

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.

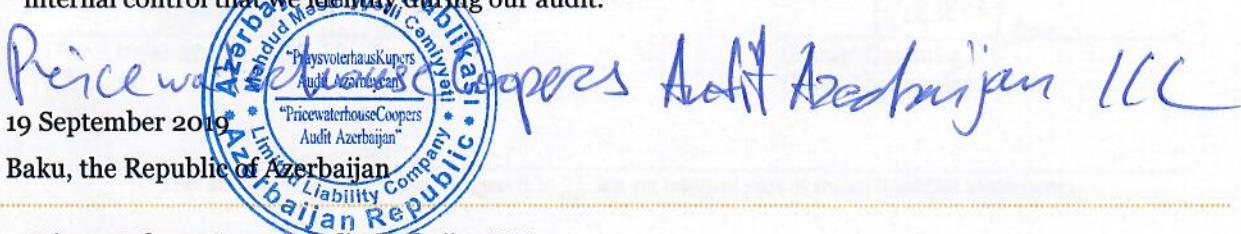
Auditor's responsibilities for the audit of the financial statements

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.

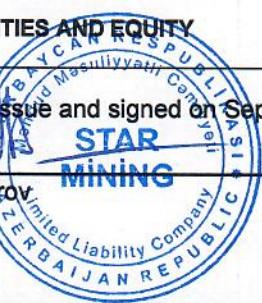


"Star Mining" LLC
Statement of Financial Position

| <i>In Azerbaijani Manats</i> | Note | 31 December 2018 | 31 December 2017 |
|--|------|---------------------|---------------------|
| 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 Isqandarov
 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> | <i>Note</i> | 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 |

“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 |

"Star Mining" LLC
Statement of Cash Flows

| <i>In Azerbaijani Manats</i> | <i>Note</i> | 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.