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# ***Audited Consolidated Financial Statements***

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**Firebird Aurora Fund, Ltd.**

**Year Ended December 31, 2020**

**With Report of Independent Auditors**



**FIREBIRD MANAGEMENT LLC**

Firebird Aurora Fund, Ltd.

Audited Consolidated Financial Statements

Year Ended December 31, 2020

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## Report of Independent Auditors

The Board of Directors  
Firebird Avrora Fund, Ltd.

We have audited the accompanying consolidated financial statements of Firebird Avrora Fund, Ltd. (the “Fund”), which comprise the consolidated statement of assets and liabilities, including the consolidated condensed schedule of investments, as of December 31, 2020, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Firebird Avrora Fund, Ltd. at December 31, 2020, and the consolidated results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Ernst & Young Ltd.*

March 31, 2021

Firebird Avrora Fund, Ltd.

Consolidated Statement of Assets and Liabilities

*(Stated in United States Dollars)*

December 31, 2020

**Assets**

Cash and cash equivalents	\$	1,596,099
Investments in securities, at fair value (cost \$89,818,483)		95,399,269
Investment in other investment funds, at fair value (cost \$0)		197,269
Due from brokers		219,404
Dividend receivable		60,991
Interest receivable and other assets		17,527
Total assets		97,490,559

**Liabilities**

Class D subscription received in advance		100,000
Class A redemptions payable		4,151
Class C redemptions payable		12,819
Class D redemptions payable		2,505,855
Class M redemptions payable		1,000,000
Accounts payable and accrued expenses		165,766
Total liabilities		3,788,591
Net assets	\$	93,701,968

**Net asset value per share**

Class A Master series (based on 1,840.08 shares outstanding)	\$	1,420.85
Class A February 2006 series (based on 2.04 shares outstanding)	\$	598.83
Class A March 2006 series (based on 0.58 shares outstanding)	\$	571.63
Class A April 2006 series (based on 5.65 shares outstanding)	\$	562.27
Class A May 2006 series (based on 5.19 shares outstanding)	\$	513.91
Class A June 2006 series (based on 40.25 shares outstanding)	\$	556.78
Class A July 2006 series (based on 19.47 shares outstanding)	\$	562.76
Class A February 2008 series (based on 72.02 shares outstanding)	\$	412.95
Class A April 2008 series (based on 79.36 shares outstanding)	\$	401.00
Class A May 2008 series (based on 0.72 shares outstanding)	\$	394.91
Class A June 2008 series (based on 84.99 shares outstanding)	\$	368.63
Class A July 2008 series (based on 44.04 shares outstanding)	\$	380.90
Class A February 2009 series (based on 49.32 shares outstanding)	\$	1,355.56
Class A 2011 Master series (based on 0.52 shares outstanding)	\$	607.00
Class A December 2011 series (based on 260.51 shares outstanding)	\$	833.12
Class A February 2012 series (based on 205.03 shares outstanding)	\$	831.87

Firebird Avrora Fund, Ltd.

Consolidated Statement of Assets and Liabilities (continued)

(Stated in United States Dollars)

December 31, 2020

**Net asset value per share (continued)**

Class A 2014 Master series (based on 514.93 shares outstanding)	\$	833.27
Class A February 2014 series (based on 11.4 shares outstanding)	\$	867.91
Class A August 2014 series (based on 8.92 shares outstanding)	\$	1,037.68
Class A January 2015 series (based on 11.16 shares outstanding)	\$	1,349.32
Class A May 2017 series (based on 5.32 shares outstanding)	\$	960.65
Class A July 2017 series (based on 1,711.84 shares outstanding)	\$	950.71
Class A December 2017 series (based on 31 shares outstanding)	\$	1,409.94
Class A March 2018 series (based on 75.13 shares outstanding)	\$	1,415.20
Class B (based on 0.08 shares outstanding)	\$	45,350.05
Class C Master series (based on 699.57 shares outstanding)	\$	2,233.00
Class C July 2006 series (based on 100 shares outstanding)	\$	884.43
Class C T 2008 series (based on 7.86 shares outstanding)	\$	765.75
Class D Master series (based on 769.03 shares outstanding)	\$	2,298.40
Class D January (B) 2010 series (based on 431.09 shares outstanding)	\$	1,290.18
Class D 2011 Master series (based on 11,393.88 shares outstanding)	\$	981.62
Class D February 2011 series (based on 300.00 shares outstanding)	\$	935.38
Class D March 2011 series (based on 500.00 shares outstanding)	\$	910.75
Class D May 2016 series (based on 1,875.15 shares outstanding)	\$	1,295.38
Class D February 2018 series (based on 7.19 shares outstanding)	\$	904.50
Class D March 2018 series (based on 1,000 shares outstanding)	\$	921.84
Class D April 2018 series (based on 250 shares outstanding)	\$	916.84
Class D February 2020 (based on 5.55 shares outstanding)	\$	956.11
Class D June 2020 (based on 3.18 shares outstanding)	\$	1,207.73
Class D September 2020 (based on 1.10 shares outstanding)	\$	1,118.82
Class M September 2012 (based on 47,874.09 shares outstanding)	\$	1,427.78
Class M January 2018-1 (based on 152.61 shares outstanding)	\$	1,084.23
Class M Feb 2020 (based on 218.76 shares outstanding)	\$	966.93

