

ACCOUNT TRAST AUDIT LLC



INDEPENDENT AUDITOR'S REPORT

**“BLUE SKY SECURITIES UTsK” JSC
FINANCIAL STATEMENTS FOR THE 2021.08.06**

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TO SHAREHOLDERS OF “BLUE SKY SECURITIES UTsK” JSC

АККАУНТ ТРАСТ АУДИТ ХХК

УБ хот, БГДүүрэг, 13-р хороо, Ард Аюушийн
өргөн чөлөө, өргөө гудамж, Дако төв 1404 тоот
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Opinion

We have audited the financial statements of Blue sky securities UTsK JSC (the “Company”) which comprise the statement of financial position as at 06 August 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Company as at 06 August 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and Mongolian Law on Accounting and related regulation required by the Ministry of Finance of Mongolia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the relevant ethical requirements to our audit of the financial statements in Mongolian Law on Auditing, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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 from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

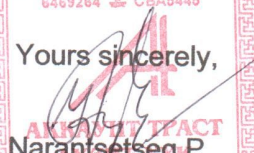
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Yours sincerely,



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Narantsetseg P
General Director, CPA
Account trust-Audit LLC

1. AUDITED FINANCIAL STATEMENTS

1.1 AUDITED STATEMENT OF FINANCIAL POSITION

(MNT)

	2021.01.01	2021.08.06
Assets		
Cash and Cash Equivalents	23,127,234.77	533,416,636.77
Account receivable		
Tax and SIC receivable	10,507.17	10,507.17
Other receivable	-	-
Total Current assets	23,137,741.94	533,427,143.94
Non-current assets		
Property, plant and equipment	3,770,949.36	3,770,949.36
Intangible asset	11,839,500.00	11,839,500.00
Long-term investment	-	-
Non-current assets	15,610,449.36	15,610,449.36
Total assets	38,748,191.30	549,037,593.30
Liabilities		
Account payable	-	-
Salary payable	10,223,867.96	10,223,867.96
Tax payables	608,084.35	608,084.35
Social insurance payables	306,259.06	306,259.06
Other short-term payables	40,102,912.00	40,102,912.00
Total Short-term liabilities	51,241,123.37	51,241,123.37
Long-term loan	214,206,787.00	214,206,787.00
Project financing	-	-
Total Long-term liabilities	214,206,787.00	214,206,787.00
Total liabilities	265,447,910.37	265,447,910.37
Equity		
Share capital	26,821,800.00	541,821,800.00
Capital adjustment	82,052,328.00	82,052,328.00
Retained losses	(335,573,847.07)	(340,284,445.07)
Total equity	(226,699,719.07)	283,589,682.93
Total equity and liabilities	38,748,191.30	549,037,593.30

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1.2 AUDITED STATEMENT OF COMPREHENSIVE INCOME

(MNT)

2021.08.06

Revenue	
Cost of sales	
Gross Profit	-
Rent received	-
Interest received	-
Dividend received	-
Other income	-
Administrative expenses	4,710,598.00
Finance cost	-
Currency exchange rate differences gain/loss	-
Other expenses	-
Profit before taxation	(4,710,598.00)
Income tax expense	-
Profit after tax	(4,710,598.00)
Profit after tax for discontinuing operations	-
Net profit for the period	(4,710,598.00)
Other comprehensive income	-
Revaluation gain difference	-
Currency exchange conversion differences	-
Other gain/loss	-
Total comprehensive income	(4,710,598.00)
Profit/loss attributable per share	-

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1.3 AUDITED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(MNT)

	Share capital	Capital adjustment	Retained Earnings	Total equity
Balance at at 31 December 2019	26,821,800.00	82,052,328.00	(337,456,016.57)	(228,581,888.57)
Total comprehensive income:				-
Loss for the year	-	-	1,882,169.50	1,882,169.50
Transactions with owners:	-	-	-	-
Changes in equity due to reverse merger	-	-	-	-
Balance at 31 December 2020	26,821,800.00	82,052,328.00	(335,573,847.07)	(226,699,719.07)
Total comprehensive income:				-
Loss for the year	-	-	(4,710,598.00)	(4,710,598.00)
Transactions with owners:	-	-	-	-
Changes in equity	515,000,000.00	-	-	515,000,000.00
Balance at 06 August 2021	541,821,800.00	82,052,328.00	(340,284,445.07)	283,589,682.93

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1.4 AUDITED STATEMENT OF CASH FLOWS

(MNT)

	2021.08.06
Cash flows from operating activities	
Cash Received:	-
Cash income from sale of services	-
Cash income from insurance compensation	-
Other cash income	-
Cash used:	4,710,598.00
Cash payment to employees	-
Payment to social insurance office	-
Payment for inventories	-
Operating costs	4,057,200.00
Payment for fuel, transportation and spare parts	-
Interest paid	-
Taxes paid	-
Insurance paid	-
Other cash expenses	653,398.00
Net cash used in operating activities	(4,710,598.00)
Cash flows from investing activities	
Cash Received:	-
Dividends received	-
Cash used:	-
Acquisition of property, plant and equipment	-
Net cash flow from investing activities	-
Cash flows from financing activities	
Cash Received:	515,000,000.00
Proceeds from short-term borrowings	-
Proceeds from issuance of share capital	515,000,000.00
Cash used:	-
Loan, loan note repayment	-
Various charitable expenses	-
Net cash provided by financing activities	515,000,000.00
Net (decrease) increase in cash and cash equivalents	510,289,402.00
Cash and cash equivalents at the beginning of year	23,127,234.77
Cash and cash equivalents at the end of year	533,416,636.77

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