

## Independent Auditor's Report

To the Shareholders 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 2019, 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 2019;
- 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 July 12, 2019 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at December 31, 2018. Since opening 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 other comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

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.

### 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.

Price waterhouse Coopers *Azerbaijan* LLC

22 October 2020

Baku, the Republic of Azerbaijan



**"Star Mining" LLC**  
**Statement of Financial Position**

<i>In Azerbaijani Manats</i>	Note	31 December 2019	31 December 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	4,708,373	2,629,141
Intangible assets		3,626	24,890
Right-of-use assets	9	477,273	-
<b>Total non-current assets</b>		<b>5,189,272</b>	<b>2,654,031</b>
<b>Current assets</b>			
Inventories	10	1,442,527	1,453,563
Trade and other receivables	11	1,978,699	2,796,249
Contract assets	12	1,195,145	2,600,658
Prepayments		58,759	461,867
Cash and cash equivalents	13	75,663	65,270
<b>Total current assets</b>		<b>4,750,793</b>	<b>7,377,607</b>
<b>TOTAL ASSETS</b>		<b>9,940,065</b>	<b>10,031,638</b>
<b>EQUITY</b>			
Share capital	14	10	10
Retained earnings		2,422,770	2,957,523
<b>TOTAL EQUITY</b>		<b>2,422,780</b>	<b>2,957,533</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	-	-
Deferred income tax liabilities	21	123,365	639,362
Lease liability	9	181,462	-
<b>Total non-current liabilities</b>		<b>304,827</b>	<b>639,362</b>
<b>Current liabilities</b>			
Borrowings	15	2,293,428	1,657,516
Trade and other payables	16	2,983,641	4,596,457
Current income tax payable	21	1,620,850	180,770
Lease liability	9	314,539	-
<b>Total current liabilities</b>		<b>7,212,458</b>	<b>6,434,743</b>
<b>TOTAL LIABILITIES</b>		<b>7,517,285</b>	<b>7,074,105</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,940,065</b>	<b>10,031,638</b>

Approved for issue and signed on 22 October 2020.



Tural Isqandarov  
Director



Gulnara Calalova  
Chief Accountant

The accompanying notes on pages 5 to 29 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>	<b>2019</b>	<b>2018</b>
Revenue	17	20,667,683	25,887,337
Cost of services	18	(15,478,832)	(20,103,561)
<b>Gross profit</b>		<b>5,188,851</b>	<b>5,783,776</b>
General and administrative expenses	19	(3,029,903)	(3,780,897)
Other gains and losses	20	64,276	(21,560)
<b>Operating profit</b>		<b>2,223,224</b>	<b>1,981,319</b>
Net finance costs		(195,247)	(151,603)
<b>Profit before income tax</b>		<b>2,027,977</b>	<b>1,829,716</b>
Income tax expense	21	(902,242)	(326,526)
<b>PROFIT FOR THE YEAR</b>		<b>1,125,735</b>	<b>1,503,190</b>
<b>Total comprehensive income for the year</b>		<b>1,125,735</b>	<b>1,503,190</b>

**"Star Mining" LLC**  
**Statement of Changes in Equity**

		Share capital	Retained earnings	Total equity
<i>In Azerbaijani Manats</i>				
<b>At 1 January 2018</b>		<b>10</b>	<b>1,454,333</b>	<b>1,454,343</b>
Profit for the year		-	1,503,190	<b>1,503,190</b>
Total comprehensive income for 2018		-	1,503,190	<b>1,503,190</b>
<b>Balance at 31 December 2018</b>		<b>10</b>	<b>2,957,523</b>	<b>2,957,533</b>
Profit for the year		-	1,125,735	<b>1,125,735</b>
Total comprehensive income for 2019		-	1,125,735	<b>1,125,735</b>
Dividends paid		-	(1,660,488)	<b>(1,660,488)</b>
<b>Balance at 31 December 2019</b>		<b>10</b>	<b>2,422,770</b>	<b>2,422,780</b>

**"Star Mining" LLC**  
**Statement of Cash Flows**

<i>In Azerbaijani Manats</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>			
Profit before income tax		2,027,977	1,829,716
Adjustments for:			
Depreciation and impairment of property, plant and equipment	8	788,464	336,703
Depreciation of right-of-use assets		355,133	-
Losses less gains on disposals of property, plant and equipment	8	19,437	-
Net impairment losses on financial and contract assets		-	-
Net Finance costs		195,247	(151,603)
Provision for tax penalty		405,223	-
<b>Operating cash flows before working capital changes</b>		<b>3,791,481</b>	<b>2,014,816</b>
Decrease in trade and other receivables	11	817,550	104,435
Decrease in contract asset	12	1,405,513	(1,675,160)
Decrease in inventories	10	11,036	(933,500)
Decrease in prepayments		403,108	836,979
Decrease in trade and other payables	16	(1,612,816)	958,555
Increase in lease liabilities		832,406	-
Increase in tax liabilities		21,841	-
<b>Changes in working capital</b>			
Income taxes paid		(405,223)	-
Interest paid		(195,247)	(133,733)
<b>Net cash from operating activities</b>		<b>5,069,649</b>	<b>1,172,392</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	8	(2,873,913)	(1,142,935)
Proceeds from the sale of property, plant and equipment	8	-	4,236
Proceeds from sale of intangible assets		8,043	(28,035)
Acquisition of right-of-use assets		(832,406)	-
<b>Net cash used in investing activities</b>		<b>(3,698,276)</b>	<b>(1,166,734)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	15	2,288,643	361,186
Repayment of borrowings	15	(1,652,731)	(375,110)
Repayment of lease liabilities (2018: finance lease payments) – principal		(336,405)	-
Dividends paid to the Company's shareholders		(1,660,487)	-
<b>Net cash (used in)/from financing activities</b>		<b>(1,360,980)</b>	<b>(13,924)</b>
Effect of exchange rate changes on cash and cash equivalents		-	-
<b>Cash and cash equivalents at the beginning of the year</b>		<b>65,270</b>	<b>73,536</b>
<b>Cash and cash equivalents at the end of the year</b>	13	<b>75,663</b>	<b>65,270</b>

The accompanying notes on pages 5 to 29 are an integral part of these financial statements.