*See accompanying notes.*

Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments  
(Stated in United States Dollars)

December 31, 2020

Quantity	Fair Value	Percent of Net Assets
<b>Investments in securities</b>		
Equities:		
Common stock:		
Armenia:		
Gold (cost \$123,248)	\$ 2,390	- %
Bulgaria:		
Banking	257,845	0.28
Manufacturing	245,689	0.26
Pharmaceuticals	2,456,891	2.62
Tourism	122,660	0.13
Total Bulgaria (cost \$5,984,814)	3,083,085	3.29
Estonia:		
Construction	2,355,505	2.51
Consumer Products	642,856	0.69
Food	330,274	0.35
Real Estate	274,649	0.29
Retail	1,387,845	1.48
Transportation	1,611,238	1.72
Total Estonia (cost \$5,486,649)	6,602,367	7.04
Georgia:		
Banking	4,389,487	4.68
Consumer Products	710,619	0.76
Miscellaneous	2,448,858	2.61
Total Georgia (cost \$9,934,092)	7,548,964	8.05
Kazakhstan:		
Banking	2,817	-
Cement	1,537,184	1.64
Oil & Gas	111,635	0.12
Telecommunications	2,403,076	2.56
Total Kazakhstan (cost \$14,258,872)	4,054,712	4.32

Firebird Aurora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)  
*(Stated in United States Dollars)*

December 31, 2020

<b>Quantity</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investments in securities (continued)</b>		
Equities (continued):		
Common stock (continued):		
Kyrgyzstan:		
Utilities	\$ 36,049	0.04 %
Total Kyrgyzstan (cost \$127,995)	36,049	0.04
Lithuania:		
Banking	3,416,639	3.65
Retail	1,139,801	1.22
Total Lithuania (cost \$1,386,834)	4,556,440	4.87
Poland:		
Media & Entertainment	857,954	0.92
Total Poland (cost \$1,483,916)	857,954	0.92
Romania:		
Aerospace	1,721,132	1.84
Automobiles	978,616	1.04
Banking	4,630,598	4.94
Consumer Products	1,659,063	1.77
Manufacturing	118,573	0.13
Metallurgy & Mining	260,618	0.28
Miscellaneous	495,443	0.53
Oil & Gas	3,790,657	4.04
Transportation	336,426	0.36
Utilities	2,284,597	2.44
Total Romania (cost \$9,728,273)	16,275,723	17.37



Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)  
*(Stated in United States Dollars)*

December 31, 2020

<b>Quantity</b>		<b>Fair Value</b>	<b>Percent of Net Assets</b>
	<b>Investments in securities (continued)</b>		
	Equities (continued):		
	Common stock (continued):		
	Russia:		
	Agriculture	\$ 2,114,663	2.26 %
	Airlines	1,860,957	1.99
	Banking:		
604,197	SDM Bank	7,906,159	8.44
	Other	7,777,508	8.30
	Total Banking	15,683,667	16.74
	Biotechnology	391,092	0.42
	Diamonds & Gems	20,131	0.02
	Food	185,208	0.20
	Gold	1,675,076	1.79
	Manufacturing	1,614,918	1.72
	Metallurgy & Mining	6,075,069	6.48
	Nuclear	38,295	0.04
	Oil & Gas	7,735,480	8.26
	Stock exchange	2,546,134	2.72
	Technology:		
79,831	YANDEX NV-A	5,554,641	5.93
	Uranium	86,216	0.09
	Total Russia (cost \$34,695,258)	45,581,547	48.66
	Total common stocks (cost \$83,209,951)	88,599,231	94.56

Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)  
*(Stated in United States Dollars)*

December 31, 2020

<b>Quantity</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investments in securities (continued)</b>		
Depository receipts (includes ADRs and GDRs)		
Kazakhstan:		
Banking	\$ 3,287,409	3.51 %
Telecommunications	42	-
Total Kazakhstan (cost \$2,352,599)	<u>3,287,451</u>	<u>3.51</u>
Russia:		
Oil & Gas	185,363	0.20
Retail	230,698	0.25
Technology	2,857,365	3.05
Total Russia (cost \$2,436,675)	<u>3,273,426</u>	<u>3.50</u>
Total depository receipts (cost \$4,789,274)	<u>6,560,877</u>	<u>7.01</u>
Preferred Stock:		
Russia:		
Manufacturing	215,402	0.22
Uranium	7,354	0.01
Total Russia (cost \$158,270)	<u>222,756</u>	<u>0.23</u>
Total preferred stock (cost \$158,270)	<u>222,756</u>	<u>0.23</u>
Restricted stock:		
Armenia:		
Gold (cost \$1,645,873)	13,002	0.01
Total restricted stock (cost \$1,645,873)	<u>13,002</u>	<u>0.01</u>
Total equities (cost \$89,803,368)	<u>95,395,866</u>	<u>101.81</u>

Firebird Aurora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)  
*(Stated in United States Dollars)*

December 31, 2020

<b>Quantity</b>	<b>Fair Value</b>	<b>Percent of Net Assets</b>
<b>Investments in securities (continued)</b>		
Corporate Bonds:		
Russia:		
Banking	\$ 3,403	- %
Total Corporate Bonds (cost \$15,115)	<u>3,403</u>	<u>-</u>
<b>Total investments in securities (cost \$89,818,483)</b>	<b><u>\$ 95,399,269</u></b>	<b><u>101.81 %</u></b>
<b>Investment in other investment funds:</b>		
Estonia:		
Miscellaneous	\$ 197,269	0.21
<b>Total investment in other investment funds (cost \$0)</b>	<b><u>\$ 197,269</u></b>	<b><u>0.21 %</u></b>

*See accompanying notes.*

Firebird Avrora Fund, Ltd.

