.

In connection with the audit of the financial statements, it was also our duty to review the Company's statement of corporate governance, which constitutes a separate section of activity report. In our opinion, in this statement the Company has entered information required in accordance with the scope set out in the Regulation and the information specified in the Regulation comply with the applicable regulations and information contained in the financial statements.

Conducting the audit on behalf of PricewaterhouseCoopers sp. z o.o., Registered Audit Company No. 144:

Tomasz Reinfuss

Key Certified Auditor

Registration number 90038

Katowice, 28 April 2017

KOPEX SA

**Report on the audit of the financial statements for the financial year
from 1 January to 31 December 2016**

Report on the audit of the financial statements for the financial year from 1 January to 31 December 2016

for the General Meeting of Shareholders and Supervisory Board of KOPEX SA

This report contains 9 pages and consists of the following sections:

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KOPEX SA

Report on the audit of the financial statements for the financial year from 1 January to 31 December 2016

I. General characteristics of the Company

- a. Registered seat of KOPEX SA („the company”) is in Katowice, 1 Grabowa Street.
- b. Articles of Association were drafted in the form of notarial deed in the notarial office of Teresa Janeczko in Warsaw on 19 November 1993 and they registered in repertorium and at number 3997 / 93. On 12 July 2001 VIII Regional Court in Katowice the Commercial Division of the National Court Register carried the entry of the Company in the register of entrepreneurs out at the number KRS0000026782.
- c. For the purposes of settlements on account of taxes a number was assigned the Company 634-01-26-849 NIP, and for statistical purposes the individual received REGON number 271981166.
- d. The share capital of the Company as at 31 December 2016 amounted to PLN 74,333 thousand. PLN and consisted of 74,332,538 shares of nominal value and PLN 00 each. Equity at that date amounted to PLN 42,656 thousand.
- e. As at 31 December 2016, the Company's shareholders were:

| Name of shareholder | Number of shares held | Nominal share value (PLN) | Type of shares held | % of votes |
|---|-----------------------|---------------------------|---------------------|---------------|
| Tomasz Domagała (indirectly through subsidiaries) | 48,655,515 | 48,655,515 | ordinary | 65.83 |
| Other shareholders | 25,400,918 | 25,400,918 | ordinary | 34.17 |
| | 74,332,538 | 74,332,538 | | 100.00 |

As at 31 December 2015, the Company's shareholder were:

| Name of shareholder | Number of shares held | Nominal share value (PLN) | Type of shares held | % of votes |
|--|-----------------------|---------------------------|---------------------|---------------|
| Krzysztof Jędrzejewski | 43,586,675 | 43,586,675 | ordinary | 58.64 |
| TDJ SA (indirectly through subsidiaries) | 7,433,000 | 7,433,000 | ordinary | 9.99 |
| ING OFE | 4,029,002 | 4,029,002 | ordinary | 5.42 |
| Other shareholders | 19,283,861 | 19,283,861 | ordinary | 25.95 |
| | 74,332,538 | 74,332,538 | | 100.00 |

- f. On 8 December merger of the company KOPEX SA with KOPEX Machinery SA, Zabrzeńskie Zakłady Mechaniczne — Maszyny Górnicze sp. z o.o., Fabryka Maszyn i Urządzeń TAGOR SA and KOPEX Hydraulika Siłowa sp. z o.o. took place.
- g. During the period considered, the Company's business was:
 - holding activity for the KOPEX SA Capital Group,
 - manufacture of machinery and equipment used in the mining industry,
 - general contracting of complete investment projects in mining.

I. General characteristics of the Company (continued)

h. As at the date of signing this report, the members of the Management Board of the Company are:

- Beata Zawiszowska President of the Management Board from 16 December 2016
- Bartosz Bielak VicePresident of the Management Board from 16 December 2016

i. During the financial year, the Company's Management Board members were:

