
Audited Consolidated Financial Statements

Firebird Avroora Fund, Ltd.

Year Ended December 31, 2014

With Report of Independent Auditors



FIREBIRD MANAGEMENT LLC

Firebird Avrora Fund, Ltd.

Audited Consolidated Financial Statements

Year Ended December 31, 2014

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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, 2014, 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 consolidated 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. 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 Avvora Fund, Ltd. at December 31, 2014, 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 27, 2015

Firebird Avrora Fund, Ltd.

Consolidated Statement of Assets and Liabilities
(Stated in United States Dollars)

December 31, 2014

Assets

Cash and cash equivalents	\$ 1,297,260
Investments in securities, at fair value (cost \$151,266,696)	97,986,561
Investment in other investment fund, at fair value (cost \$57,875)	295,776
Due from brokers	613,752
Dividends receivable	148,730
Interest receivable	12,461
Total assets	100,354,540

Liabilities

Class C redemptions payable	933,324
Class D redemptions payable	310,702
Class B dividends payable	500,000
Unrealized capital gains tax reserve	5,844
Realized capital gains tax reserve	4,286
Accounts payable and accrued expenses	246,200
Total liabilities	2,000,356
Net assets	\$ 98,354,184

Net asset value per share

Class A Master series (based on 6,211.60 shares outstanding)	\$ 993.23
Class A February 2006 series (based on 28.67 shares outstanding)	\$ 418.60
Class A March 2006 series (based on 1.15 shares outstanding)	\$ 399.60
Class A April 2006 series (based on 20.89 shares outstanding)	\$ 393.05
Class A May 2006 series (based on 10.32 shares outstanding)	\$ 359.24
Class A June 2006 series (based on 80.10 shares outstanding)	\$ 389.21
Class A July 2006 series (based on 49.91 shares outstanding)	\$ 393.39
Class A February 2008 series (based on 215.01 shares outstanding)	\$ 288.67
Class A March 2008 series (based on 215.01 shares outstanding)	\$ 271.10
Class A April 2008 series (based on 171.57 shares outstanding)	\$ 280.32
Class A May 2008 series (based on 1.43 shares outstanding)	\$ 276.06
Class A June 2008 series (based on 348.32 shares outstanding)	\$ 257.68
Class A July 2008 series (based on 102.04 shares outstanding)	\$ 266.26
Class A February 2009 series (based on 98.15 shares outstanding)	\$ 947.58
Class A 2011 Master series (based on 26.40 shares outstanding)	\$ 424.31
Class A November 2011 series (based on 51.09 shares outstanding)	\$ 562.61

Firebird Avrora Fund, Ltd.

Consolidated Statement of Assets and Liabilities (continued)
(Stated in United States Dollars)

Net asset value per share (continued)

Class A December 2011 series (based on 518.49 shares outstanding)	\$	582.38
Class A February 2012 series (based on 408.06 shares outstanding)	\$	581.50
Class A 2014 Master (based on 1,024.86 shares outstanding)	\$	582.48
Class A H 2014 series (based on 31.89 shares outstanding)	\$	614.67
Class A February 2014 series (based on 22.69 shares outstanding)	\$	606.70
Class A August 2014 series (based on 17.76 shares outstanding)	\$	738.18
Class B (based on 100.00 shares outstanding)	\$	467,908.03
Class C Master series (based on 2,586.76 shares outstanding)	\$	1,709.70
Class C February 2006 series (based on 65.00 shares outstanding)	\$	720.56
Class C May 2006 series (based on 75.00 shares outstanding)	\$	618.38
Class C July 2006 series (based on 100.00 shares outstanding)	\$	677.17
Class C T 2008 series (based on 52.15 shares outstanding)	\$	527.83
Class C June 2008 series (based on 100.00 shares outstanding)	\$	443.57
Class C November 2009 series (based on 7,226.67 shares outstanding)	\$	985.41
Class C December 2009 series (based on 117.12 shares outstanding)	\$	946.87
Class C 2011 Master series (based on 23,173.26 shares outstanding)	\$	737.88
Class C May 2011 series (based on 200.00 shares outstanding)	\$	698.00
Class C 2014 Master series (based on 2,026.93 shares outstanding)	\$	760.61
Class D Master series (based on 4,083.45 shares outstanding)	\$	1,733.47
Class D February 2006 series (based on 175.00 shares outstanding)	\$	730.58
Class D March 2006 series (based on 350.00 shares outstanding)	\$	697.42
Class D April 2006 series (based on 88.07 shares outstanding)	\$	685.99
Class D February 2008 series (based on 200.00 shares outstanding)	\$	503.81
Class D August 2008 series (based on 200.00 shares outstanding)	\$	539.04
Class D January (A) 2010 series (based on 192.14 shares outstanding)	\$	973.07
Class D January (B) 2010 series (based on 431.09 shares outstanding)	\$	973.07
Class D 2011 Master series (based on 379.96 shares outstanding)	\$	745.32
Class D February 2011 series (based on 300.00 shares outstanding)	\$	705.47
Class D March 2011 series (based on 600.00 shares outstanding)	\$	686.90
Class D May 2011 series (based on 300.00 shares outstanding)	\$	704.46
Class D April 2012 series (based on 250.00 shares outstanding)	\$	861.41
Class D 2014 Master series based on 991.20 shares outstanding)	\$	762.53
Class M (based on 2,676.33 shares outstanding)	\$	984.19