Consolidated Statement of Operations  
(Stated in United States Dollars)

Year Ended December 31, 2020

**Investment income**

Dividend income (net of \$230,853 withholding tax)	\$	3,438,396
Interest income		190
Other income		7,887
Total investment income		<u>3,446,473</u>

**Expenses**

Professional fees and other expenses		744,171
Management fees		419,838
Custodian fees		191,544
Interest expense		1,232
Total expenses		<u>1,356,785</u>

Net investment income 2,089,688

**Net gain (loss) on investments and foreign currency transactions**

Net change in unrealized capital gains tax reserve		5,450
Net realized loss on investments and foreign currency transactions		(2,501,935)
Net change in unrealized depreciation on investments and foreign currency transactions		<u>(6,054,850)</u>
Net loss on investments and foreign currency transactions		<u>(8,551,335)</u>
Net decrease in net assets resulting from operations	\$	<u><u>(6,461,647)</u></u>

*See accompanying notes.*

Firebird Avrora Fund, Ltd.

Consolidated Statement of Changes in Net Assets  
(Stated in United States Dollars)

Year Ended December 31, 2020

**Decrease in net assets resulting from operations**

Net investment income	\$ 2,089,688
Net change in unrealized capital gains tax reserve	5,450
Net realized loss on investments and foreign currency transactions	(2,501,935)
Net change in unrealized depreciation on investments and foreign currency transactions	(6,054,850)
Net decrease in net assets resulting from operations	<u>(6,461,647)</u>

**Decrease in net assets resulting from capital share transactions**

Class D shares subscribed	9,843
Class M shares subscribed	218,756
Class A shares redeemed	(5,986)
Class B shares redeemed	(223,861)
Class C shares redeemed	(255,507)
Class D shares redeemed	(8,294,062)
Class M shares redeemed	(1,250,000)
Net decrease in net assets resulting from capital share transactions	<u>(9,800,817)</u>

Net change in net assets	(16,262,464)
Net assets at beginning of year	109,964,432
Net assets at end of year	<u>\$ 93,701,968</u>

*See accompanying notes.*

Firebird Avrora Fund, Ltd.

Consolidated Statement of Cash Flows  
(Stated in United States Dollars)

Year Ended December 31, 2020

**Operating activities**

Net decrease in net assets resulting from operations	\$ (6,461,647)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities	
Net realized loss on investments	2,360,575
Net change in unrealized depreciation on investments	6,217,587
Purchases of investments	(3,308,172)
Proceeds from sales of investments	8,468,319
Changes in operating assets and liabilities:	
Due from brokers	(210,853)
Due to brokers	(124,575)
Dividends receivable	133,883
Interest receivable and other assets	803
Unrealized capital gains tax reserve	(5,450)
Accounts payable and accrued expenses	(71,085)
Net cash provided by operating activities	<u>6,999,385</u>

**Financing activities**

Proceeds from issuance of Class D Shares	109,843
Proceeds from issuance of Class M Shares	218,756
Payments for redemptions of Class A Shares	(35,492)
Payments for redemptions of Class B Shares	(223,861)
Payments for redemptions of Class C Shares	(242,688)
Payments for redemptions of Class D Shares	(5,788,207)
Payments for redemptions of Class M Shares	(250,000)
Net cash used in financing activities	<u>(6,211,649)</u>

Net increase in cash and cash equivalents	787,736
Cash and cash equivalents at the beginning of year	808,363
Cash and cash equivalents at end of year	<u>\$ 1,596,099</u>

**Supplement disclosure of cash flow information**

Cash paid during the year for interest	<u>\$ 1,150</u>
Non cash transfers during the year	<u>\$ 66,987</u>

See accompanying notes.

# Firebird Avrora Fund, Ltd.

## Notes to Consolidated Financial Statements

Year ended December 31, 2020

### **1. Organization**

Firebird Avrora Fund, Ltd. (the “Fund”) was incorporated as an exempted company under the laws of the Cayman Islands on October 16, 2003, and registered under the Cayman Islands Mutual Fund Act on November 17, 2003. The Fund commenced operations on December 1, 2003. The purpose of the Fund is to invest primarily in publicly traded securities of companies operating in Russia, the other former Soviet republics, and certain Eastern European countries. The Class A, Class C, and Class D Shares of the Fund are listed on the Bermuda Stock Exchange.

The Fund has a continuing pool (Class B, C, D, and M shares) and a liquidating pool (Class A shares). The holdings of the Class A shares are being liquidated in an orderly manner with the proceeds paid out periodically to those investors (see Note 3 for summary of investments allocated between classes).

