Limited Liability Partnership Registration No OC313127 (England and Wales)

Globex International LLP

Members' Report And Financial Statements

For The Period Ended 31 December 2012

GLOBEX INTERNATIONAL LLP

CONTENTS

GLOBEX INTERNATIONAL LLP

MEMBERS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2012

The members present their report and financial statements for the Period ended 31 December 2012

Principal activities
The principal activity of the limited liability partnership continued to be that of exploration, investigation and prospecting for natural resources in awarded ore bearing areas, mining operations and the participation in tenders and contracts as contractor or subcontractor for projects in Azerbaijan, Russia and CIS countries

Designated Members
The following designated members have held office since 1 June 2012

Arblos Management Corporation
Lynden Management Group Inc
Hising Management S A

Policy on members' drawings
The members' drawing policy allows each member to draw a proportion of their profit share, subject to the cash requirements of the business

A member's capital requirement is linked to their share of profit and the financing requirement of the limited liability partnership There is no opportunity for appreciation of the capital subscribed Just as incoming members introduce their capital at "par", so the retiring members are repaid their capital at "par"

Statement of members' responsibilities
The members are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the members to prepare financial statements for each financial Period Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the limited liability partnership and of the profit or loss of the limited liability partnership for that Period In preparing those financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and to enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) They are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors
The auditors, Garbutt & Elliott LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008)

GLOBEX INTERNATIONAL LLP

MEMBERS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2012

On behalf of the members

29/1/2014

Arblos Management Corporation
Designated Member
Authorised signatory

Lynden Management Group Inc
Designated Member
Authorised signatory

GLOBEX INTERNATIONAL LLP

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GLOBEX INTERNATIONAL LLP

We have audited the financial statements of Globex International LLP for the Period ended 31 December 2012 set out on pages 5 to 15 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of the members and auditors

As explained more fully in the Members' Responsibilities Statement set out on pages 1 - 2, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the designated members, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2012 and of its loss for the Period then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

Emphasis of matter

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 1 of the financial statements concerning the uncertainty in relation to going concern In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect

GLOBEX INTERNATIONAL LLP

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF GLOBEX INTERNATIONAL LLP

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- we have not received all the information and explanations we require for our audit, or
- the members were not entitled to prepare the financial statements in accordance with the small limited liability partnerships' regime

Garbutt & Elliott LLP

Mr Craig Manson (Senior Statutory Auditor)
for and on behalf of Garbutt & Elliott LLP

24 March 2014.

Chartered Accountants
Statutory Auditor

Arabesque House
Monks Cross Drive
Huntington
York
YO32 9GW

GLOBEX INTERNATIONAL LLP

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2012

	Notes	Period ended 31 December 2012 $	Year ended 31 May 2012 $
Administrative expenses		(2,309,900)	(1,956,425)
Operating loss	2	(2,309,900)	(1,956,425)
Other interest receivable and similar income	3	14,094	19,767
Loss on ordinary activities before taxation		(2,295,806)	(1,936,658)
Tax on loss on ordinary activities		-	-
Loss for the Period before members' remuneration and profit shares		(2,295,806)	(1,936,658)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

GLOBEX INTERNATIONAL LLP

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Notes	2012 $	2012 $	2012 $	2012 $
Fixed assets					
Intangible assets	4		512,600		308,244
Tangible assets	5		7,104,289		3,384,603
			7,616,889		3,692,847
Current assets					
Stocks		570,954		66,461	
Debtors	6	10,462,738		8,152,838	
Cash at bank and in hand		26		26	
		11,033,718		8,219,325	
Creditors: amounts falling due within one year	7	(18,648,988)		(11,910,553)	
Net current liabilities			(7,615,270)		(3,691,228)
Total assets less current liabilities			1,619		1,619
REPRESENTED BY					
Members' other interests					
Members capital			1,619		1,619
			1,619		1,619
TOTAL MEMBERS' INTERESTS					
Amounts due from members			(9,705,666)		(7,409,860)
Members' other interests			1,619		1,619
			(9,704,047)		(7,408,241)

These financial statements have been prepared in accordance with the provisions applicable to limited liability partnerships subject to the small limited liability partnerships' regime within Part 15 of the Companies Act 2006