See accompanying notes.

Firebird Avrora Fund, Ltd.

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

December 31, 2014

Quantity	Fair Value	Percent of Net Assets
Investments in securities		
Equities:		
Common stock:		
Armenia:		
Gold (cost \$123,248)	\$ 16,000	0.02%
Bulgaria:		
Banking	1,065,448	1.09
Chemicals	10,132	0.01
Consumer Products	764,688	0.77
Insurance	2,775,542	2.82
Manufacturing	2,005,090	2.04
Miscellaneous	206,925	0.21
Pharmaceuticals	3,312,241	3.37
Tourism	516,568	0.53
Total Bulgaria (cost \$17,173,523)	10,656,634	10.84
Estonia:		
Construction	2,071,862	2.11
Consumer Products	693,796	0.71
Food	525,425	0.53
Gambling	2,529,221	2.57
Real Estate	833,576	0.85
Retail	1,244,584	1.27
Transportation	3,938,769	4.00
Total Estonia (cost \$14,640,308)	11,837,233	12.04

Firebird Avrora Fund, Ltd.

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

Quantity		Fair Value	Percent of Net Assets
Investments in securities (continued)			
Equities (continued):			
Common stock (continued):			
Georgia:			
Banking:			
363,136	Bank of Georgia PLC	\$ 11,743,792	11.94%
	Consumer Products	1,625,135	1.65
	Real Estate	—	—
	Utilities	125,020	0.13
	Total Georgia (cost \$16,794,590)	13,493,947	13.72
Kazakhstan:			
Banking:			
1,314,437	Kazkommertsbank GDR	4,994,861	5.08
	Other	1,472,056	1.50
	Total Banking	6,466,917	6.58
	Cement	1,198,861	1.22
	Metallurgy & Mining	18,289	0.02
	Oil & Gas	2,086,616	2.12
	Telecommunications	1,499,046	1.52
	Total Kazakhstan (cost \$24,988,190)	11,269,729	11.46
Kyrgyzstan:			
	Metallurgy & Mining	—	—
	Miscellaneous	103,883	0.11
	Utilities	111,349	0.11
	Total Kyrgyzstan (cost \$127,995)	215,232	0.22
Lithuania:			
	Manufacturing	58,101	0.06
	Pipelines	417,606	0.42
	Retail	2,973,128	3.02
	Total Lithuania (cost \$1,953,814)	3,448,835	3.50

Firebird Avrora Fund, Ltd.

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

Quantity	Fair Value	Percent of Net Assets
Investments in securities (continued)		
Equities (continued):		
Common stock (continued):		
Russia (continued):		
Gold	\$ 886,758	0.91%
Manufacturing	1,927,106	1.95
Metallurgy & Mining	3,091,217	3.15
Nuclear	276,862	0.28
Oil & Gas	3,388,764	3.44
Pharmaceuticals	180,549	0.18
Pulp & Paper	575,308	0.58
Stock Exchange	810,786	0.82
Technology	83,505	0.08
Telecommunications	476,772	0.48
Uranium	351,968	0.36
Utilities	219,440	0.22
Total Russia (cost \$35,278,340)	24,451,499	24.83
Ukraine:		
Chemicals	29,113	0.03
Food	395,906	0.40
Insurance	89,706	0.09
Real Estate	133,958	0.14
Total Ukraine (cost \$13,737,468)	648,683	0.66
Total common stock (cost \$148,244,771)	96,342,988	97.95

Firebird Avrora Fund, Ltd.