Leo Overseas Ltd. (“Leo”) is a wholly owned subsidiary of the Fund and was incorporated as a limited liability company under the Companies Law, Cap. 113, of Cyprus on October 3, 2003. Leo owns shares of companies operating in Russia and various Eastern European countries.

The Fund’s investment manager is Firebird Avrora Advisors LLC, a New York limited liability company (the “Manager”). Certain of the principals of the Manager are also directors of the Fund. The Manager is a registered investment advisor with the United States Securities and Exchange Commission as a “relying adviser” for which the “filing adviser” is Firebird Management LLC.

HedgeServ (Cayman) Ltd. (the “Administrator”) provides administration services to the Fund. The Harbour Trust Co. Ltd. maintains the registered office for the Fund. Seaward Management Limited provides administration and management services to Leo and maintains its registered and regional office.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

#### **2. Significant Accounting Policies**

The consolidated financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) as detailed in the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) and are stated in United States Dollars. The Fund meets the definition of an investment company and follows the accounting and reporting guidance in ASC Topic 946, *Financial Services – Investment Companies*. The following is a summary of the significant accounting and reporting policies used in preparing the consolidated financial statements.

#### **Basis of Consolidation**

The consolidated financial statements include the results of the Fund and its subsidiary, Leo, after the elimination of all intercompany balances and transactions.

#### **Cash, Cash Equivalents and Restricted Cash**

Cash and cash equivalents include amounts due from banks on demand and deposits with original maturities of three months or less. Substantially all of the cash and cash equivalents are held at Swedbank AS. Substantially all cash and cash equivalents are held at banks organized in Bulgaria, Estonia, Georgia, Kazakhstan and the United States. The Fund does not expect any material losses as a result of this allocation.

Cash and cash equivalents may be restricted if they serve as deposits for investments sold short. In addition, margin borrowings are collateralized by certain securities and cash balances held by the Fund. As of December 31, 2020, the Fund did not have any restricted cash.

#### **Security Transactions and Related Investment Income and Expenses**

Security transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions are determined using the specific identification method and are recorded in the consolidated statement of operations. Interest is recorded on the accrual basis and dividends are recorded net of withholding taxes on the ex-dividend date in the consolidated statement of operations.



Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

**2. Significant Accounting Policies (continued)**

**Foreign Exchange Transactions**

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the date of the consolidated financial statements. Transactions in foreign currencies are translated at the rates of exchange prevailing at the time of the transaction. Exchange gains or losses are included in the consolidated statement of operations.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and change in unrealized gains and losses on investments and foreign currency transactions.

**Fair Value of Financial Instruments**

The fair value of the Fund's assets and liabilities which qualify as financial instruments under ASC Topic 825, *Financial Instruments*, approximates the carrying amounts presented in the consolidated financial statements.

In accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability under an orderly liquidation in a timely transaction with an independent buyer in the principal market or, in the absence of a principal market, the most advantageous market for the investment or liability.

ASC Topic 820 establishes a three-tier hierarchy to distinguish between inputs obtained from sources independent of the reporting entity that affect assumptions that market participants would use in pricing an asset or liability (observable inputs) and inputs that reflect the reporting entity's own assumptions that it thinks market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

**2. Significant Accounting Policies (continued)**

**Fair Value of Financial Instruments (continued)**

The inputs are summarized in the three broad levels listed below:

Level 1 – valuations based on quoted prices in active markets for identical assets or liabilities that the Fund has the ability to assess and in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 securities. Because valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.

Level 2 – valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement. These inputs may include the Manager’s own assumptions in determining the fair value of investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

In general, portfolio securities that are traded in an active market (in most cases a market where there has been at least one transaction in the last 15 business days and had at least 12 trading days in the recent month at sufficient volumes with reasonably consistent price levels taking into account the volatility of the market in question) are classified as Level 1. These securities are valued at their last reported sales price on the valuation date in the case of securities listed or quoted on a recognized securities exchange, the U.S. NASDAQ National Market List or any comparable foreign quotation system for securities that generally trade daily, or if no prices were quoted on such date, at the last reported sales price on the last prior date when a price was quoted for such securities.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

#### **2. Significant Accounting Policies (continued)**

##### **Fair Value of Financial Instruments (continued)**

If no such prices have been quoted in an active market, the investment is valued in good faith by the Manager, in consultation with the Administrator, and approved by the Board of Directors, according to the steps outlined in ASC Topic 820. For these Level 2 or Level 3 securities, the Manager may consult with and rely upon information provided by the Fund's custodians, market makers, brokers, and outside valuation services.

Level 2 securities will normally be priced using other observable information including identical or similar securities traded on other exchanges and quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. The Fund holds certain securities which are restricted under Rule 144A. Restricted securities are generally fair valued at a discount to similar publicly traded securities.

The Fund's Investment in other investment funds meets the definition of an investment company for which its net asset value or partners' capital has been measured in accordance with, or in a manner consistent with, the principles of ASC Topic 946, *Financial Services – Investment Companies*, are valued using the reported net asset value as a practical expedient.

