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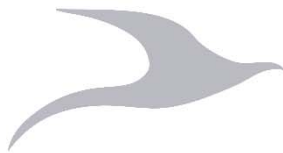
# ***Audited Consolidated Financial Statements***

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**Firebird Avroora Fund, Ltd.**

**Year Ended December 31, 2022**

**With Report of Independent Auditors**



**FIREBIRD MANAGEMENT LLC**

Firebird Aurora Fund, Ltd.

Audited Consolidated Financial Statements

Year Ended December 31, 2022

**Contents**

Report of Independent Auditors.....	1
Audited Consolidated Financial Statements	
Consolidated Statement of Assets and Liabilities.....	3
Consolidated Condensed Schedule of Investments .....	5
Consolidated Statement of Operations.....	9
Consolidated Statement of Changes in Net Assets .....	10
Consolidated Statement of Cash Flows .....	11
Notes to Consolidated Financial Statements.....	12



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## Report of Independent Auditors

The Board of Directors  
Firebird Avrora Fund, Ltd.

### **Opinion**

We have audited the 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, 2022, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund at December 31, 2022, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

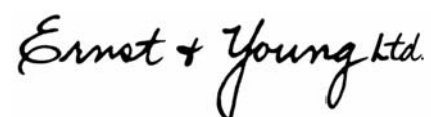
## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



April 3, 2023

Firebird Avrora Fund, Ltd.

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

December 31, 2022

**Assets**

Cash and cash equivalents	\$	2,578,189
Restricted Cash		165,139
Investments in securities, at fair value (cost \$73,173,739)		58,046,983
Investment in other investment funds, at fair value (cost \$0)		173,976
Due from brokers		3,543
Dividend receivable (see Note 2)		595,035
Other assets		22,790
<b>Total assets</b>		<b>61,585,655</b>

**Liabilities**

Class A redemptions payable		36,844
Class M redemptions payable		2,000,000
Management fee payable		448
Accounts payable and accrued expenses		241,746
<b>Total liabilities</b>		<b>2,279,038</b>
<b>Net assets</b>	<b>\$</b>	<b>59,306,617</b>

**Net asset value per share**

Class A Master series (based on 580.70 shares outstanding)	\$	583.14
Class A February 2006 series (based on 0.65 shares outstanding)	\$	245.77
Class A March 2006 series (based on 0.18 shares outstanding)	\$	234.61
Class A April 2006 series (based on 1.80 shares outstanding)	\$	230.77
Class A May 2006 series (based on 1.65 shares outstanding)	\$	210.91
Class A June 2006 series (based on 12.84 shares outstanding)	\$	228.51
Class A July 2006 series (based on 6.21 shares outstanding)	\$	230.96
Class A February 2008 series (based on 22.98 shares outstanding)	\$	169.48
Class A April 2008 series (based on 25.32 shares outstanding)	\$	164.58
Class A May 2008 series (based on 0.23 shares outstanding)	\$	162.09
Class A June 2008 series (based on 27.12 shares outstanding)	\$	151.29
Class A July 2008 series (based on 14.05 shares outstanding)	\$	156.34
Class A February 2009 series (based on 15.74 shares outstanding)	\$	556.34
Class A 2011 Master series (based on 0.16 shares outstanding)	\$	249.13
Class A December 2011 series (based on 83.12 shares outstanding)	\$	341.92
Class A February 2012 series (based on 65.42 shares outstanding)	\$	341.41
Class A 2014 Master series (based on 164.31 shares outstanding)	\$	341.98
Class A February 2014 series (based on 3.64 shares outstanding)	\$	356.20
Class A August 2014 series (based on 2.85 shares outstanding)	\$	425.87

Firebird Avrora Fund, Ltd.