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

Quantity	Fair Value	Percent of Net Assets
Investments in securities (continued)		
Equities (continued):		
Preferred stock:		
Bulgaria:		
Miscellaneous (cost \$207,440)	\$ 171,501	0.17%
Russia:		
Manufacturing	523,168	0.53
Oil & Gas	344,260	0.35
Uranium	27,247	0.03
Utilities	17,405	0.02
Total Russia (cost \$521,026)	912,080	0.93
Total preferred stock (cost \$728,466)	1,083,581	1.10
Restricted stock:		
Armenia:		
Gold (cost \$1,646,250)	87,030	0.09
Mongolia:		
Banking (cost \$270,000)	167,419	0.17
Total restricted stock (cost \$1,916,250)	254,449	0.26
Warrant:		
Kazakhstan:		
Gold (cost \$-)	489	-
Total warrant (cost \$-)	489	-
Total equities (cost \$150,889,487)	97,681,507	99.31

Firebird Avrora Fund, Ltd.

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

Quantity	Fair Value	Percent of Net Assets
Investments in securities (continued)		
Convertible bonds:		
Kazakhstan:		
Oil & Gas	\$ 244,823	0.25%
Lithuania:		
Manufacturing	57,466	0.06
Total convertible bonds (cost \$360,861)	<u>302,289</u>	<u>0.31</u>
Corporate bonds:		
Kazakhstan:		
Banking	2,765	–
Total corporate bonds (cost \$16,348)	<u>2,765</u>	<u>–</u>
Total investments in securities (cost \$151,266,696)	<u>\$ 97,986,561</u>	<u>99.62%</u>
Investment in other investment fund		
Baltics:		
Miscellaneous	\$ 295,776	0.30%
Total investment in other investment fund (cost \$57,875)	<u>\$ 295,776</u>	<u>0.30%</u>

See accompanying notes.

Firebird Avvora Fund, Ltd.

Consolidated Statement of Operations
(Stated in United States Dollars)

Year Ended December 31, 2014

Investment income

Dividend income (net of \$368,301 withholding taxes)	\$ 3,816,650
Interest income	112,817
Total investment income	<u>3,929,467</u>

Expenses

Management fees	1,145,391
Professional fees and other	1,119,651
Custodian fees	371,421
Total expenses	<u>2,636,463</u>

Net investment income	1,293,004
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Net gain (loss) on investments and foreign currency transactions

Net change in unrealized capital gains tax reserve	25,696
Net change in realized capital gains tax reserve	581
Net realized loss on investments and foreign currency transactions	(4,727,376)
Net change in unrealized depreciation on investments and foreign currency transactions	<u>(30,699,519)</u>
Net loss on investments and foreign currency transactions	<u>(35,400,618)</u>
Net decrease in net assets resulting from operations	<u><u>\$ (34,107,614)</u></u>

See accompanying notes.

Firebird Avvora Fund, Ltd.

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

Year Ended December 31, 2014

Decrease in net assets resulting from operations

Net investment income	\$ 1,293,004
Net change in unrealized capital gains tax reserve	25,696
Net change in realized capital gains tax reserve	581
Net realized loss on investments and foreign currency transactions	(4,727,376)
Net change in unrealized depreciation on investments and foreign currency transactions	<u>(30,699,519)</u>
Net decrease in net assets resulting from operations	<u>(34,107,614)</u>

Decrease in net assets resulting from capital share transactions

Class A shares redeemed	(1,400,022)
Class C shares redeemed	(5,360,447)
Class D shares redeemed	(1,415,851)
Dividends declared on Class B shares	<u>(4,500,000)</u>
Net decrease in net assets resulting from capital share transactions	<u>(12,676,320)</u>

Net change in net assets	(46,783,934)
Net assets at beginning of year	<u>145,138,118</u>
Net assets at end of year	<u>\$ 98,354,184</u>

See accompanying notes.

Firebird Avrrora Fund, Ltd.

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

Year Ended December 31, 2014

Operating activities

Net decrease in net assets resulting from operations	\$ (34,107,614)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:	
Net realized loss on investments	4,556,777
Net change in unrealized depreciation on investments	30,509,693
Purchases of investments	(21,282,124)
Proceeds from sales of investments	28,499,858
Changes in operating assets and liabilities:	
Due from brokers	156,998
Dividends receivable	(99,699)
Interest receivable	177,849
Due to brokers	(100,262)
Realized capital gains tax reserve	(581)
Unrealized capital gains tax reserve	(25,696)
Accounts payable and accrued expenses	(65,799)
Net cash provided by operating activities	<u>8,219,400</u>