The Fund's investment in other investment funds is generally valued at the reported values, provided by the administrator or management of the investment fund, after discounts for any applicable redemption charges and any lock up periods, which valuations are prepared in accordance with such investment fund's governing documents. The Manager considers this a reliable representation of fair value if the investment fund is accepting subscriptions and processing redemptions based on this reported value. However, in certain circumstances, the Manager will estimate the value of such investment based on available relevant information as it considers material.

The strategy of the investment fund in which the Fund has a position is to invest in the Baltic region. The investment fund is a private equity fund and distributions are received as assets are liquidated.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

**2. Significant Accounting Policies (continued)**

**Fair Value of Financial Instruments (continued)**

For Level 3 securities, the Manager will value the equity securities using either a “market approach,” an “income approach,” or both approaches, as appropriate. The “market approach” uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The “income approach” uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted).

In following these approaches, the types of factors that may be taken into account include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, the nature and realizable value of any collateral, the issuer of the security’s ability to make payments, the issuer’s earnings, discounted cash flows and net asset value analysis, the markets in which the issuer does business, comparisons of financial ratios of peer public companies, recent merger and acquisition transactions for comparable public or private companies, actual and imminent capital transactions in the subject investee company and the principal market for the relevant security, among other factors.

The Manager and analysts monitor and review the valuation methodologies on a monthly basis. They use the latest available information to update the valuations each month. A Valuation Committee oversees the process and procedures for the valuation of the Level 3 investments in accordance with the valuation policy approved by the Board of Directors. The Valuation Committee meets on a quarterly basis or more frequently as required. It is comprised of staff of the Manager and two Directors, who are also principals of the Manager.

Because of the inherent uncertainty of valuation of securities and other investment funds traded in emerging market economies (see Note 11), the estimated fair values may differ significantly from values that will eventually be realized upon an actual liquidation of the portfolio, and such differences could be material.

Firebird Aurora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

**2. Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Classification**

The industry and geographic classifications reflected in the consolidated condensed schedule of investments represent the Manager's belief as to the most meaningful presentation of the classification of the principal business of the holdings in the portfolio.

**3. Financial Instruments**

The following is a summary of the inputs used as of December 31, 2020, in valuing the Fund's investments carried at fair value, disaggregated by geographic region:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value December 31, 2020
Investments in securities:				
Equities:				
Baltics:				
Estonia	\$ 642,855	\$ 5,661,893	\$ 297,619	\$ 6,602,367
Lithuania	4,556,440	-	-	4,556,440
Total Baltics	5,199,295	5,661,893	297,619	11,158,807
Central Asia:				
Kazakhstan	-	7,237,490	104,673	7,342,163
Kyrgyzstan	-	-	36,049	36,049
Total Central Asia	-	7,237,490	140,722	7,378,212
Eastern Europe:				
Armenia	-	-	15,392	15,392
Bulgaria	2,456,890	384,597	241,598	3,083,085
Georgia	6,838,345	-	710,619	7,548,964
Poland	-	857,954	-	857,954
Romania	7,763,721	8,057,003	454,999	16,275,723
Russia	26,902,011	8,559,418	13,616,300	49,077,729
Total Eastern Europe	43,960,967	17,858,972	15,038,908	76,858,847
Total equities	\$ 49,160,262	\$ 30,758,355	\$ 15,477,249	\$ 95,395,866

Firebird Aurora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

**3. Financial Instruments (continued)**

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value December 31, 2020
Investments in securities (continued):				
Corporate Bonds:				
Central Asia:				
Kazakhstan	-	\$ 3,403	\$ -	\$ 3,403
Total corporate bonds	-	\$ 3,403	\$ -	\$ 3,403
Total investment in securities	\$ 49,160,262	\$ 30,761,758	\$ 15,477,249	\$ 95,399,269
Investments allocated to Class A and M interests	-	\$ 239,914	\$ 5,344,810	\$ 5,584,724
Investments allocated to Class B, C, D, and M interests	\$ 49,160,262	30,521,844	10,132,439	89,814,545
Total	\$ 49,160,262	\$ 30,761,758	\$ 15,477,249	\$ 95,399,269
Investments in other investment funds:				
Baltics:				
Estonia	-	-	\$ 197,269	\$ 197,269
Total investment in other investment funds	-	-	\$ 197,269	\$ 197,269
Investments allocated to Class B, C, D, and M interests	-	-	\$ 197,269	\$ 197,269

Firebird Aurora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

**3. Financial Instruments (continued)**

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

	<b>Equities</b>			
	<b>Baltics</b>	<b>Central Asia</b>	<b>Eastern Europe</b>	<b>Total</b>
Balance as at December 31, 2019	\$ 220,486	\$ 185,486	\$ 16,341,217	\$ 16,747,189
Net realized gain (loss)	-	212,097	(3,553)	208,544
Net change in unrealized appreciation (depreciation)	77,133	(44,711)	(1,062,255)	(1,029,833)
Purchases	-	-	67	67
Sales	-	(212,150)	(174,579)	(386,729)
Transfers into Level 3	-	-	-	-
Transfers out of Level 3	-	-	(61,989)	(61,989)
Balance as at December 31, 2020	<u>\$ 297,619</u>	<u>\$ 140,722</u>	<u>\$ 15,038,908</u>	<u>\$ 15,477,249</u>

	<b>Other Investments Funds</b>	
	<b>Baltics</b>	
Balance as at December 31, 2019	\$	251,136
Net realized gain (loss)		-
Net change in unrealized appreciation (depreciation)		(53,867)
Purchases		-
Sales		-
Balance as at December 31, 2020	<u>\$</u>	<u>197,269</u>

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

#### 3. Financial Instruments (continued)

A quantitative disclosure of the unobservable inputs and assumptions for Level 3 securities has been provided in the table below.

