

Independent Auditor's Report

To the Shareholders and Management of Star Mining Limited Liability Company

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Star Mining LLC (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2022, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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 consolidated 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 opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



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.

PricewaterhouseCoopers Audit Azerbaijan LLC

Baku, Republic of Azerbaijan

6 October 2023

"Star Mining" LLC
Consolidated Statement of Financial Position

<i>In Azerbaijani Manats</i>	<i>Note</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
ASSETS			
Non-current assets			
Property and equipment	8	9,599,519	9,342,798
Loan issued	11	1,477,059	-
Intangible assets		1,788	2,937
Right-of-use assets	9	1,014,704	2,482,026
Deferred tax assets	23	-	474,873
Total non-current assets		12,093,070	12,302,634
Current assets			
Inventories	0	3,654,124	4,198,371
Loan issued	11	352,025	2,116,025
Trade and other receivables	12	1,657,721	1,449,196
Contract assets	13	7,007,705	2,418,122
Prepayments	14	1,042,699	494,863
Cash and cash equivalents	15	430,378	10,356
Other assets		215,658	-
Total current assets		14,360,310	10,686,933
TOTAL ASSETS		26,453,380	22,989,567
EQUITY			
Share capital	16	50,000	50,000
Retained earnings		5,813,631	966,761
Equity attributable to the Group owners		5,863,631	1,016,761
Non-controlling interest	25	2,900	-
TOTAL EQUITY		5,866,531	1,016,761
LIABILITIES			
Non-current liabilities			
Borrowings	17	4,500,000	1,851,379
Deferred income tax liabilities	23	36,692	-
Lease liabilities	9	224,579	1,115,650
Total non-current liabilities		4,761,271	2,967,029
Current liabilities			
Borrowings	17	1,318,000	3,286,385
Trade and other payables	19	10,662,991	10,424,807
Contract liabilities	13	2,445,485	2,665,543
Current income tax payable		592,127	1,130,563
Lease liabilities	9	806,975	1,498,479
Total current liabilities		15,825,578	19,005,777
TOTAL LIABILITIES		20,586,849	21,972,806
TOTAL LIABILITIES AND EQUITY		26,453,380	22,989,567

Approved for issue and signed on 04 October 2023.

Jamil Abasev
Deputy Director



Gulnar Jalalova
Chief Accountant

The accompanying notes on pages 5 to 33 are an integral part of these consolidated financial statements.

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

<i>In Azerbaijani Manats</i>	<i>Note</i>	2022	2021
Revenue	20	60,215,304	41,671,168
Cost of services	21	(44,672,804)	(31,176,429)
Gross profit		15,542,500	10,494,739
General and administrative expenses	22	(5,830,677)	(6,754,141)
Operating profit		9,711,823	3,740,598
Net finance costs	18	(832,600)	(608,454)
Impairment losses on financial assets	11	(522,941)	-
Foreign exchange losses		(8,085)	(14,875)
Finance income		225,299	124,555
Profit before income tax		8,573,496	3,241,824
Income tax expense	23	(1,937,626)	(936,717)
PROFIT FOR THE YEAR		6,635,870	2,305,107
Total comprehensive income for the year		6,635,870	2,305,107

"Star Mining" LLC
Consolidated Statement of Changes in Equity

<i>In Azerbaijani Manats</i>	<i>Note</i>	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total</i>	<i>NCI</i>	<i>Total equity</i>
At 1 January 2021		50,000	2,702,254	2,752,254	-	2,752,254
Profit for the year		-	2,305,107	2,305,107	-	2,305,107
Dividends declared	16	-	(4,040,600)	(4,040,600)	-	(4,040,600)
Balance at 31 December 2021		50,000	966,761	1,016,761	-	1,016,761
Profit for the year		-	6,635,870	6,635,870	-	6,635,870
Acquisition of non-controlling interest in subsidiary		-	-	-	2,900	2,900
Dividends declared	16	-	(1,789,000)	(1,789,000)	-	(1,789,000)
Balance at 31 December 2022		50,000	5,813,631	5,863,631	2,900	5,866,531

"Star Mining" LLC
Consolidated Statement of Cash Flows

<i>In Azerbaijani Manats</i>	<i>Note</i>	2022	2021
Cash flows from operating activities			
Profit before income tax		8,573,496	3,241,824
Adjustments for:			
Depreciation of property and equipment and amortisation of intangible assets	8	3,264,783	2,502,981
Depreciation of right-of-use assets	9	2,229,537	1,312,284
Finance costs	18	832,600	608,454
Finance income		(220,000)	(124,555)
Impairment losses on financial assets		522,941	-
Foreign exchange translation differences		8,085	-
Losses less gains on disposals of property and equipment		241,082	-
Other non-cash operating costs		(2,550)	-
Operating cash flows before working capital changes		15,449,974	7,540,987
Increase in trade and other receivables		(208,524)	(488,473)
(Increase)/decrease in contract asset		(4,589,583)	1,721,505
Decrease/(increase) in inventories		544,246	(1,441,014)
(Increase)/decrease in prepayments		(548,179)	1,008,977
Decrease/(increase) in other assets		(225,284)	-
Increase in trade and other payables		360,640	5,896,390
Decrease in contract liabilities		(220,058)	(5,395,449)
Increase/(decrease) in tax liabilities		(121,209)	(599,303)
Changes in working capital		10,442,023	8,243,621
Income taxes paid		(1,964,496)	(1,186,313)
Interest paid	18	(832,600)	(608,454)
Net cash from operating activities		7,644,927	6,448,852
Cash flows from investing activities			
Purchases of property and equipment	8	(3,761,439)	(2,948,892)
Proceeds from the sale of property and equipment		-	51,535
Loans granted to related parties		(16,000)	(2,000,000)
Net cash used in investing activities		(3,777,439)	(4,897,357)
Cash flows from financing activities			
Proceeds from borrowings	18	13,757,206	11,189,670
Repayment of borrowings	18	(13,076,970)	(7,713,905)
Repayment of lease liabilities – principal	18	(2,342,241)	(1,152,528)
Proceeds from issuance of ordinary shares		2,900	-
Dividends paid to the Group's shareholder	16	(1,789,000)	(4,040,600)
Net cash used in financing activities		(3,448,105)	(1,717,363)
Effect of exchange rate changes on cash and cash equivalents		639	-
Cash and cash equivalents at the beginning of the year	15	10,356	176,223
Cash and cash equivalents at the end of the year	15	430,378	10,356

The accompanying notes on pages 5 to 33 are an integral part of these consolidated financial statements.