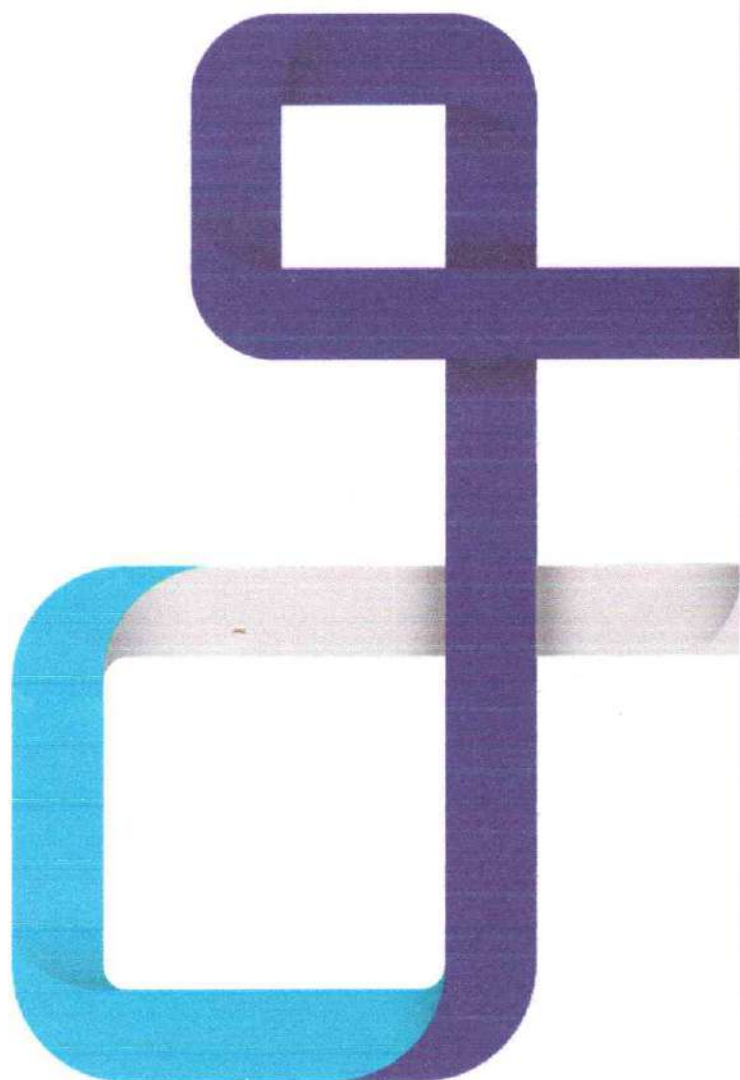


Separate Financial Statements and Independent Auditor's Report

Ard Financial Group JSC

31 December 2021



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Background information about the organization

Name of Organization:	Ard Financial Group JSC	
Founding Decision:	The Ard Financial Group JSC was incorporated on 30 January 2007.	
Board	Chairman	P. Batbayar
	Members	Ch. Ganhuyag Bruno Raschle A. Sukhdorj O. Odbayar
	Independent members	M. Sergelen Ch. Munhbat Mikhail Zeldovich Arnaud Ventura
Management team:	Chief Executive Officer	Ch. Ganhuyag
	Chief Marketing Officer	Ts. Barhas
	Chief Financial Officer	B. Zolboo
	Chief Investment Officer	E. Amarbayasgalan
	Chief Public Relations Officer	J. Altangunii
	Chief Technology Officer	E. Bayarmagnai
	Internal auditor	M. Munh-Erdene
	Chief Compliance Officer	S. Anar-Erdene
	Chief Risk Officer	B. Oyuttsetsen
General Accountant	G. Selenge	
Address:	The 17th floor, Central Tower, the 8th Khoroo, the Sukhbaatar District, Ulaanbaatar, Mongolia	
Registration number:	2001861	
Principal activities:	Investment	
	Business advisory	
Number of employees:	16	
Auditor:	Grant Thornton Audit LLC - A Certified firm of audit, accounting, financial advisory, training and appraisal	

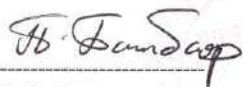
Management's statement of responsibility for financial reporting

Management is responsible for fair presentation of the Ard Financial Group JSC's separate financial statements for the year ended 31 December 2021, and of its financial performance, cash flows and changes in equity for the period in accordance with International Financial Reporting Standards.

Management has fulfilled the following responsibilities in preparing the separate financial statements:

- Complied all accounting standards through selection of and consistent adherence to appropriate accounting policy, as well as reasonable and accurate calculation and assessment.
- Taken necessary actions to safeguard the company's assets, to prevent any fraud and misconduct, and to identify such activities.
- The Company has prepared the separate financial statements on a going concern basis.
- Obligated to constantly review matters that are legitimate or derivative accountabilities as a result of past events or that may result in future losses, and it has clarified the legitimate and derivative responsibilities and contingencies.