Asset Class	Geographic Region	Fair Value as at December 31, 2020	Valuation Techniques	Unobservable Inputs	Ranges (Weighted Averages)
Equities	Eastern Europe	\$ 6,174,116	Market comparable companies	Price/Book Value Ratio Price/Earnings Ratio Enterprise Value/EBITDA Ratio Enterprise Value/Sales Ratio Discount Transaction Multiple	0.6-1.5 (0.7) 6.4-7.3 (6.6) 4.8-21.4 (18.9) 0.6-4.6 (3.8) 10-75.4% 0.8
		710,619	3 <sup>rd</sup> party quarterly net asset valuation		
		8,154,172	Last transaction	Discount	5-10%
	Baltics	297,619	Market comparable companies	Price/Book Value Ratio Enterprise Value/Sales Ratio Discount	1.2 0.4 30%
	Central Asia	140,722	Last transaction		
Other investment funds	Baltics	\$ 197,269	Quarterly net asset valuation	Lock up discount	10%

#### 4. Due from/to Brokers and Concentration of Credit Risk

Due from/to brokers generally includes amounts receivable or payable for securities transactions that have not been settled at the date of the consolidated financial statements and cash held at brokers for settled trades. The majority of publicly traded investments are held with Swedbank AS. The Fund periodically monitors the credit standing of the brokers and does not expect any material losses as a result of default by brokers.



## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

#### 5. Share Capital

The authorized share capital of the Fund is \$50,000 divided into 4,900,000 Class A, C, D, and M non-voting shares and 100,000 Class B voting shares each having a par value of \$0.01 per share. Outstanding Class A, C, D, M, and Class B shares will participate in the assets of the Fund upon liquidation ratably in proportion to their respective redemption values. Each Class B shareholder is entitled to one vote for each share held on any matter presented to a meeting of shareholders. Firebird Avrora Holdings LLC, an affiliate of the Manager, is the Class B shareholder.

Class A shares are redeemed and converted and Class C and D shares are issued, redeemed and converted in accordance with the Memorandum and Articles of Association.

New series of Class C and Class D shares will be issued to all subscribing investors at the offering price of US\$1,000 per share in order to permit the performance allocation to be calculated separately with respect to each share of each series. Accordingly, each series may have a different net asset value per share for each share class.

Class M shares are only offered to employees of the Manager, its affiliates and related persons, and are subject to the same rights, terms and conditions as the Class C shares except that Class M shares will not be subject to any management fee or performance fee allocation.

Share transactions for the year ended December 31, 2020, were as follows:

	Class A	Class B	Class C	Class D	Class M
Shares outstanding at December 31, 2019	5,105.00	0.08	1,113.96	20,585.43	66,760.95
Shares issued	-	-	-	9.84	218.76
Shares redeemed	(4.72)	-	(306.54)	(9,931.23)	(932.18)
Share roll up adjustments	(20.84)	-	-	5,872.14	(17,802.08)
Shares outstanding at December 31, 2020	5,079.44	0.08	807.42	16,536.18	48,245.45

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

#### **6. Management Fees**

Pursuant to the Memorandum and Articles of Association and the Management Agreement with effect from April 30, 2009, the Fund pays the Manager a management fee at an annual rate of 1.75% of the Class A and Class C net asset value calculated and payable quarterly in advance based on the Class A and Class C share of the Fund's net asset value (before accrual for performance allocation) as of the last business day of the preceding quarter. The management fee relating to the Class D shares is calculated and payable under the same terms at an annual rate of 1.50%. For the year ended December 31, 2020, the Fund recorded \$419,838 in management fees none of which is payable at year end.

Management fees are not charged to the Class B and M shareholders. The Manager may, in its discretion, waive all or a portion of the management fee with respect to any shareholder.

#### **7. Performance Allocation**

Pursuant to the Memorandum and Articles of Association and the Investment Advisory Management Agreement, Class B Shares receive a performance allocation annually equal in the aggregate to 15% of the net increase each year in the net asset value of each outstanding Class A and Class D share plus 17.5% of the net increase each year in the net asset value of each outstanding Class C share. This calculation is inclusive of net unrealized gains and losses and is subject to a loss carry forward.

The Manager may waive all or part of the performance allocation for certain investors. The performance allocations are recorded on the final day of the calendar year in which the fees are charged to investors and in the month following crystallization of performance fees due to a redemption. There was no performance allocation for the year ended December 31, 2020. The performance allocation can be withdrawn at any time by the holder of the Class B shares by way of dividend or redemption.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

#### **8. Taxation**

There is currently no taxation imposed on income or profits of the Fund by the Government of the Cayman Islands. If any form of taxation were to be enacted, the Fund has been granted an exemption therefrom until October 28, 2023.