Financing activities

Payments for redemptions of Class A Shares	(1,405,330)
Payments for redemptions of Class C Shares	(4,325,363)
Payments for redemptions of Class D Shares	(1,415,851)
Dividends paid on Class B shares	<u>(5,500,000)</u>
Net cash used in financing activities	<u>(12,646,544)</u>

Net change in cash and cash equivalents	(4,427,144)
Cash and cash equivalents at beginning of year	<u>5,724,404</u>
Cash and cash equivalents at end of year	<u>\$ 1,297,260</u>

Non-cash activities

Securities received in lieu of bond interest	\$ 150,674
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See accompanying notes.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements

December 31, 2014

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 was registered under the Cayman Islands Mutual Fund Law 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.

Elise Holdings S.à r.l. (“Elise”) is a wholly owned subsidiary of the Fund and was incorporated as a private limited liability company (Société à responsabilité limitée or S.à r.l.) under the laws of Luxembourg on June 20, 2012. Elise owns shares of a company operating in Mongolia.

The Fund’s investment manager is Firebird Avrora Advisors LLC, a New York limited liability company (the “Manager”). 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.

Trident Trust Company (Cayman) Limited (the “Administrator”) provides administration services and maintains the registered office of the Fund. Seaward Services Limited provides administration services to Leo and maintains its registered office. Trident Trust Company (Luxembourg) S.A. provides administration services to Elise while Dechert Luxembourg maintains its registered office.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

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”) 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 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 subsidiaries, Leo and Elise, after the elimination of all intercompany balances and transactions.

The Fund consolidates its investment in other investment fund in which it has a controlling financial interest. Consolidation requirements typically define a controlling interest as an ownership, directly or indirectly, of over 50% of the outstanding voting interest of another investment fund unless control is temporary or does not rest with the majority owner.

The Fund does not consolidate operating companies for which there is a controlling interest, unless the entity is an operating company providing services to the investment company. For the year ended December 31, 2014, the Fund did not consolidate any investment funds or operating companies.

Cash and Cash Equivalents

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. All cash and cash equivalents are held at banks organized in the United States of America, Estonia, Georgia, Kazakhstan, and Mongolia. The Fund does not expect any material losses as a result of this allocation.

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)

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. As of December 31, 2014, the Fund and its subsidiaries held \$550,810 of cash in foreign currencies.

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 Accounting Standards Codification Topic 825, *Financial Instruments*, approximates the carrying amounts presented in the consolidated financial statements.

In accordance with Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820"), 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.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

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. 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. Investments may move between different levels during the course of the year and are caused by certain information becoming available to the Manager. The Fund recognizes transfers between levels as occurring at the beginning of the reporting period. Information relating to transfers into and out of Level 3 can be found in Note 3.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

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.

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 Directors, according to the steps outlined in ASC Topic 820. For these Level 2 or 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.

Investment in other investment fund 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. Investment in other investment fund is classified as Level 3, but can be Level 2 if it is redeemable at net asset value within six months of the measurement date.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The Fund's investment in other investment fund 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 other 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 withdrawals are made in accordance with the terms of the offering memorandum.

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 M&A 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.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

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. The Fund also engages the services of an independent valuation firm to perform quarterly or semi-annual valuations on certain Level 3 assets. 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 three Directors, who are also principals of the Manager.

Because of the inherent uncertainty of valuation of securities and investment fund 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.

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.

Firebird Aurora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

3. Financial Instruments

The following is a summary of the inputs used as of December 31, 2014, 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, 2014
Investments in securities:				
Equities:				
Baltics:				
Estonia	\$ 3,409,136	\$ 7,613,615	\$ 814,482	\$ 11,837,233
Other	–	3,390,734	58,101	3,448,835
Total Baltics	3,409,136	11,004,349	872,583	15,286,068
Central Asia:				
Kazakhstan	2,408,089	8,861,640	489	11,270,218
Other	–	–	215,232	215,232
Total Central Asia	2,408,089	8,861,640	215,721	11,485,450
Eastern Asia	1,337,365	399,393	679,416	2,416,174
Eastern Europe:				
Bulgaria	–	10,053,315	774,820	10,828,135
Georgia	11,743,792	–	1,750,155	13,493,947
Romania	6,243,429	11,121,096	691,916	18,056,441
Russia	6,920,861	3,768,761	14,673,957	25,363,579
Other	16,000	568,536	167,177	751,713
Total Eastern Europe	24,924,082	25,511,708	18,058,025	68,493,815
Total investment in equities	\$ 32,078,672	\$ 45,777,090	\$ 19,825,745	\$ 97,681,507