P. Batbayar, the Board Chairman of the Ard Financial Group JSC, and Ch. Ganhuyag, the Chief Executive Officer, and B. Zolboo, Chief Financial Officer, declare that the accompanying financial statements presented in page 10 to 49 of this report give a true and fair view of the financial position of the Company as of 31 December 2021, and of its financial performance and its cash flows for the period, in accordance with International Financial Reporting Standards.



P. Batbayar
Board Chairman

Date: 31 March 2022



Ch. Ganhuyag
Chief Executive Officer

Date: 31 March 2022



B. Zolboo
Chief Financial Officer

Date: 31 March 2022

Independent auditor's report

"Grant Thornton Audit" LLC
A member firm of GTIL global network for assurance, tax and advisory services

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District-1, Ulaanbaatar 14230
Mongolia
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To shareholders of the Ard Financial Group JSC:

Opinion

We have audited the financial statements (hereinafter referred to as "Financial statement") of the Ard Financial Group JSC (hereinafter referred to as "Company"), which comprise the statement of financial position as of 31 December 2021, including:

- Separate statement of financial position,
- Separate statement of comprehensive income for the year ended,
- Separate statement of changes in equity,
- Separate statement of cash flows,
- A summary of significant accounting policies, and
- Notes to the financial statements.

In our opinion, the accompanying financial statements of the Ard Financial Group JSC give a true and fair view of the financial position as of 31 December 2021 and of its financial performance and its cash flows for the year then ended, in all material respects, in accordance with International Financial Reporting Standards.

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.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Code of Ethics for Professional Accountants of Mongolia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of audit approaches

Key audit matters	<ul style="list-style-type: none">• Changes were made in accounting policies related to virtual assets.• The fair value of investments in closed subsidiaries was valued and recognized.
Audit scope	<ul style="list-style-type: none">• The Company owns subsidiaries disclosed in Note 15, however, this report is a separate financial statement of the Company.
Materiality	<ul style="list-style-type: none">• Overall materiality used in audit of the financial statements is MNT 1,300,000 thousand. The materiality was selected on the basis of average of 5% of equity and 3% of total revenue.

Key audit matters

Key audit matters, in our judgement, are matters that have significant impacts on financial statements for the current period. Within the scope of our audit on financial statements, matters were addressed as a whole, and no separate opinions were given on each matter.

Risk	Response
<p>Changes in Accounting Policy on Virtual Asset</p> <p>In the reporting period, changes were made in accounting policy related to virtual assets.</p> <p>For instance, fair value of virtual assets had been valued on a monthly basis and changes in fair value and deferred taxes had been recognized in the financial statements at the end of each month. However, a change was made to the accounting policy in which it was decided to value and recognize it once a year at the end of the year.</p> <p>Accounting policy related to virtual asset is disclosed in Note 4.9, changes in fair value of virtual assets is demonstrated in Note 19.4 and deferred tax payable arisen due to changes in fair value of virtual assets is shown in Note 16.</p>	<p>Audit procedure:</p> <p>Transactions related with virtual assets in the reporting period have been reviewed in following manner in accordance with instructions set out in changes in accounting policy. It includes:</p> <ul style="list-style-type: none"> - Movement of virtual assets was repeatedly examined, - Cost of virtual assets estimated by the average cost method was re-examined, - Fair value estimates were reviewed and re-examined whether it is recognized at the closing rate of the exchange, - Some discrepancies identified have been adjusted in the financial statements.
<p>Fair value of investments in closed subsidiaries</p> <p>In the reporting period, the Ard Financial Group JSC measured its investments in subsidiaries, which are under full control with 90-100% of holding, in accordance with IFRS 13 <i>Fair Value Measurement</i>, and recognized them in its financial statements at fair value.</p> <p>The subsidiaries are closed companies. In measuring the fair value of these companies, the Company's management has applied the market approach, particularly, publicly-traded comparable method, in accordance with International Valuation Standards.</p> <p>As a result of the valuation, the fair value of the closed companies has increased in materiality, and a large amount of computation and professional judgement were used in the valuation, therefore, this is highlighted to be the key audit matters.</p>	<p>Audit procedure:</p> <p>The following procedures were used by the auditor to review matters on measurement of fair value of investments in closed subsidiaries and its recognition in the financial statements. It includes:</p> <ul style="list-style-type: none"> - In valuation of these investments, an independent professional appraiser reviewed whether the estimates and professional judgement calculated by the company's management are justified and whether the methodology used and the valuations were realistic. - Because valuation was more focused on the net assets of subsidiaries, input and factors or investments that have the most material effect on owners' equity, assets held for sale, and exchange rate fluctuations of virtual assets held by companies were compared and re-examined with the market value. - Approaches and methods used in the valuation, and matters related to a selection of calculations and professional judgement were discussed with the Company's management and the grounds were clarified.