The Fund is not subject to United States Federal, state or local taxation. The Fund reports tax information to its U.S. resident shareholders on the accrual basis. The Fund has elected to be treated as a partnership for U.S. Federal income tax purposes.

ASC Topic 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. ASC Topic 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. The Fund has adopted ASC Topic 740 and its impact is reflected in these consolidated financial statements.

The Fund recognizes interest and penalties, if any, as capital gains tax expense in the consolidated statement of operations. During the year, the Fund did not accrue any interest or penalties.

Tax accruals are calculated in local currencies. The effective rate to the Fund can exceed or be less than the applicable rates if the local currency has appreciated or depreciated against the US Dollar during the period of investment.

Tax legislation in all of the jurisdictions in which the Fund invests is subject to varying interpretations and changes, which can occur unexpectedly. The Manager's interpretation of such legislation as applied to transactions and activities of the Fund and its subsidiaries since inception may be challenged by the relevant regional and federal authorities. It is not practical to determine the amount of unasserted claims that may manifest themselves, if any, or the likelihood of any unfavorable outcome thereof.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

#### 9. Derivative Financial Instruments

In the normal course of business, the Fund may enter into transactions involving derivative financial instruments in connection with its investing activities. These instruments are subject to various risks similar to non-derivative instruments, including market, credit, liquidity, and operational risks. The Fund manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies. The Fund does not distinguish derivative profit or loss from any other category of investments for consolidated statement of operations presentation purposes. No derivative positions were held during the year.

#### 10. Related Party Transactions

In accordance with ASC Topic 850, *Related Party Disclosures*, related parties include principal ownership (defined to include investments where the Fund combined with funds under common control hold interests greater than 10%), associated companies (defined as investments where the Fund combined with funds under common control hold interests less than 10% and have members on the Board of Directors), and Affiliates. Affiliates are defined as other investment funds managed by the Manager and related parties of the Manager. There were no such transaction for the year ended December 31, 2020.

Included in related parties are the following entities in which the Fund and Affiliates have a greater than 20% aggregate interest in the entity and/or a Director(s) seat is held.

Name of Company	2020 Ownership by the Fund and 2020 Investments		Industry
	Affiliates	Held by the Fund	
Amber Trust I	2.34%	\$ 197,269	Miscellaneous
Arco Vara AS	7.70%	274,649	Real Estate
Caspian Energy	20.00%	104,673	Oil & Gas
Georgian Beverages Holdings	12.48%	710,619	Consumer Products
Global Gold CORP	48.27%	15,392	Gold
PRFoods AS	57.40%	330,274	Food
SDM Bank	8.50%	7,906,159	Banking

All investments in the above companies are carried at fair value, as discussed in Note 2.

## Firebird Aurora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

#### 11. Investment Risks

The Fund's investments are based principally in the emerging economies of Russia, the other former Soviet Republics and certain other European countries (the "Target Region"). Therefore, they are subject to the risks inherent in those economies including, but not limited to:

- **Political Risk** Changes in government policy of countries in the Target Region (such as nationalization, expropriation or confiscatory taxation, currency blockage, political changes, government regulation, social instability or diplomatic developments) could adversely affect the economies of the countries in the Target Region. In addition, geopolitical conflicts between countries in the Target Region, or between such countries and Western countries, could lead to sanctions or other restrictions that could adversely affect existing and potential investment opportunities for the Fund;
- **Legal Risk** Many of the laws that govern private and foreign investment, securities transactions, creditors' rights and other contractual relationships in countries in the Target Region are relatively untested and not fully developed. As a result, the Fund may be subject to a number of unusual risks, including contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations. There can be no assurance that difficulties in protecting and enforcing rights will not have a material adverse effect on the Fund and its operations. Laws and regulations of countries in the Target Region could change quickly and unpredictably and may impose restrictions or approvals that do not exist in countries with more developed market economies;
- **Market Risk** Stock prices are volatile and are affected by the real or perceived impacts of such factors as economic conditions and political events. The stock market tends to be cyclical, with periods when stock prices generally rise and periods where stock prices generally decline. Any given stock market segment may remain out of favor with investors for a short or long period of time, and stocks as an asset class may underperform bonds or other asset classes during some periods;

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

**11. Investment Risks (continued)**

- **Exchange and Currency Risk** At present, some of the currencies of countries in the Target Region are not freely and fully convertible into other currencies or traded internationally. Currency exchange values are also subject to direct and indirect government controls. Such internal exchange markets can therefore be said to be neither liquid nor competitive. Historically, many currencies in the Target Region have experienced sharp devaluations relative to the U.S. dollar and other Western currencies. The value of investments in the Fund will be affected by fluctuations in the value of local currencies against the U.S. dollar or by changes in local exchange control regulations, tax laws, withholding taxes, and economic or monetary policies. Additionally, since several of the countries in the Target Region are either Eurozone members or have local currencies pegged to the Euro, fluctuations in the Euro's value against the U.S. dollar will affect the Fund. Adverse fluctuations in currency exchange rates can result in a decrease in net return and in a loss of capital. Accordingly, investors must recognize that the value of Class A, C, D, M and Class B Shares can fall as well as rise for this reason;
- **Investments through Subsidiaries** The Fund may make investments in portfolio companies through wholly-owned or jointly-owned subsidiaries under certain circumstances, for example to minimize exposure to certain taxes, to facilitate future sales of portfolio companies, or to facilitate an initial offering of stock of the holding company on an international stock exchange. These subsidiaries may have different depositaries, administrators and/or auditors than the Fund, or may have no such depositary, administrator or auditors. Therefore, the use of these subsidiaries may subject the Fund to additional risks that would not have been incurred if investments were made directly;
- **Illiquidity of Investments** Securities held by the Fund may be subject to greater price volatility than is usually the case with stocks in more developed markets, in some cases to a substantial degree. A limited number of issuers often represent a disproportionately large percentage of market capitalization and trading value in markets in the Target Region. Also, the Fund may invest in securities that are acquired from companies in offerings that are not registered under U.S. or other securities laws. Such securities may be illiquid, may not be actively and widely traded, may only be traded by a limited number of institutional investors, or may not be traded at all. Registered securities may also be "deregistered" after they are acquired by the Fund;