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

December 31, 2022

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

Class A January 2015 series (based on 3.56 shares outstanding)	\$	553.78
Class A May 2017 series (based on 1.70 shares outstanding)	\$	394.26
Class A July 2017 series (based on 546.23 shares outstanding)	\$	390.18
Class A December 2017 series (based on 9.89 shares outstanding)	\$	578.66
Class A March 2018 series (based on 23.97 shares outstanding)	\$	580.82
Class A October 2021 series (based on 3.18 shares outstanding)	\$	417.82
Class B (based on 0.00 shares outstanding)	\$	644,286,108
Class C Master series (based on 483.87 shares outstanding)	\$	1,581.23
Class C Master D series (based on 666.57 shares outstanding)	\$	1,633.68
Class C July 2006 series (based on 86.68 shares outstanding)	\$	626.28
Class C T 2008 series (based on 6.81 shares outstanding)	\$	560.86
Class C Master 2011 series (based on 2,595.02 shares outstanding)	\$	677.99
Class C May 2016 series (based on 2,409.36 shares outstanding)	\$	894.69
Class C March 2021 series (based on 1.91 shares outstanding)	\$	690.79
Class C May 2021 series (based on 1.19 shares outstanding)	\$	638.91
Class C August 2021 series (based on 1.18 shares outstanding)	\$	570.83
Class C January 2022 series (based on 86.68 shares outstanding)	\$	544.64
Class C February 2022 series (based on 173.35 shares outstanding)	\$	588.88
Class C June 2022 series (based on 100 shares outstanding)	\$	1,080.98
Class M September 2012 (based on 36,977.81 shares outstanding)	\$	1,045.75
Class M January 2018-1 (based on 50.14 shares outstanding)	\$	460.87
Class M February 2022 (based on 273.22 shares outstanding)	\$	597.02
Class M September 2022 (based on 0.08 shares outstanding)	\$	1,122.23
Class SS-B (based on 0.00 shares outstanding)	\$	10,623,295,114
Class SS-C Master series (based on 74.38 shares outstanding)	\$	2,915.67
Class SS-C Master D series (based on 102.46 shares outstanding)	\$	3,012.38
Class SS-C July 2006 series (based on 13.32 shares outstanding)	\$	1,154.81
Class SS-C T 2008 series (based on 1.05 shares outstanding)	\$	1,026.47
Class SS-C Master 2011 series (based on 398.88 shares outstanding)	\$	1,249.37
Class SS-C May 2016 series (based on 370.34 shares outstanding)	\$	1,648.70
Class SS-C March 2021 series (based on 0.29 shares outstanding)	\$	1,273.77
Class SS-C May 2021 series (based on 0.18 shares outstanding)	\$	1,178.10
Class SS-C August 2021 series (based on 0.18 shares outstanding)	\$	1,052.58
Class SS-C January 2022 series (based on 13.32 shares outstanding)	\$	1,003.63
Class SS-C February 2022 series (based on 26.65 shares outstanding)	\$	1,072.97
Class SS-M September 2012 (based on 6,171.65 shares outstanding)	\$	1,928.33
Class SS-M February 2022 (based on 42.00 shares outstanding)	\$	1,100.89

See accompanying notes.

Firebird Avrora Fund, Ltd.

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

December 31, 2022

Quantity	Fair Value	Percent of Net Assets
<b>Investments in securities</b>		
Equities:		
Common stock:		
Armenia:		
	\$ 1,692	0.00 %
	<u>1,692</u>	<u>0.00</u>
Total Armenia (cost \$123,248)		
Bulgaria:		
Consumer products	-	-
Manufacturing	246,790	0.42
Pharmaceuticals	2,418,004	4.08
	<u>2,664,794</u>	<u>4.50</u>
Total Bulgaria (cost \$3,052,783)		
Estonia:		
Construction	2,948,577	4.97
Consumer Products	194,421	0.33
Food	226,793	0.38
Real Estate	345,894	0.58
Retail	924,697	1.56
Transportation	287,841	0.49
	<u>4,928,223</u>	<u>8.31</u>
Total Estonia (cost \$4,057,640)		
Georgia:		
Banking:		
252,098	7,943,300	13.39
Bank of Georgia Group Plc	1,078,828	1.82
Consumer Products	2,910,786	4.91
Miscellaneous	<u>11,932,914</u>	<u>20.12</u>
Total Georgia (cost \$8,496,512)		
Ireland:		
	186,332	0.31
Biotechnology	<u>186,332</u>	<u>0.31</u>
Total Ireland (cost \$3,053,494)		

Firebird Avrora Fund, Ltd.