Firebird Aurora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

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, 2014
Investments in securities (continued):				
Convertible bonds:				
Baltics	\$	– \$	57,466	\$
Central Asia		–	244,823	\$
Total investment in convertible bonds		–	57,466	244,823
Corporate bonds:				
Central Asia		–	2,765	–
Total investment in corporate bonds		–	2,765	–
Total investments in securities	\$	32,078,672	\$	45,837,321
			\$	20,070,568
				\$
Investments allocated to Class A interests		\$	168,592	\$
Investments allocated to Class B, C, D, and M interests		\$	31,910,080	\$
Total		\$	32,078,672	\$
			\$	45,837,321
			\$	20,070,568
				\$
Investment in other investment fund:				
Baltics	\$	– \$	–	\$
Total investment in other investment fund		\$	– \$	\$
Investments allocated to Class B, C, D, and M interests		\$	– \$	\$
			\$	295,776
			\$	295,776

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

3. Financial Instruments (continued)

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

	Equities				
	Baltics	Central Asia	Eastern Asia	Eastern Europe	Total
Balance as at December 31, 2013	\$ 1,304,488	\$ 207,998	\$ 190,120	\$ 31,156,266	\$ 32,858,872
Net realized (loss)	(2,482,901)	-	-	(3,970,285)	(6,453,186)
Net change in unrealized appreciation (depreciation)	2,100,978	7,723	(10,704)	(8,064,502)	(5,966,505)
Purchases	-	-	500,000	252,914	752,914
Sales	(49,982)	-	-	(1,281,254)	(1,331,236)
Transfers into Level 3*	-	-	-	1,268	1,268
Transfers out of Level 3*	-	-	-	(36,382)	(36,382)
Balance as at December 31, 2014	<u>\$ 872,583</u>	<u>\$ 215,721</u>	<u>\$ 679,416</u>	<u>\$ 18,058,025</u>	<u>\$ 19,825,745</u>
Net change in unrealized depreciation on investments still held as of December 31, 2014	<u>\$ (431,905)</u>	<u>\$ 7,723</u>	<u>\$ (10,704)</u>	<u>\$ (11,587,345)</u>	<u>\$ (12,002,231)</u>

*\$1,268 of investments transferred from Level 1 due to the unavailability of direct observable market information. \$36,382 of investments transferred to Level 2 due to availability of direct observable inputs.

	Other Investment Funds	
	Bonds	Baltics
Balance as at December 31, 2013	\$ 1,641,039	\$ 348,105
Realized loss	-	(26)
Net change in unrealized depreciation	(50,307)	(28,493)
Purchases	295,130	-
Sales	-	(23,810)
Transfers out of Level 3*	(1,641,039)	-
Balance as at December 31, 2014	<u>\$ 244,823</u>	<u>\$ 295,776</u>
Net change in unrealized depreciation on investments still held as of December 31, 2014	<u>\$ (50,307)</u>	<u>\$ (26,679)</u>

*\$1,641,039 of investments transferred to Level 2 due to availability of direct observable inputs.

Firebird Aurora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

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, 2014	Valuation Techniques	Unobservable Inputs	Ranges (Weighted Averages)
Equities	Baltics Central Asia Eastern Asia Eastern Europe	\$ 872,583 215,721 679,416 18,058,025	Market comparable companies Dividend discount model	Price/Book value ratio Price/Earnings ratio Price/Gross Written Premiums ratio Price / Sales Ratio Enterprise value/EBITDA ratio Enterprise value/Sales ratio Enterprise value/Production ratio Dividend Yield	0.06 – 2.22 (0.91) 5.91 0.26 1.21 0.65 - 8.50 (6.54) 0.24 371.40 0.03
Convertible bond	Central Asia	\$ 244,823	Discounted par value	Discount rate	20%
Other investment funds	Baltics	\$ 295,776	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.

The Fund also invests in convertible bonds. Until such investments are sold or mature, the Fund is exposed to credit risk relating to whether the issuer will meet its obligation when it comes due.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

5. Share Capital

The authorized share capital of the Fund is \$50,000 dividend 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, 2014, were as follows:

	Class A	Class B	Class C	Class D	Class M
Shares outstanding at December 31, 2013	10,783.45	100.00	40,855.32	9,644.42	2,676.33
Shares issued	–	–	–	–	–
Shares redeemed	(1,118.61)	–	(5,132.43)	(1,103.51)	–
Net effect of share transfers	(9.43)	–	–	–	–
Shares outstanding at December 31, 2014	9,655.41	100.00	35,722.89	8,540.91	2,676.33

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

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, 2014, the Fund recorded and paid \$1,145,391 in management fees.