- Piotr Broncel Member of the Management Board from 14 September 2016
- Dariusz Pietyszuk President of the Management Board from 11 August to 15 December 2016
- Henryk Jurczyk Member of the Management Board from 1 June to 15 December 2016
- Dariusz Pietyszuk Member of the Supervisory Board delegated to perform as the President of the Management Board from 10 May to 15 December 2016
- Magdalena Nawłoka Member of the Management Board from 10 May to 15 December 2016
- Joanna Węgrzyn Member of the Management Board to 1 February 2016
- Krzysztof Zawadzki Member of the Management Board from 1 February to 10 May 2016
- Bogusław Bobrowski President of the Management Board from 12 January to 10 May 2016
- Marek Uszko Member of the Management Board from 12 January to 10 May 2016
- Józef Wolski President of the Management Board to 12 January 2016
- Andrzej Meder Member of the Management Board to 12 January 2016
- Michał Rogatko Member of the Management Board to 11 January 2016

j The entities related to the Company as at the balance sheet date are companies belonging to the KOPEX SA Capital Group and the TDJ SA Capital Group, as well as the companies associated through the main shareholder.

k. The company is the issuer of securities admitted to trading on the Stock Exchange Securities in Warsaw. With the choice of accounting policies laid down by the provisions of the accounting Act, as from 1 January 2005, the company prepares financial statements in accordance with international financial reporting standards (IFRS) approved by the European Union.

The decision on the drawing up of financial statements of the company in accordance with these standards has been taken by the General Assembly by resolution No. 27 of 21 April 2005.

l. The company, as a parent in the Group has drawn up also, under date of 28 April 2017 the consolidated financial statements in accordance with IFRS as approved by the European Union. In order to understand the financial position and results of operations of the company as the parent's separate financial statements should be read in conjunction with the consolidated report.

II. Information on the audit carried out

- a. The audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers sp. z o.o. based in Warsaw, Al. Armii Ludowej 14, Registered Audit Company No. 144 . On behalf of the authorized entity, the audit was conducted under the supervision of the key certified auditor Tomasz Reinfuss (registered number 90038).
- b. PricewaterhouseCoopers sp. z o.o. was selected as the auditor of the Company by the Resolution No 79/VI/2015 of the Supervisory Board dated 7 December 2015 according to Par 33 Cl 1 of the Company's Articles of Association.
- c. PricewaterhouseCoopers sp. z o.o and the key certified auditor conducting the audit are independent of the audited entity within the meaning of Art. 56 Cl. 2-4 of the Act of 7 May 2009 on certified auditors and their self-government, entities authorized to audit financial statements and public supervision (Journal of Laws of 2016, item 1000, as amended).
- d. The audit was conducted on the basis of the agreement dated 29 February 2012:
 - preliminary audit from 1 to 30 November 2016
 - final audit from 1 March to 28 April 2017

The Audit was conducted in accordance with International Standards on Auditing adopted as National Standards on Auditing by the Resolution of National Council of Statutory Auditors dated 10 February 2015. The scope of the audit was influenced by the assumed materiality level. In accordance with the above standards, the materiality concept is used by the certified auditor both in planning and conducting the audit, as well as in assessing the impact identified during the distortion test and corrected distortions, if any, on the financial statements, and in the formulation of the opinion in the auditor's report.

The study has been designed to provide reasonable assurance if the financial statements as a whole is free from material misstatement. Distortions may result from errors or fraud. Distortions are considered material when it can reasonably be expected that individually or collectively they could influence the user's economic decisions taken on the basis of the financial statements.

On the basis of professional judgment, quantitative thresholds have been established and documented, including the overall relevance of the financial statements as a whole. These thresholds, together with qualitative factors, influenced the definition of the scope of the study, the nature, timing and extent of the examination procedures, and the impact assessment of the distortion, both individually and collectively on the financial statements as a whole. Accordingly, all statements contained in the auditor's report, including other legal and regulatory requirements, are expressed taking into account the materiality determined in accordance with the standards of the auditor and the auditor's judgment.