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

December 31, 2022

Quantity	Fair Value	Percent of Net Assets
<b>Investments in securities (continued)</b>		
Equities (continued):		
Common stock (continued):		
Kazakhstan:		
	\$	%
	2	-
	1,618,420	2.73
	1,255	-
	231,798	0.39
	2,159,753	3.64
	4,011,228	6.76
	Total Kazakhstan (cost \$12,292,338)	
	Kyrgyzstan:	
	44,077	0.07
	44,077	0.07
	Total Kyrgyzstan (cost \$127,994)	
	Lithuania:	
	Banking:	
4,750,321	3,487,808	5.88
	1,044,192	1.76
	4,532,000	7.64
	Total Lithuania (cost \$1,136,365)	
	Poland:	
	460,799	0.78
	460,799	0.78
	Total Poland (cost \$1,354,321)	
	Romania:	
	2,632,180	4.44
	Banking:	
836,878	3,610,076	6.09
	1,234,394	2.08
	99,123	0.17
	Oil & Gas:	
46,654,257	4,243,317	7.15
	67,362	0.11
	4,310,679	7.26
	648,817	1.09
	71,252	0.12
	12,606,521	21.25
	Total Romania (cost \$6,352,904)	



Firebird Aurora Fund, Ltd.

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

December 31, 2022

Quantity	Fair Value	Percent of Net Assets
<b>Investments in securities (continued)</b>		
Equities (continued):		
Common stock (continued):		
Russia:		
	\$	%
Airlines	307,203	0.52
Banking	1,289,629	2.17
Food	1,394,678	2.35
Manufacturing	770,723	1.30
Metallurgy & Mining	2,315,870	3.90
Oil & Gas	4,043,957	6.81
Retail	116,324	0.20
Stock Exchange	846,524	1.43
Technology	975,842	1.65
Uranium	22,629	0.04
Total Russia (cost \$24,908,756)	12,083,379	20.37
Turkey:		
Food	194,135	0.33
Total Turkey (cost \$718,465)	194,135	0.33
Total common stocks (cost \$65,674,820)	53,646,094	90.44
Depository receipts (includes ADRs and GDRs):		
Kazakhstan:		
Banking:		
299,543	Halyk Savings Bank-GDR Reg S	3,324,927
	Telecommunications	41
	Total Kazakhstan (cost \$2,517,139)	3,324,968
		5.61
		0.00
		5.61
Russia:		
	Banking	835,307
	Retail	228,608
	Total Russia (cost \$3,177,634)	1,063,915
		1.41
		0.39
		1.80
Total depository receipts (cost \$5,694,773)	4,388,883	7.41

Firebird Aurora Fund, Ltd.

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

December 31, 2022

Quantity	Fair Value	Percent of Net Assets
<b>Investments in securities (continued)</b>		
Preferred Stock:		
Russia:		
Manufacturing	\$ 871	0.00 %
Uranium	1,930	0.00
Total Russia (cost \$158,270)	<u>2,801</u>	<u>0.00</u>
Total preferred stock (cost \$158,270)	<u>2,801</u>	<u>0.00</u>
Restricted stock :		
Armenia:		
Gold	9,205	0.02
Total restricted stock (cost \$1,645,874)	<u>9,205</u>	<u>0.02</u>
Total equities (cost \$73,173,737)	<u>58,046,983</u>	<u>97.87</u>
<b>Total investments in securities (cost \$73,173,737)</b>	<b>\$ 58,046,983</b>	<b>97.87 %</b>
<b>Investment in other investment funds:</b>		
Estonia:		
Miscellaneous	<u>\$ 173,976</u>	<u>0.29 %</u>
<b>Total investment in other investment funds (cost \$0)</b>	<b><u>\$ 173,976</u></b>	<b><u>0.29 %</u></b>

Firebird Aurora Fund, Ltd.

Consolidated Statement of Operations  
(Stated in United States Dollars)

Year Ended December 31, 2022

**Investment income**

Dividend income (net of \$344,709 withholding tax) (see Note 2)	\$ 3,746,208
Interest income	7
Other income	83,861
Total investment income	<u>3,830,076</u>

**Expenses**

Professional fees and other expenses	766,569
Management fees	142,285
Custodian fees	135,607
Interest expense	3,724
Total expenses	<u>1,048,185</u>

Net investment income 2,781,891

**Net loss on investments and foreign currency transactions**

Net realized loss on investments and foreign currency transactions	(1,309,616)
Net change in unrealized depreciation on investments and foreign currency transactions	<u>(41,567,312)</u>
Net loss on investments and foreign currency transactions	<u>(42,876,928)</u>
Net decrease in net assets resulting from operations	<u>\$ (40,095,037)</u>

*See accompanying notes*

Firebird Avrora Fund, Ltd.

