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Independent Auditors' Report

To the Shareholders of "Star Mining" Limited Liability Company

Qualified Opinion

We have audited the financial statements of "Star Mining" Limited Liability Company (the "Company"), which comprise the statements of financial position as at 31 December 2017 and 1 January 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and 1 January 2017, and its financial performance and its cash flows for the year ended 31 December 2017 in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

We did not observe the counting of inventories stated at AZN 520,063 and AZN 174,111 as at 31 December 2017 and 1 January 2017, respectively, because we were appointed as auditors of the Company only after those dates. Additionally, the Company has not maintained adequate accounting records for use of fuel and spare parts. We were unable to satisfy ourselves as to those inventory quantities and usage for 2017 by alternative means. As a result, we were unable to determine whether adjustments might have been necessary in respect of inventories as at 31 December 2017 and 1 January 2017, and the related elements making up the statements of financial position as at 31 December 2017, profit or loss and other comprehensive income, changes in equity and cash flows as at and for the year then ended.

The Company has not maintained adequate tax accounting records and as a result, tax bases of assets and liabilities and transactions presented in Profit Tax Return might be misstated. It was impracticable for us to quantify the financial effects of the adjustments to income tax expense, current tax liabilities and deferred tax liabilities, which would have resulted from using correct tax accounting records.



We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Azerbaijan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to Note 2 (a), which explains that these financial statements have been prepared as part of the Company's adoption of International Financial Reporting Standards, that these financial statements may require adjustment before constituting the corresponding figures in the first complete set of financial statements prepared in accordance with International Financial Reporting Standards as at and for the year ended 31 December 2018 and that these financial statements, except for the statement of financial position as at 1 January 2017 do not themselves include corresponding figures for the prior year. Our opinion is not modified in respect of above matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is:


Ziya Mammadov
"KPMG Audit Azerbaijan" LLC
3 June 2019



"Star Mining" Limited Liability Company
Statement of Financial Position as at 31 December 2017

AZN	Note	31 December 2017	1 January 2017
Assets			
Property, plant and equipment	8	1,637,343	242,116
Intangible assets		22,704	11,166
Prepayments for property, plant and equipment	9	163,953	-
Non-current assets		1,824,000	253,282
 Inventories	10	520,063	174,111
Trade and other receivables	11	2,899,962	156,989
Contract assets	5	925,498	-
Prepayments	12	1,298,846	-
Cash and cash equivalents		73,536	132
Current assets		5,717,905	331,232
Total assets		7,541,905	584,514
 Equity			
Share capital	13	10	10
Retained earnings		1,454,333	381,120
Total equity		1,454,343	381,130
 Liabilities			
Loans and borrowings	15	1,530,332	-
Deferred tax liabilities	7	456,083	-
Non-current liabilities		1,986,415	-
 Loans and borrowings	15	141,108	-
Trade and other payables	16	3,923,238	202,736
Current tax liabilities		36,801	648
Current liabilities		4,101,147	203,384
Total liabilities		6,087,562	203,384
Total equity and liabilities		7,541,905	584,514

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 28.

"Star Mining" Limited Liability Company
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017

AZN	Note	2017
Revenue	5	16,463,606
Cost of services	6	(13,780,882)
Gross profit		2,682,724
General and administrative expenses	6	(815,869)
Results from operating activities		1,866,855
Net finance costs		(28,233)
Profit before income tax		1,838,622
Income tax expense	7	(492,884)
Profit and total comprehensive income for the year		1,345,738

These financial statements were approved by management on 3 June 2019 and signed on its behalf by:



 Gulnar Calalova
 Chief Accountant



 Tural Isgandarov
 Director



The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 28.

"Star Mining" Limited Liability Company
Statement of Changes in Equity for the year ended 31 December 2017

AZN	Note	Attributable to equity holders of the Company		
		Share capital	Retained earnings	Total equity
Balance at 1 January 2017		10	381,120	381,130
Total comprehensive income				
Profit for the year		-	1,345,738	1,345,738
Total comprehensive income		-	1,345,738	1,345,738
Transactions with owners of the Company				
Distributions				
Other distributions	13 (b)	-	(272,525)	(272,525)
Total distributions		-	(272,525)	(272,525)
Balance at 31 December 2017		10	1,454,333	1,454,343

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 28.

"Star Mining" Limited Liability Company
Statement of Cash Flows for the year ended 31 December 2017

AZN	Note	2017
Cash flows from operating activities		
Profit for the year		1,345,738
<i>Adjustments for:</i>		
Depreciation and amortisation	6	88,813
Impairment loss for trade and other receivables	11	23,261
Net finance costs		28,233
Income tax expense	7	492,884
		1,978,929
<i>Changes in:</i>		
Trade and other receivables		(2,766,882)
Contract assets		(925,498)
Prepayments for current assets		(1,298,842)
Inventories		(345,952)
Trade and other payables		3,720,502
Cash flows from operations before interest		362,257
Interest paid	15 (b)	(15,819)
Net cash from operating activities		346,438
Cash flows from investing activities		
Acquisition of property, plant and equipment and prepayments made		(1,635,343)
Acquisition of intangible assets		(24,191)
Net cash used in investing activities		(1,659,534)
Cash flows from financing activities		
Proceeds from loans and borrowings		1,671,440
Distributions to the owners	13 (b)	(272,525)
Net cash from financing activities		1,398,915
Net increase in cash and cash equivalents		85,819
Cash and cash equivalents at 1 January		132
Effect of movements in exchange rates on cash and cash equivalents		(12,415)
Cash and cash equivalents at 31 December		73,536

The statement of cash flow is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 10 to 28.