Emphasis of Matter

The Ard Financial Group JSC is a group companies and owns about 33 subsidiaries and associates in the reporting year, however, it prepares the separate financial statements and presents it to its shareholders. Reason of this is explained in detail in Note 2.1.

As stated in Charter of the Ard Financial Group JSC, the Company's core activity involves investment activities. Moreover, Company's operations qualify most of the nature and characteristics of an investment entity. However, the Company does not prepare the financial statements of an investment entity in accordance with Clauses 27 and 31 of IFRS 10 *Consolidated Financial Statements*.

In accordance with auditor's recommendations for the 2020 financial statements, the Company recognized the status of the Investment Entity under Board's Resolution №22/02 of 11 February 2022, the Company is instructed to comply with it from 1 January 2022.

By recognizing the status of an investment entity under this resolution, the company releases subsidiaries from consolidation in accordance with IFRS 10 (31) *Consolidated Financial Statements*, and records changes in fair value of investments in these subsidiaries as profit or loss, and the Company is expecting to define and implement an accounting policy to incorporate some subsidiaries into the consolidation in accordance with Clause 32.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report of the Company for the year ended 31 December 2021, but does not include the separate financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

In preparing the separate 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 separate 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 separate financial statements.

The extent to which the auditor has considered the ability to detect illegal actions, such as fraud

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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other regulatory requirements

In accordance with articles 92 and 94 of Company Law of Mongolia, the Company is responsible to report transactions with conflict-of-interest person, and information specified in the law on Securities Market, and the Financial Regulatory Commission and Mongolian Stock Exchange as well as other information specified in the Company Charter. No non-compliance was identified in relation to these requirements.



Use of the Audit Report

Pursuant to Article 94 of the Company Law of Mongolia, this report is intended solely for shareholders of the Company and not for other subjects. We are not liable to any other third party to the extent of this report.

Engagement partner of this independent auditor report is N. Erdenetsog.



B. OSORGARAV
MANAGING PARTNER

A red rectangular stamp with a double-line border. The text inside the stamp reads "GRANT THORNTON" on the top line and "AUDIT LLC" on the bottom line. The stamp is partially obscured by the signature.

N. ERDENETSOG
ENGAGEMENT PARTNER

31 March 2022
Ulaanbaatar city

Separate statement of financial position

In thousand MNT	Note	Balance 31 December 2021	Balance 31 December 2020
Assets			
Current assets			
Cash and cash equivalents	7	330,722	100,958
Accounts and other receivables	8	23,076,380	1,685,343
Other financial assets	9	10,369,946	18,737
Inventory	10	107,959	2,112
Prepayments	11	3,708,456	1,243,564
Total current assets		37,593,463	3,050,714
Non-current assets			
Property and equipment	12	645,221	466,025
Intangible assets	13	59,160,237	8,941,367
Right-of-use assets	14.1	2,349,551	440,433
Long-term investment	15	231,730,778	67,481,313
Total non-current assets		293,885,787	77,329,138
Total assets		331,479,250	80,379,852
Equity and liabilities			
Liabilities			
Current liabilities			
Accounts and other payables	17	28,703,917	4,552,360
Short-term borrowings	18.1	6,182,791	1,147,287
Current closed bond liabilities	18.2	3,685,489	11,958,106
Current finance lease payable	14.2	979,547	349,718
Total current liabilities		39,551,744	18,007,471

Separate statement of financial position *(continued)*

In thousand MNT	Note	Balance 31 December 2021	Balance 31 December 2020
Non-current liabilities			
Deferred tax liabilities	16	24,188,557	3,405,208
Non-current finance lease payables	14.2	1,473,974	379,093
Long-term borrowings	18.1	6,633,373	408,752
Non-current liabilities of closed bond	18.2	1,583,000	2,347,232
Total non-current liabilities		33,878,904	6,540,285
Total liabilities		73,430,648	24,547,756
Equity			
Equity-share	19.1	28,614,263	28,590,335
Treasury share		-	(1,414,706)
Share premium	19.2	2,927,696	-
Revaluation reserve	19.4	214,347,421	27,284,096
Other components of equity		13,799	13,799
Retained earnings	19.3	12,145,423	1,358,572
Total equity		258,048,602	55,832,096
Total equity and liabilities		331,479,250	80,379,852

The separate financial statements were approved on 31 March 2022 by:


 Ch. Ganhuuyag
 Chief Executive Officer


 B. Zolboo
 Chief Financial Officer

The separate statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 49.