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

Year Ended December 31, 2022

**Decrease in net assets resulting from operations**

Net investment income	\$ 2,781,891
Net realized loss on investments and foreign currency transactions	(1,309,616)
Net change in unrealized depreciation on investments and foreign currency transactions	(41,567,312)
Net decrease in net assets resulting from operations	<u>(40,095,037)</u>

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

Class D shares subscribed	300,000
Class C shares subscribed	100,000
Class M shares subscribed	315,305
Class A shares redeemed	(347)
Class B shares redeemed	(339,221)
Class M shares redeemed	(3,125,000)
Transfers from Class C shares	(804,840)
Transfers from Class D shares	(5,209,285)
Transfers from Class B shares	(691)
Transfers from Class M shares	(5,631,523)
Transfers to Class C shares	5,209,285
Transfers to Class SS-C shares	804,840
Transfers to Class SS-B shares	691
Transfers to Class SS-M shares	5,631,523
Performance allocation from Class C shareholders	(1,429)
Performance allocation from Class SS-C shareholders	(1,059)
Performance allocation to Class B shareholders	1,429
Performance allocation to Class SS-B shareholders	1,059
Net decrease in net assets resulting from capital share transactions	<u>(2,749,263)</u>

Net change in net assets	(42,844,300)
Net assets at beginning of year	102,150,917
Net assets at end of year	<u>\$ 59,306,617</u>

See accompanying notes.

Firebird Avrora Fund, Ltd.

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

Year Ended December 31, 2022

**Operating activities**

Net decrease in net assets resulting from operations	\$ (40,095,037)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities	
Net realized loss on investments	1,232,988
Net change in unrealized depreciation on investments	41,521,000
Purchases of investments	(1,379,558)
Proceeds from sales of investments	2,811,939
Changes in operating assets and liabilities:	
Due from brokers	30,024
Dividends receivable	(39,598)
Interest receivable and other assets	(2,090)
Management fee payable	448
Accounts payable and accrued expenses	14,228
Net cash provided by operating activities	<u>4,094,344</u>

**Financing activities**

Drawdown of credit facility	1,891,254
Repayment of credit facility	(1,891,254)
Net change in restricted cash	(165,139)
Proceeds from issuance of Class C Shares	100,000
Proceeds from issuance of Class D Shares	300,000
Proceeds from issuance of Class M Shares	315,305
Payments for redemptions of Class B Shares	(339,221)
Payments for redemptions of Class C Shares	(110,879)
Payments for redemptions of Class M Shares	(2,375,000)
Net cash used in financing activities	<u>(2,274,934)</u>

Net increase in cash, cash equivalents and restricted cash	1,819,410
Cash, cash equivalents and restricted cash at the beginning of year	758,779
Cash, cash equivalents and restricted cash at end of year	<u>\$ 2,578,189</u>

**Supplement disclosure of cash flow information**

Cash paid during the year for interest	<u>\$ 3,724</u>
Non cash transfers during the year	<u>\$ 11,646,340</u>

See accompanying notes.

# Firebird Avrora Fund, Ltd.

## Notes to Consolidated Financial Statements

Year ended December 31, 2022

### **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, SS, 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, 2022

#### **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, 2022, the Fund had approximately \$316,447 of gross restricted cash, and applied a discount of \$151,308, resulting in \$165,139 net restricted cash. The restricted cash represents Rubles (RUB) received from dividends paid by Russian portfolio companies. In March 2022, the Central Bank of Russia introduced capital control measures in response to global sanctions. As a result, global custodians were required to open Type “S” accounts for non-residents. RUB balances in the Type “S” accounts maintained for non-residents from ‘unfriendly’ countries, which currently includes the Cayman Islands, are allowed to be maintained by the custodian but may not be used, transferred or repatriated.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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

**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. Due to the current restrictions on cash noted above, dividends received and accrued from Russian investments will be discounted to account for the illiquidity of the Rubles received. As of December 31, 2022, the total discount applied to Russian dividends amounted to \$696,505 of which \$545,197 applies to dividends accrued and not yet received and \$151,308 applies to the restricted cash balance.

**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.



Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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

**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.

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.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

#### 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 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.

## Firebird Aurora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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

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

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

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 monitors and reviews the valuation methodologies on a monthly basis. The Manager uses the latest available information to update the valuations each month. A Valuation Committee of the Manager 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 reports quarterly to the Fund’s independent directors.