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 effected 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 to Class B shares for the year ended December 31, 2014. The performance allocation can be withdrawn at any time by the holder of the Class B shares by way of dividend or redemption.

Firebird Avvora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

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 above 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)

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.

Outstanding balances at year-end and transactions with these entities during the year ended December 31, 2014, were as follows:

	Principal Ownership	Associated Companies	Affiliates
Interest income	\$ 98,552	\$ –	\$ –
Purchases of investments	899,227	–	–
Sales of investments	–	23,810	999,413
Realized gain (loss)	–	(26)	332,920

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

10. Related Party Transactions (continued)

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	2014 Ownership by the Fund and Affiliates	2014 Investments Held by the Fund	Industry
Amber Trust I	0.99%	\$ 295,776	Miscellaneous
Caspian Energy Inc.	21.17	1,085,562	Oil & Gas
Global Gold Corp.	53.16	103,030	Gold
National Investment Bank of Mongolia	9.50	167,419	Banking
NBD Bank	6.86	906,595	Banking
Premia Foods	56.97	525,425	Food
SDM Bank	8.50	3,038,995	Banking
Sharyn Gol	71.43	399,393	Metallurgy & Mining
Tallink Grupp	5.61	3,938,769	Transportation
Teliani Valley JSC	30.64	1,453,266	Consumer Products
Utenos Trikotazas	9.51	58,101	Manufacturing
Sharyn Gol Holdings, Ltd.	88.46	511,997	Metallurgy & Mining

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

11. Investment Risks

The Fund's investments are based principally in the emerging economies of Russia, the former Soviet republics, and certain Eastern European countries. Therefore, they are subject to the risks inherent in those economies including, but not limited to:

- the ability to find a buyer in order to sell security positions owned by the Fund;
- the risk that brokers which hold shares for the Fund may become insolvent, which may result in a loss of such shares;

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

11. Investment Risks (continued)

- uncertainties regarding existing local laws and regulations that provide protection to owners of investment securities;
- uncertainties regarding the convertibility of local currencies into U.S. dollars;
- private companies in which the Fund holds or will hold an interest will be returned to some form of state control or that the assets of such companies will be confiscated by the state without or with inadequate compensation to investors;
- the risk of an economic or political catastrophe or renationalization that could result in a substantial or total loss of the value of the investments;
- a liquidity risk associated with restructuring of companies, during which time such securities may be frozen until registration has been completed;
- the risk of restrictions being imposed by foreign governments on the repatriation of cash; and
- geopolitical and macroeconomic uncertainty involving Russia may lead to further devaluation of the ruble and weaken certain of the markets in which the Fund operates.

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 Avvora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

13. Financial Highlights

Financial highlights for the year ended December 31, 2014, were as follows:

	Class A	Class C	Class D
Per share operating performance			
Beginning net asset value	\$ 1,705.16	\$ 2,247.79	\$ 2,273.32
Change in net assets resulting from operations:			
Net investment income	42.70	(0.48)	3.23
Net (loss) on investments and foreign currency transactions	(754.63)	(537.61)	(543.08)
Performance allocation	-	-	-
Net change in net assets resulting from operations	(711.93)	(538.09)	(539.85)
Ending net asset value	<u>\$ 993.23</u>	<u>\$ 1,709.70</u>	<u>\$ 1,733.47</u>
Total return			
Total return before and after performance allocation	(41.75)%	(23.94)%	(23.75)%
Ratios to average net assets			
Total expenses before and after performance allocation	(3.08)%	(2.87)%	(2.62)%
Net investment income (loss)	3.03%	(0.13)%	0.16%

The above per share operating information and total return are calculated for Class A, Class C, and Class D initial series shares. Ratios to average net assets are calculated for each class taken as a whole. An individual investor's per share operating performance, total return and ratios to average net assets may vary from these amounts and ratios based on the timing of capital transactions and differing management fee and performance allocation rates.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

14. Credit Facilities

As of December 31, 2014, 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 \$10,719,600. These lines of credit are at market rates and as at December 31, 2014, there were no outstanding amounts due.

15. Subsequent Events

Management has evaluated events subsequent to year-end and through March 27, 2015, the date the consolidated financial statements were available to issue. During this period, the Fund did not record any subscriptions or redemptions.