Approved by the Members and authorised for issue on 29/1/2014

Arblos Management Corporation
Designated Member
Authorised signatory

Lynden Management Group Inc
Designated Member
Authorised signatory

Limited Liability Partnership Registration No. OC313127

1 Accounting policies

1 1 Accounting convention

The financial statements are prepared under the historical cost convention

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting by Limited Liability Partnerships", revised in 2010 and the Companies Act 2006

The financial statements have been prepared on a going concern basis as the members of the LLP have pledged their on-going support as required for the foreseeable future in order to support the exploration and investigation process

The LLP participates in a Production and Sharing Agreement (PSA) under which the PSA parties are required to make a bonus payment to the Ministry of Ecology and Natural Resources (MENR) of the Azerbaijan Republic in stage payments over the consecutive four years following the effective date of the PSA dated 30 December 2006 The LLP and fellow PSA parties have not met these payments when due and as such are in default of their obligation to the MENR This constitutes a material breach of the PSA and entitles the MENR to terminate the PSA if the PSA parties fail to remedy the breach within 90 days following written notice being issued by the MENR This breach gives rise to a material uncertainty that may cast significant doubt on the LLP's ability to continue as a going concern However, to date no such written notice has been issued by the MENR and the members believe that in the event of such a notice being issued that the PSA parties would collectively have the resources to cure the material breach within the required term as required The members therefore consider that the LLP will continue as a going concern for the foreseeable future and continue to adopt the going concern basis in preparing its financial statements

The LLP is party to a carried interest agreement whereby funding for exploration and evaluation expenditures incurred prior to development and during the mining process are provided by fellow PSA parties and a lender's rate of return is paid for the funds advanced The LLP's rights to participation in future production under the PSA acts as the security for the financing provided

Under the carried interest agreement Globex International LLP is entitled to an 11% share of all revenues and expenditure incurred during all mining activities, as such these financial statements reflect the 11% share of activity allocated from the mining operation The LLP itself does not conduct any operations with regards to the mining projects, which are all undertaken by the operating company appointed under the PSA

1 2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Limited Liability Partnership Statement of Recommended Practice, which have been applied consistently (except as otherwise stated)

1 Accounting policies **(Continued)**

1 3 Intangible fixed assets

In accordance with current industry practice, exploration and evaluation expenditure is capitalised if it meets certain criteria in accordance with International Financial Reporting Standards As there is no equivalent standard under United Kingdom Generally Accepted Accounting Practice, the LLP has applied the provisions of IFRS 6 Exploration for and Evaluation of Mineral Resources from the International Financial Reporting Standards as best practice

The application of the LLP's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves This policy requires management to make certain estimates and assumptions as to whether an economically viable extraction operation can be established Any such estimates and assumptions may change as new information becomes available If after expenditure is capitalised, information becomes available suggesting that the recovery of exploration expenditure is unlikely, the amount capitalised is written off to the profit and loss account in the period when the new information becomes available

Exploration and evaluation assets represent assets whose useful economic life is considered so long that any depreciation charge would be wholly immaterial

1 4 Tangible fixed assets and depreciation

Buildings, property plant and equipment are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Plant and machinery	10 - 25% Straight line

Accumulated mine development costs are depreciated on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied The units of account for run of mines (ROM) costs are tons of ore whereas the units of account for post-ROM costs are recoverable deposits of gold, silver, copper and other metals Rights and concessions are depleted on the unit-of-production basis over the total reserves of the relevant area The unit-of-production rate for the amortisation of mine development costs takes into account expenditures incurred to date, together with approved future development expenditure

1 5 Stock

Stock comprises mineral ores acquired through mining operations, chemicals used in the production process and other general consumables

Mineral ore stocks represent metal bearing ore that has been acquired through the mining process and is awaiting refinement, leaching or crushing Mineral ores are recorded at the future selling price less costs to sell

Chemicals and other consumables are recorded at the lower of cost and net realisable value

GLOBEX INTERNATIONAL LLP

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2012

1 Accounting policies **(Continued)**

1 6 Mine rehabilitation provision

The LLP recognises a mine rehabilitation provision where the damage caused during the mining process will be material and the entity has an obligation to carry out remediation works after production at the site has ceased

Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, and changes in discount rates Those uncertainties may result in future actual expenditure differing from the amounts currently provided

The mine rehabilitation provision at the balance sheet date represents management's best estimate of the present value of the future rehabilitation costs required based on detailed geological surveys and estimations received from industry professionals