On February 24, 2022, Russia invaded Ukraine. As a result, Western countries implemented multiple sanctions packages (both unilateral and coordinated) throughout 2022 to impose costs on the Russian regime. During this period, the Russian government implemented capital controls, among other fiscal and monetary initiatives, to stabilize the Russian economy. Since the early days of the war, the Moscow Stock Exchange has suspended the ability of foreigners to trade Russian shares, even though trading for Russian citizens was reopened. As a result, since March 2022, the Advisor has fair valued the Fund’s Russian holdings, including positions that were liquid prior to February 24, 2022 as well as those that were fair valued as of January 31, 2022.

## Firebird Aurora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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

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

A “foreign investor discount” is derived using as inputs dual listed Russian stocks that have continued to trade in Russia as well as outside of Russia. These inputs reflect the market’s view of the value of Russian holdings to foreigners by pricing in restrictions on trading and on converting rubles to foreign currency. Due to the continuously evolving regulations both from the US government as well as the Russian government, the methodology for deriving the “foreign investor discount” is subject to change. The discounts applied as of December 31, 2022, were 47.81% for publicly traded Russian securities and 69.28% for private Russian companies and illiquid Russian securities. Publicly traded Russian securities that are traded on the London Stock Exchange are classified as Level 2 and all other Russian securities are now classified as Level 3. In addition, the Fund segregates on its books and carries at zero value certain Russian holdings that are the subject of full blocking sanctions imposed by the U.S. Department of Treasury's OFAC division. The Manager continually reviews the sanctions lists of the U.S., U.K., and EU, and treat and value holdings as is required by the relevant authorities

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.

##### **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)

Year ended December 31, 2022

**3. Financial Instruments**

The following is a summary of the inputs used as of December 31, 2022, 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, 2022
Investments in securities:				
Equities:				
Baltics:				
Estonia	\$ 194,421	\$ 4,350,451	\$ 383,351	\$ 4,928,223
Lithuania	4,532,000	-	-	4,532,000
Total Baltics	4,726,421	4,350,451	383,351	9,460,223
Central Asia:				
Kazakhstan	1,618,420	5,713,915	3,861	7,336,196
Kyrgyzstan	-	44,077	-	44,077
Total Central Asia	1,618,420	5,757,992	3,861	7,380,273
Eastern Europe:				
Armenia	-	-	10,897	10,897
Bulgaria	-	2,418,004	246,790	2,664,794
Georgia	10,854,086	-	1,078,828	11,932,914
Poland	-	460,799	-	460,799
Romania	5,477,711	6,380,870	747,940	12,606,521
Russia	-	1,063,914	12,086,181	13,150,095
Turkey	-	194,135	-	194,135
Total Eastern Europe	16,331,797	10,517,722	14,170,636	41,020,155
Western Europe:				
Ireland	186,332	-	-	186,332
Total Western Europe	186,332	-	-	186,332
Total equities	\$ 22,862,970	\$ 20,626,165	\$ 14,557,848	\$ 58,046,983
Total investment in Securities	\$ 22,862,970	\$ 20,626,165	\$ 14,557,848	\$ 58,046,983
Investments allocated to Class A and M interests	\$ 94,852	\$ 22,437	\$ 441,512	\$ 558,801
Investments allocated to Class B, C and M interests	22,768,118	19,539,814	2,465,966	44,773,898
Investments allocated to Class SS-B, S-C and SS-M interests	-	1,063,914	11,650,370	12,714,284
Total	\$ 22,862,970	\$ 20,626,165	\$ 14,557,848	\$ 58,046,983

Firebird Aurora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

**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, 2022
Investments in other investment funds:				
Baltics:				
Estonia	-	-	\$ 173,976	\$ 173,976
Total investment in other investment funds	-	-	\$ 173,976	\$ 173,976
Investments allocated to Class B, C and M interests	-	-	\$ 173,976	\$ 173,976

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, 2021	\$ 391,546	\$ 193,033	\$ 8,237,947	\$ 8,822,526
Net realized loss	-	-	(1,076,832)	(1,076,832)
Net change in unrealized appreciation (depreciation)	(8,195)	(125,947)	(28,150,457)	(28,284,599)
Purchases	-	10	137,716	137,726
Sales	-	-	(204,617)	(204,617)
Transfers into Level 3*	-	-	35,281,574	35,281,574
Transfers out of Level 3*	-	(63,235)	(54,695)	(117,930)
Balance as at December 31, 2022	\$ 383,351	\$ 3,861	\$ 14,170,636	\$ 14,557,848

\*Transfers in and out of level 3 are due to the change in availability of direct observable market information. For Eastern Europe the transfers into level 3 are due to the discounts applied to Russian listed equities and the segregation and marking to zero 3 positions that are currently subject to sanctions.