Separate statement of comprehensive income

In thousand MNT	Note	2021	2020
Revenue from investment management services	20.1	2,030,180	688,461
Changes in fair value of financial assets measured at fair value through profit or loss and gains on disposal	20.2	3,356,706	303,915
Dividend income	20.3	1,004,162	1,311,736
Interest income from investment portfolio	20.4	1,316,383	29,984
Total investment income		7,707,431	2,334,096
Other non-investment income	21	784,268	916,740
Sales, marketing expenses	22	(1,095,852)	(271,381)
General, administrative expenses	23	(16,266,063)	(3,183,791)
Finance expenses	24	(3,346,137)	(2,876,353)
Other expense	25	(2,349,625)	(785,887)
Foreign exchange loss	26	(361)	(170,140)
Loss on disposal of fixed assets		(26,955)	-
Gains on disposal of virtual assets		14,351,507	-
Loss before tax		(241,787)	(4,036,716)
Tax benefit	27	27,437	2,041
Net loss for the year		(214,350)	(4,034,675)
Other comprehensive income			
Changes in fair value of financial assets and virtual assets measured at fair value through other comprehensive income		187,063,325	3,178,618
Gains on disposal of financial assets and virtual assets measured at fair value through other comprehensive income		11,805,694	1,056,403
Other comprehensive income		198,869,019	4,235,021
Total comprehensive income		198,654,669	200,346
Basic loss per share		(0.01)	(0.15)

The separate statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 49.

Separate statement of changes in equity

In thousand MNT	Equity	Treasury share	Share premium	Revaluation reserve	Other component of equity	Retained earnings	Total
Balance 1 January 2020	28,590,335	(1,414,706)	-	24,105,478	13,799	5,287,424	56,582,330
Loss for the year	-	-	-	-	-	(4,034,675)	(4,034,675)
Changes in fair value of assets	-	-	-	4,235,021	-	-	4,235,021
Dividend	-	-	-	-	-	(950,580)	(950,580)
Realized revaluation reserve	-	-	-	(1,056,403)	-	1,056,403	-
Balance 31 December 2020	28,590,335	(1,414,706)	-	27,284,096	13,799	1,358,572	55,832,096
Loss for the year	-	-	-	-	-	(214,350)	(214,350)
Changes in fair value of assets	-	-	-	198,869,019	-	-	198,869,019
Changes in equity	23,928	1,414,706	2,927,696	-	-	(23,928)	4,342,402
Realized revaluation reserve	-	-	-	(11,805,694)	-	11,025,129	(780,565)
Balance 31 December 2021	28,614,263	-	2,927,696	214,347,421	13,799	12,145,423	258,048,602

The separate statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 49.

Separate statement of cash flows

In thousand MNT	2021	2020
Cash flows from operating activities		
Total cash inflow	2,782,715	417,427
Proceeds from sales of goods, provision of services	2,782,715	-
Other cash inflow	-	417,427
Total cash outflow	8,302,909	4,928,032
Paid to employee	1,487,785	435,619
Paid to social insurance administration	271,633	73,927
Acquisition of inventory	117,682	10,421
Paid for utilities	52,037	622,131
Paid for fuel, transportation, spare parts	135,533	15,773
Interest paid	2,730,145	1,825,104
Paid to taxation department	1,001,667	119,558
Insurance premium	26,755	10,903
Other cash outflow	2,479,672	1,814,596
Net cash flow from operating activities	(5,520,194)	(4,510,605)
Cash flow from investing activities		
Total cash inflow	51,176,390	3,272,094
Proceeds from sale of investment	10,800,405	-
Proceeds from sale of other non-current assets	20,850,000	-
Loan issued to others, repayment of cash advance	17,665,239	3,197,168
Interest received	957,000	900
Dividends received	903,746	74,026

Separate statement of cash flows *(continued)*

In thousand MNT	2021	2020
Total cash outflow	49,492,446	1,407,956
Acquisition of property and equipment	601,044	3,823
Acquisition of intangible assets	100,000	-
Acquisition of investments	13,587,474	1,143,667
Loan issued; advance given to others	35,203,928	260,466
Net cash flow from investing activities	1,683,944	1,864,138
Cash flow from financing activities		
Total cash inflow	20,768,079	9,922,914
Received from loan, securities issued	20,768,079	3,749,000
Received from issuance of share and other equity securities	-	6,173,914
Total cash outflow	16,702,065	7,218,725
Loan, securities payments	16,415,124	2,918,723
Finance lease payable	137,863	224,543
Repurchase of shares	-	3,768,800
Dividends paid	149,078	306,659
Other cash outflow	-	-
Net cash flow from financing activities	4,066,014	2,704,189
Net total cash flow	229,764	57,722
Balance cash and cash equivalents at the beginning of year	100,958	43,236
Balance cash and cash equivalents at the end of year	330,722	100,958

The separate statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 49.