KOPEX SA
Report on the audit of the financial statements for the financial year from 1 January to 31 December 2016
III. Characteristics of the results, the entity's financial position and material items of the financial statements
STATEMENT OF FINANCIAL POSITION (selected items)

| | 31 Dec 2016 | | 31 Dec 2015* | | Changes | | Structure | |
|-------------------------------------|----------------|------------------|------------------|---------------|---------------|---------------|-----------|-----|
| | PLN thou | PLN thou | PLN thou | PLN thou | (%) | (%) | (%) | (%) |
| ASSETS | | | | | | | | |
| Fixed assets | 411,347 | 1,115,214 | (703,867) | (63.1) | 41.3 | 59.7 | | |
| Current assets | 566,785 | 736,747 | (169,962) | (23.1) | 56.9 | 39.4 | | |
| Fixed assets held for sale | 18,146 | 16,157 | 1,989 | 12.3 | 1.8 | 0.9 | | |
| Total assets | 996,278 | 1,868,118 | (871,840) | (46.7) | 100.00 | 100.00 | | |
| LIABILITIES AND EQUITY | | | | | | | | |
| Equity | 42,656 | 937,894 | (895,238) | (95.5) | 4.3 | 50.2 | | |
| Long-term liabilities | 596,042 | 50,013 | 546,029 | 1,091.8 | 59.8 | 2.7 | | |
| Short-term liabilities | 357,580 | 880,211 | (522,631) | (59.4) | 35.9 | 47.1 | | |
| Total equity and liabilities | 996,278 | 1,868,118 | (871,840) | (46.7) | 100.00 | 100.00 | | |

PROFIT AND LOSS ACCOUNT (selected items)

| | 2016 | | 2015* | | Changes | | Structure | |
|---|------------------|------------------|------------------|--------------|----------------|---------------|-----------|-----|
| | PLN thou | PLN thou | PLN thou | PLN thou | (%) | (%) | (%) | (%) |
| Net revenue from sales of products, trade goods and materials | 482,794 | 668,495 | (185,701) | (27.8) | 100.00 | 100.00 | | |
| Cost of products, trade goods and materials sold | (548,224) | (691,011) | 142,787 | (20.7) | (113.6) | (103.4) | | |
| Gross loss on sales | (65,430) | (22,516) | (42,914) | 190.6 | (13.6) | (3.4) | | |
| Net loss | (895,844) | (348,927) | (546,917) | 156.7 | (185.6) | (52.2) | | |

STATEMENT OF COMPREHENSIVE INCOME (selected items)

| | 2016 | | 2015* | | Changes | | Structure | |
|-------------------------------|-----------|-----------|-----------|----------|---------|--------|-----------|-----|
| | PLN thou | PLN thou | PLN thou | PLN thou | (%) | (%) | (%) | (%) |
| Net loss | (895,844) | (348,927) | (546,917) | 156.7 | (185.6) | (52.2) | | |
| Total other revenue after tax | 730 | 1,962 | (1,232) | (62.8) | (0.2) | (0.3) | | |

| | | | | | | |
|--------------------------|-----------|-----------|-----------|-------|---------|--------|
| Total comprehensive loss | (895,114) | (346,965) | (548,149) | 158.0 | (185.4) | (51.9) |
|--------------------------|-----------|-----------|-----------|-------|---------|--------|

*restated

III. Characteristics of the results, the entity's financial position and material items of the financial statements (continued)

Selected indicators characterizing the Company's financial position and financial results

The Company's economic activity, its financial result for the fiscal year and the financial position as at the balance sheet date as compared to the preceding periods are characterized by the following ratios:

| | 2016 | 2015 * |
|------------------------------------|-------------|--------------|
| Activity ratios | | |
| - receivables turnover | 239 days | 158 days |
| - stock turnover | 74 days | 82 days |
| Profitability ratios | | |
| - net sales profitability | (186)% | (52)% |
| - gross sales profitability | (1)% | 9% |
| - overall profitability of capital | (183)% | (31)% |
| Debt ratios | | |
| - debt rate | 96% | 50% |
| - liabilities turnover | 57 days | 63 days |
| | 31 Dec 2016 | 31 Dec 2015* |
| Liquidity ratios | | |
| - liquidity ratio I | 1.6 | 0.8 |
| - liquidity ratio II | 1.4 | 0.7 |

*calculations based on restated data

The above ratios were calculated on the basis of the financial statements.

The purpose of the study was not to present the unit in terms of performance and performance. Detailed interpretation of indicators requires an in-depth analysis of the entity's activities and its determinants.

III. Characteristics of the results, the entity's financial position and material items of the financial statements (continued)

The financial statements do not take into account the impact of inflation. The general rate of change in the price of consumer goods and services (December to December) during the period considered was 8% (2015: deflation -0.5%).

The following comments are based on the knowledge gained during the audit of the financial statements.