	<b>Other Investments</b>	
	<b>Funds</b>	
	<b>Baltics</b>	
Balance as at December 31, 2021	\$	205,811
Net realized gain (loss)		-
Net change in unrealized appreciation (depreciation)		(31,835)
Purchases		-
Sales		-
Balance as at December 31, 2022	\$	173,976

Firebird Aurora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

**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, 2022	Valuation Techniques	Unobservable Inputs	Ranges (Weighted Averages)
Equities	Eastern Europe	\$ 2,230,186	Market comparable companies	Enterprise Value/EBITDA Ratio Enterprise Value/Sales Ratio Price/Book Value Ratio Discount	3.8-8.4 (7.2) 0.4- 0.9 (0.5) 0.8-1.2 (1.1) 10- 69.3%
		861,224	Pending transaction	Deal completion discount	20%
		1,078,828	3 <sup>rd</sup> party quarterly net asset valuation		
	10,000,398	Discounted last market price	Discount	47.8%	
	Baltics	383,351	Market comparable companies	Enterprise Value/EBITDA Ratio Enterprise Value/Sales Ratio Price/Book Value Ratio Discount	12.6 0.5 2.3 30%
	Central Asia	3,861	Last Transaction Price		
Other investment funds	Baltics	\$ 173,976	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, 2022

#### 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. Effective April 30, 2022 the Fund suspended the issuance or redemption of Class D shares. The Fund issued Class C shares to each holder of class D shares in consideration of the redemption of such Class D shares as of the close of business on April 30, 2022. Outstanding Class A, C, 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 shares are issued, redeemed and converted in accordance with the Memorandum and Articles of Association.

New series of Class C 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.

From March 1, 2022 through April 30, 2022 the fund had suspended the issuance and redemption of class C, D, M and B shares due to the continued sanctions imposed by the U.S., EU and U.K. on Russia, its banks, companies and leading businessman as well as Russia's imposition of capital controls and trading restrictions on foreigners. Effective April 30, 2022, Russian Investments remained illiquid and were designated as Special Investments and issued a proportionate number of Special Investment Shares, "SS" to each holder of the Company's Class B, Class C, Class D or Class M shares in redemption of a proportionate number of such Share from each of the holders thereof.



Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

**5. Share Capital (continued)**

Only holders of the series of Special Investment Shares will share in the subsequent appreciation or depreciation of such Special Investments. Upon any sale or other disposition of all or a portion of a Special Investment, the Special Investment shares will be redeemed and the net proceeds thereof will be either distributed to the holders of such series of Special Investment Shares or reinvested in Class C Shares on behalf of such holders. When it is determined the Special Investments should no longer be treated as Special Investments, the Special Investment Shares will be redeemed and new Class C shares having the same aggregate Net Asset Value will be issued to the holders of such Special Investment Shares.

The aggregate value of the Special Investment Shares at December 31, 2022 was \$13,643,383.

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, 2022, were as follows:

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class M</u>	<u>Class SS-B</u>	<u>Class SS-C</u>	<u>Class SS-M</u>
Shares outstanding at December 31, 2021	1,618.11	1.40	666.11	6,807.75	46,448.57	-	-	-
Shares issued	-	-	100.00	300.00	315.31	-	-	-
Shares redeemed	(0.60)	(1.40)	-	-	(3,173.78)	-	-	-
Shares transferred	-	-	5,846.51	(7,107.75)	(6,288.83)	0.00	1,001.05	6,213.65
Shares outstanding at December 31, 2022	<u>1,617.51</u>	<u>0.00</u>	<u>6,612.62</u>	<u>-</u>	<u>37,301.27</u>	<u>0.00</u>	<u>1,001.05</u>	<u>6,213.65</u>

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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

Pursuant to the Memorandum and Articles of Association and the Management Agreement with effect from April 30, 2009 and the supplement dated May 1, 2022 the Fund pays the Manager a management fee at an annual rate of 1.75% of the Class A and 1.5% of the Class C and Class SS net asset value calculated and payable quarterly in advance based on the Class A, Class C and Class SS share of the Fund's net asset value (before accrual for performance allocation) as of the last business day of the preceding quarter. Prior to May 1, 2022, Class C shares paid a higher fee of 1.75% of the Class C net asset value. For the year ended December 31, 2022, the Fund recorded \$142,285 in management fees of which \$448 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, Investment Advisory Management Agreement and the supplement dated May 1, 2022, 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 C share. Prior to May 1, 2022, Class C shares were subject to a higher performance allocation of 1.75%. This calculation is inclusive of net unrealized gains and losses and is subject to a loss carry forward. Class SS shares are subject to the same performance allocation as Class C shares but any performance allocation earned will not be crystallized until there is a realization event for the SS assets.