When the liability is initially recognised, the present value of the estimated cost is capitalised within tangible fixed assets to the extent that works have been carried out in line with the total expected production of the mine The value of this asset is then released to the profit and loss account based on the 'unit of production' method over the life of the mining project In future periods, the liability and asset will be increased in line with the progress made in mining operations

1 7 Deferred stripping costs

The LLP defers stripping (waste removal) costs incurred during the development and production phase of its operations This calculation requires the use of judgments and estimates relating to the expected tons of waste to be removed over the life of the mining area and the expected economically recoverable reserves to be extracted as a result This information is used to calculate the 'average life of mine strip ratio' (expected waste to expected mineral reserves ratio) Changes in a mine's life and design will usually result in changes to the 'average life of mine strip ratio'

Stripping costs incurred in the development phase of a mine before the production phase commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units of production basis

Stripping costs incurred during the production phase are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material This is generally the case where there are fluctuations in stripping costs over the life of the mine The amount of stripping costs deferred is based on the strip ratio that is obtained by dividing the total tonnage of waste expected to be mined over the life of the mine, either by the quantity of ore expected to be mined across the life of the mine or by the quantity of minerals expected to be contained in the ore Stripping costs incurred in the period are deferred to the extent that the current period 'actual strip ratio' exceeds the 'life of the mine average strip ratio' Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period 'actual strip ratio' falls below the 'life of mine average strip ratio' until those deferred costs are fully depleted No stripping liabilities are recognised The 'life of mine' ratio is based on economically recoverable reserves of the mine

1.8 Exchange rates

Balances denominated in foreign currencies as at 31 December 2012 have been translated at the following rates

1 British Pound = 1 615 US Dollars (31 May 2012 1 British Pound = 1 557 US Dollars)

1 Accounting policies **(Continued)**

1 9 Taxation

The taxation payable on profits is the sole liability of the members during the period Consequently, these financial statements do not include any calculation of taxes payable by the members

None of the LLP's activities during the period under review take place in the United Kingdom The LLP is owned and controlled by parties outside of the United Kingdom, therefore no UK tax liability arises on the profits generated

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All differences are taken to the profit and loss account

2 Operating loss	**2012**	**2012**
	$	**$**
Operating loss is stated after charging		
Depreciation of tangible assets	55,654	48,888
Exploration expenses	1,998,243	1,680,632

3 Investment income	**2012**	**2012**
	$	**$**
Other interest	14,094	19,767

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BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2012

4 Intangible fixed assets

	Mineral exploration costs $
Cost	
At 1 June 2012	308,244
Additions	204,356
At 31 December 2012	512,600
Net book value	
At 31 December 2012	512,600
At 31 May 2012	308,244

Exploration and evaluation expenditures relate to costs incurred on the exploration and evaluation of potential mineral reserves and resources and include costs such as exploratory drilling and sample testing and the costs of pre feasibility studies Exploration and evaluation expenditure is carried forward as an asset provided that one of the following conditions is met

- Such costs are expected to be recouped in full through successful development and production on the respective ore bearing area or alternatively, by its sale, or

- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing or planned for the future

Exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met Expenditure is transferred to mine development assets or capital work in progress once the work completed to date supports the future development of the property and such development receives appropriate approvals

GLOBEX INTERNATIONAL LLP

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2012

5 Tangible fixed assets

	Plant and machinery etc
	$
Cost	
At 1 June 2012	266,348
Additions	7,065,029
At 31 December 2012	7,331,377
Depreciation	
At 1 June 2012	171,434
Charge for the Period	55,654
At 31 December 2012	227,088
Net book value	
At 31 December 2012	7,104,289
At 31 May 2012	3,384,603

The LLP transferred the accumulated balance of exploration and evaluation assets on the mine to assets under the course of construction within plant and machinery following the assessment of economical feasibility and identification of respective ore reserves

Following the transfer of exploration and evaluation costs into plant and machinery, all subsequent expenditure on the construction, installation or completion of infrastructure facilities are capitalised Development expenditure is net of proceeds from the sale of ore extracted during the development phase Once production starts, all assets are categorised as producing mines within plant and machinery and the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed except for costs which qualify as mine asset additions or improvements, underground mine development or mineable reserve development

Accumulated mine development costs are depreciated on a unit of production basis over the economically recoverable reserves of the mine except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight line method is applied Rights and concessions are depleted on the unit of production basis over the total reserves of the relevant area The unit of production rate for the depreciation of mine development costs takes into account expenditures incurred to date, together with authorised future development expenditure