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

#### 11. Investment Risks (continued)

- **Settlement Risk** The clearing, settlement and registration systems through which transactions are executed and settled in certain countries in the Target Region are significantly less developed than those in more mature world markets. This can result in significant delays and other material difficulties in settling trades and in registering transfers of securities
- **Quality of Information** Investors in the Target Region often have access to less reliable or less detailed information, including both general economic data and information concerning the operations, financial results, capitalization and financial obligations, earnings and securities of specific enterprises. The quality and reliability of information available to the Fund may, therefore, in some cases, be less than in respect of investments in Western countries;
- **Taxation in Target Region** Investments by the Fund in the Target Region will have differing tax consequences. Not all jurisdictions in the Target Region have tax treaties providing relief from capital gains or other taxes. Consequently, the Fund may be subject to substantial taxation in certain jurisdictions. In order to minimize the tax consequences of investments, the Fund may invest through the Subsidiary or create investment vehicles in other jurisdictions or make investments directly. Tax laws and administration in certain countries in the Target Region, however, are fluid and often capricious, and there can be no assurance that the Fund will be able to anticipate all taxes or will be able to create a structure to minimize taxes in any particular jurisdiction;
- **Accounting Practices** Accounting standards in many nations in the Target Region frequently do not correspond to international accounting standards or generally accepted accounting practices in all material respects. In addition, auditing requirements and standards may differ from those generally accepted in the international capital markets and, consequently, information available to investors in developed capital markets is not always obtainable in respect of companies in the Target Region;
- **Criminality** Organized crime and corruption, including extortion and fraud, remain common in many countries in the Target Region. Threats or incidents of crime may cause or force the Fund to cease or alter certain activities or liquidate certain investments, which may cause losses or otherwise have a material adverse effect on the Fund.

## Firebird Aurora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

#### 11. Investment Risks (continued)

- **Coronavirus** The extent of the impact of the coronavirus (“COVID-19”) outbreak on the financial performance of the Fund’s investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund’s investment results may be materially adversely affected.

The above risks are not unique in the context of emerging markets investing.

The Fund could be affected, for the foreseeable future, by these risks and their consequences, and the effects could be significant. The accompanying consolidated financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the Fund’s consolidated financial statements in the period when they become known and estimable.

#### 12. Indemnifications

The Fund enters into contracts that contain a variety of indemnifications. The Fund’s maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.



## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

#### 13. Financial Highlights

Financial highlights for the year ended December 31, 2020, were as follows:

	<u>Class A</u>	<u>Class C</u>	<u>Class D</u>
Total return before performance allocation	(1.59)%	(5.80)%	(5.57)%
Performance allocation	0.00 %	0.00 %	0.00 %
Total return after performance allocation	<u>(1.59)%</u>	<u>(5.80)%</u>	<u>(5.57)%</u>
Ratios to average share holders capital			
Total expenses before performance allocation	(3.19)%	(2.75)%	(2.51)%
Performance allocation	0.00 %	0.00 %	0.00 %
Total expenses after performance allocation	(3.19)%	(2.75)%	(2.51)%
Net investment income (expense)	<u>(1.03)%</u>	<u>1.26 %</u>	<u>1.35 %</u>

Shares are issued within classes to each investor by series. These series are permanent and will remain out-standing until the investor fully redeems. As a result, the Fund presents financial highlights consistent with those presented for a partnership, which are ratios to average net assets and total return, but not per share data.

#### 14. Credit Facilities

As of December 31, 2020, the Fund had a credit agreement (“Credit Facility”) with Swedbank AS, pursuant to which the Fund has granted security over its assets held at Swedbank AS in order to have access to funds on a short-term basis to fulfill redemption requests in limited circumstances, as determined by the Manager. Pursuant to the terms of the Credit Facility, the Fund can borrow up to approximately \$3,187,000. This line of credit is at market rates and as at December 31, 2020, there were no outstanding amounts due.

#### 15. Subsequent Events

Management has evaluated events subsequent to year-end and through March 31, 2021, the date the consolidated financial statements were available to issue. During this period, the Fund recorded \$3,878,164 Class A redemptions, \$3,899 Class B redemptions, \$117,937 Class M redemptions and \$102,198 Class D subscriptions and \$109 Class M subscriptions.