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. The performance allocation to Class B and Class SS-B shares for the year ended December 31, 2022, was \$2,488. The performance allocation can be withdrawn at any time by the holder of the Class B and Class SS-B shares by way of dividend or redemption.

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

#### **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.

#### **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.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

**9. Derivative Financial Instruments (continued)**

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, 2022.

	<u>Principal Ownership</u>	<u>Associated Companies</u>	<u>Affiliates</u>
Purchases of investments	\$ -	\$ (137,716)	\$ -
Sales of investments	-	89,469	431,828
Realized gain/(loss)	-	(933,792)	134,569

Included in related parties are the following entities in which the Fund and Affiliates have a greater than 10% aggregate interest in the entity and/or a Director(s) seat is held.

<u>Name of Company</u>	<u>2022 Ownership by the Fund and 2022 Investments</u>		<u>Industry</u>
	<u>Affiliates</u>	<u>Held by the Fund</u>	
Amber Trust I	3.01%	\$ 173,976	Miscellaneous
Arco Vara AS	6.27%	345,894	Real Estate
Caspian Services	13.28%	3,829	Oil & Gas
Georgian Beverages Holding	7.58%	1,078,828	Consumer Products
Global Gold CORP	40.31%	10,898	Gold
PR Foods AS	57.40%	226,793	Food

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, 2022

#### 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, 2022

**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 Aurora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

**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. It is currently prohibited for the Fund to transact on the Moscow Stock Exchange;
- **Custody Risk** As a result of sanctions imposed upon Russia, Western banks have reduced or exited their operations in Russia. Banks that are custodians of Russian securities, such as the custodians used by the Fund, may choose to withdraw fully from Russia or refuse to continue to custody any Russian securities. In this case, it could be difficult or impossible to obtain a substitute custodian, which could result in losses for the Fund;
- **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. Russian companies have since, the imposition of sanctions in response to the invasion of Ukraine, been subject to Russian government restrictions on the amount and quality of financial information they may provide;
- **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;

## Firebird Avrora Fund, Ltd.

### Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

#### 11. Investment Risks (continued)

- **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;

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, 2022

#### 13. Financial Highlights

Financial highlights for the year ended December 31, 2022, were as follows:

	<u>Class A</u>	<u>Class C</u>	<u>Class D*</u>	<u>Class SS - C**</u>
Total return before performance allocation	(59.10)%	(45.60)%	(52.31)%	110.56 %
Performance allocation	<u>0.00 %</u>	<u>(0.02)%</u>	<u>0.00 %</u>	<u>(0.13)%</u>
Total return after performance allocation	<u>(59.10)%</u>	<u>(45.62)%</u>	<u>(52.31)%</u>	<u>110.43 %</u>
Ratios to average share holders capital				
Total expenses before performance allocation	(6.12)%	(2.84)%	(1.00)%	(2.43)%
Performance allocation	<u>0.00 %</u>	<u>(0.04)%</u>	<u>0.00 %</u>	<u>(0.06)%</u>
Total expenses after performance allocation	(6.12)%	(2.88)%	(1.00)%	(2.49)%
Net investment income (expense)	<u>(6.12)%</u>	<u>5.93 %</u>	<u>(0.66)%</u>	<u>6.45 %</u>

\* Class D closed in April 2022 (see Note 5)

\*\* Expense ratios are annualized (see Note 5)

Shares are issued within classes to each investor by series. These series are permanent and will remain outstanding 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, 2022, 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 \$1,581,500. This line of credit is at market rates and as at December 31, 2022, there were no outstanding amounts due.

Firebird Avrora Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

**15. Subsequent Events**

Management has evaluated events subsequent to year end through April 3, 2023, the date the consolidated financial statements were available to issue. During this period the Fund recorded \$5,100,000 Class C subscriptions and \$60,042 Class A redemptions.