- On 8 December **2016** the merger between KOPEX SA and its subsidiaries KOPEX Machinery SA, Zabrzeńskie Zakłady Mechaniczne — Maszyny Górnicze sp. z o.o., Fabryka Maszyn i Urządzeń TAGOR SA and KOPEX Hydraulika Siłowa sp. z o.o. took place. Comparative data has been restated as if the merger took place on 1 January 2015.
- Total sales decreased by PLN 185,701 thousand, ie, by 27.8% in comparison to the previous year. This decrease was mainly due to the lower volume of contracts executed in the mining sector.
- The largest item of operating costs was the depreciation costs amounting to PLN 143,926 thousand during the audited period. PLN, which accounts for 23.6% of operating costs. Depreciation expenses in comparison with the previous year increased by PLN 33,655 thousand, ie by 30.5%, which was mainly due to the accelerated depreciation of longwall shearer leased to mining plants.
- The decrease in revenues resulting from the difficult situation of the hard coal mining industry in Poland and in the world, directly resulting from the reduction of current production and the reduction or limitation of investment expenditures by the Company's contractors, necessitated revaluation write-downs on fixed and current assets.
- At the end of the financial year, the Company's assets amounted to PLN 996,278 thousand. During the year, the balance sheet total decreased by 46.7%. The decrease in the balance sheet total was mainly due to the net loss amounting to PLN 895,844 thousand.
- The ratios and structure of the Company's debt have changed. The debt ratio increased from 50% at the end of the last year to 96% at the end of the current year. Turnover liabilities decreased from 63 days to 57 days. In December 2016, the Company signed an agreement with the financing banks extending the repayment terms of loans and borrowings.

The financial statements have been prepared in accordance with the going-concern principle.

IV. Statements of the independent auditor

- a) The Company's Management Board presented the required information, explanations and statements in the course of the audit and submitted a statement on the complete disclosure of accounting records and disclosures of any contingent liabilities, and also reported material events that occurred after the balance sheet date to the date of the statement.
- b) The scope of the study was not limited.
- c) The Company's financial statements for the fiscal year from 1 January to 31 December 2015 were approved by Resolution No. 5 of the General Meeting of Shareholders dated 8 June 2016 and filed in the National Court Register in Katowice on 20 June 2016.
- d) We have assessed the correct functioning of the accounting system. Our evaluation was subject in particular:
 - correctness of the documentation of business transactions,
 - reliability, faultlessness and verifiability of accounting books, including those carried out by computer,
 - the methods used to secure access to data and the system of their processing by computer,
 - protection of accounting records, books of account and financial statements.

This assessment, combined with the reliability of individual items in the financial statements, provides the basis for a general, comprehensive opinion about this report. It was not the purpose of our study to express a comprehensive opinion on the functioning of the abovementioned system.

- e) The additional information provides all relevant information required by the International Financial Reporting Standards as endorsed by the European Union.
- f) The information contained in the report on the Company's operations for the fiscal year from 1 January to 31 December 2016 takes into account the provisions of the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information provided by issuers of securities and the conditions for recognizing as equivalent information required by law the laws of a non-member state (Journal of Laws of 2014, item 133, as amended) and are consistent with the information contained in the audited financial statements.

KOPEX SA

Report on the audit of the financial statements for the financial year from 1 January to 31 December 2016

V. Information and final comments

This report was prepared in connection with the audit of financial statements of KOPEX SA based in Katowice, Grabowa 1 Street. The financial statements were signed by the Management Board of the Company and the person entrusted with keeping accounting books on 28 April 2017.

The report should be read together with the Report of the Independent Auditor dated 28 April 2017 for the General Meeting of Shareholders and the Supervisory Board of KOPEX SA, which contains an opinion on the above described financial statements.

The opinion on the financial statements expresses the general conclusion resulting from the audit. This conclusion does not constitute the sum of the results of the examination of the individual items of the report or of the issues, but prescribes the appropriate weightings (materiality), taking into account the influence of the facts found on the accuracy and correctness of the financial statements.

Conducting the audit on behalf of PricewaterhouseCoopers sp. z o.o., a company entered on the list of entities authorized to audit financial statements under number 144:

Tomasz Reinfuss

Key Certified Auditor

Registration number 90038

Katowice, 28 April 2017