

Independent Auditor's Report

To the Shareholder of "Star Mining" Limited Liability Company

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the financial statements present fairly, in all material respects the financial position of "Star Mining" Limited Liability Company (the Company) as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit and loss and of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

We were appointed as auditors of the Company on 12 July 2019 and thus did not observe the counting of the physical inventories as at 31 December 2017 and 31 December 2018. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at either of those dates. Since opening and closing inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of profit and loss and of other comprehensive income, including comparative information, and the net cash flows from operating activities reported in the statement of cash flows, including comparative information. We were unable to determine whether adjustments might have been necessary in respect of the inventories balance in the statement of financial position as at 31 December 2017 and 31 December 2018.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other matter

The financial statements of the Company for the year ended 31 December 2017 were audited by another firm of auditors whose report, dated 3 June 2019, expressed a qualified opinion on those statements, due to the auditor's non-attendance of counting of the physical inventories as at 31 December 2017.

Responsibilities of management and those charged with governance 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

19 September 2019

Baku, the Republic of Azerbaijan

PricewaterhouseCoopers Audit Azerbaijan LLC

The Landmark Office Plaza III, 12th floor, 90A Nizami Street
Baku AZ1010, Azerbaijan

T: +994 (12) 497 25 15, F: +994 (12) 497 74 11, www.pwc.com/az

"Star Mining" LLC
Statement of Financial Position

	Note	31 December 2018	31 December 2017
<i>In Azerbaijani Manats</i>			
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,629,141	1,637,343
Intangible assets		24,890	22,704
Prepayment for property, plant and equipment		-	163,953
Total non-current assets		2,654,031	1,824,000
Current assets			
Inventories	8	1,453,563	520,063
Trade and other receivables	9	2,796,249	2,899,962
Contract assets	10	2,600,658	925,498
Prepayments		461,867	1,298,846
Cash and cash equivalents	11	65,270	73,536
Total current assets		7,377,607	5,717,905
TOTAL ASSETS		10,031,638	7,541,905
EQUITY			
Share capital	12	10	10
Retained earnings		2,957,523	1,454,333
TOTAL EQUITY		2,957,533	1,454,343
LIABILITIES			
Non-current liabilities			
Borrowings	13	-	1,530,332
Deferred income tax liabilities	20	639,362	456,083
Total non-current liabilities		639,362	1,986,415
Current liabilities			
Borrowings	13	1,657,516	141,108
Trade and other payables	15	4,596,457	3,923,238
Current income tax payable	20	180,770	36,801
Total current liabilities		6,434,743	4,101,147
TOTAL LIABILITIES		7,074,105	6,087,562
TOTAL LIABILITIES AND EQUITY		10,031,638	7,541,905

Approved for issue and signed on September 19, 2019.

Tural Isgandarov
Director

Gulnar Galalova
Chief Accountant

The accompanying notes on pages 5 to 25 are an integral part of these financial statements.

"Star Mining" LLC
Statement of Profit or Loss and Other Comprehensive Income

<i>In Azerbaijani Manats</i>	Note	2018	2017
Revenue	16	25,887,337	16,463,606
Cost of services	1	(20,103,561)	(13,780,882)
Gross profit		5,783,776	2,682,724
General and administrative expenses	18	(3,780,897)	(815,869)
Other losses	19	(21,560)	-
Operating profit		1,981,319	1,866,855
Net finance costs		(151,603)	(28,233)
Profit before income tax		1,829,716	1,838,622
Income tax expense	20	(326,526)	(492,884)
PROFIT FOR THE YEAR		1,503,190	1,345,738
Total comprehensive income for the year		1,503,190	1,345,738

The accompanying notes on pages 5 to 25 are an integral part of these financial statements.

"Star Mining" LLC
Statement of Changes in Equity

	Share capital	Retained earnings	Total equity
<i>In Azerbaijani Manats</i>			
At 1 January 2017	10	381,120	381,130
Profit for the year	-	1,345,738	1,345,739
Total comprehensive income for 2017	-	1,345,738	1,345,738
Other Distributions	-	(272,525)	(272,525)
Balance at 31 December 2017	10	1,454,333	1,454,343
Profit for the year	-	1,503,190	1,503,190
Total comprehensive income for 2018	-	1,503,190	1,503,190
Balance at 31 December 2018	10	2,957,523	2,957,533

The accompanying notes on pages 5 to 25 are an integral part of these financial statements.

"Star Mining" LLC
Statement of Cash Flows

<i>In Azerbaijani Manats</i>	Note	2018	2017
Cash flows from operating activities			
Profit before income tax		1,829,716	1,838,622
Adjustments for:			
Depreciation and impairment of property, plant and equipment	7	336,703	88,813
Losses less gains on disposals of property, plant and equipment	7	-	-
Net impairment losses on financial and contract assets		-	23,261
Net Finance costs	13	(151,603)	28,233
Operating cash flows before working capital changes		2,014,816	1,978,929
Decrease/(increase) in trade and other receivables	9	104,435	(2,766,882)
Increase in contract asset	10	(1,675,160)	(925,498)
Increase in inventories	8	(933,500)	(345,952)
Decrease/(increase) in prepayments		836,979	(1,298,842)
Increase in trade and other payables	15	958,555	3,720,502
Changes in working capital			
Interest paid	13	(133,733)	(15,819)
Net cash from operating activities		1,172,392	346,438
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(1,142,935)	(1,635,343)
Proceeds from the sale of property, plant and equipment	7	4,236	-
Acquisition of intangible assets		(28,035)	(24,191)
Net cash used in investing activities		(1,166,734)	(1,659,534)
Cash flows from financing activities			
Proceeds from borrowings	13	361,186	1,671,440
Repayment of borrowings	13	(375,110)	-
Capital distributions to shareholders other than dividends	12	-	(272,525)
Net cash (used in)/from financing activities		(13,924)	1,398,915
Effect of exchange rate changes on cash and cash equivalents		-	(12,415)
Cash and cash equivalents at the beginning of the year		73,536	132
Cash and cash equivalents at the end of the year	11	65,270	73,536

The accompanying notes on pages 5 to 25 are an integral part of these financial statements.