Buildings, property, plant and equipment unrelated to production are depreciated on a straight line basis

The net book value of deferred stripping assets and mine rehabilitation assets at 31 December was $506,978 (31 May 2012 - $nil) and $145,689 (31 May 2012 - $nil) respectively

GLOBEX INTERNATIONAL LLP

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2012

6 Debtors

	2012	2012
	$	$
Amounts due from members	9,705,666	7,409,860
Other debtors	757,072	742,978
	10,462,738	8,152,838

7 Creditors amounts falling due within one year

	2012	2012
	$	$
Trade creditors	18,648,988	11,909,281
Other creditors	-	1,272
	18,648,988	11,910,553

8 Members' interests

	Members' other interests			Loans and other debts due	Total	2012
	Members' capital (classified as equity)	Other reserves	Total	to/(from) members		
	$	$	$	$	$	$
Amount due from members				(7,409,860)		
Members' interests at 1 June 2012	1,619	-	1,619	(7,409,860)	(7,408,241)	(5,471,583)
Loss for the Period available for discretionary division among members	-	(2,295,806)	(2,295,806)	-	(2,295,806)	(1,936,658)
Members' interests after loss for the Period	1,619	(2,295,806)	(2,294,187)	(7,409,860)	(9,704,047)	(7,408,241)
Other divisions of losses	-	2,295,806	2,295,806	(2,295,806)	-	-
Members' interests at 31 December 2012	1,619	-	1,619	(9,705,666)	(9,704,047)	(7,408,241)
Amounts due from members, included in debtors				(9,705,666)		

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2012

9 Loans and other debts due to members

	2012 $	2012 $
Loans from members	686,901	686,901
Amounts owed to members in respect of profits	(10,392,567)	(8,096,761)
	(9,705,666)	(7,409,860)

In the event of a winding up the amounts included in "Loans and other debts due to members" will rank equally with unsecured creditors

10 Contingent liabilities

The LLP is party to a carried interest agreement in which the nominated operating company, Londex Resources S A has secured bank funding on behalf of its fellow PSA parties As at 31 December 2012 the bank borrowings in Londex Resources S A amounted to $146,000,000 (31 May 2012 - $98,483,462) Bank borrowings are secured

11 Information in relation to members

	2012 Number	2012 Number
The average number of members during the Period was	3	3

12 Control

The members' are aware of the identity of the ultimate controlling party However they are under a duty of confidentiality that prevents them from disclosing certain information otherwise required by Financial Reporting Standard 8 Therefore they have taken the exemption offered by the standard in respect of confidentiality

13 Related party transactions

Bonus commitments under the Production and Sharing Agreement (PSA)

Under the terms of the PSA in which the LLP participates, a bonus of $2,000,000 is payable by the PSA parties to the Ministry of Ecology and Natural Resources (MENR) of the Azerbaijan Republic The LLP and the other PSA parties are subject to 0 1% daily penalty interest on any unpaid bonus due As at 31 December 2012 the bonus and related penalty interest payable to the MENR was $2,000,000 (31 May 2012 - $2,000,000) and $2,883,600 (31 May 2012 - $2,455,600) respectively

Carried Interest

Under the terms of the carried interest agreement signed between the PSA parties, the LLP has agreed for Londex Resources S A, a fellow PSA party, to carry its interests until such times as the LLP's share of the aggregate proceeds from mining activities cover its share of the aggregate of all related exploration and evaluation expenditures and interest payable As at 31 December 2012 $18,648,987 (31 May 2012 - $11,909,281) was payable to Londex Resources S A under the carried interest agreement in respect of expenses incurred on the LLP's behalf and upon which interest of $256,000 (31 May 2012 - $225,633) has been charged There is no fixed date for repayment

Loan due from Londex Resources S A

As at 31 December 2012 the LLP had made a loan of $686,901 (31 May 2012 - $686,901) to Londex Resources S A, a fellow PSA party and upon which interest of $14,094 (31 May 2012 - $19,767) has been charged There is no fixed date for repayment

14 Post balance sheet events

Financing agreement with the Bank

In Februaury 2013 the PSA parties renewed the terms and the amount of the loan principal under the PSA with the Bank for a term of thirty six months for the purposes of funding further exploration and mine development activities