MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

Mongolian Mining Corporation ("**MMC**" or the "**Company**") and its subsidiaries (the "**Group**") generated a total revenue of approximately United States Dollar ("**USD**") 541.1 million during the six months ended 30 June 2024, compared to USD516.7 million of total revenue generated during the six months ended 30 June 2023.

The Group's gross profit for the six months ended 30 June 2024 was approximately USD223.8 million.

The Group's profit attributable to the equity shareholders of the Company for the first half of 2024 was approximately USD133.0 million.

The basic and diluted earnings per share attributable to the equity shareholders of the Company amounted to USD12.05 cents and USD11.85 cents, respectively, for the reporting period, compared to the basic and diluted earnings per share of USD13.11 cents in the same period in 2023.

The board (the "**Board**") of directors (the "**Directors**") of the Company does not recommend the payment of dividend for the six months ended 30 June 2024 (dividend for the six months ended 30 June 2023: nil).

During the six months ended 30 June 2024, (i) the subscription of 50% equity interest in Erdene Mongol LLC ("**EM**") was completed, making it a subsidiary of the Company; and (ii) the disposal of 20% equity interest of Khangad Exploration LLC ("**KEX**") was completed, and after the disposal, KEX remains a subsidiary of the Group.

Note: All numbers in this announcement are approximate rounded values for particular items.

The Board is announcing the unaudited consolidated interim results of the Group for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2024 – unaudited

		Six months ended 30 June	
	Note	**2024**	2023
		USD'000	*USD'000*
Revenue	*3(a)*	**541,129**	516,701
Cost of revenue	*4*	**(317,300)**	(291,597)
Gross profit		**223,829**	225,104
Other net income		**8,829**	3,095
Selling and distribution costs		**(5,234)**	(2,107)
General and administrative expenses		**(23,207)**	(14,049)
Profit from operations		**204,217**	212,043
Finance income	*5(a)*	**2,085**	616
Finance costs	*5(a)*	**(21,472)**	(26,360)
Net finance costs	*5(a)*	**(19,387)**	(25,744)
Gain from repurchase of Senior Notes due 2024		**–**	3,970
Share of profit of associates		**377**	307
Share of profit of joint ventures		**1**	–
Profit before taxation		**185,208**	190,576
Income tax	*6*	**(52,288)**	(54,123)
Profit for the period		**132,920**	136,453
Attributable to:			
Equity shareholders of the Company		**132,995**	136,635
Non-controlling interests		**(75)**	(182)
Profit for the period		**132,920**	136,453
Basic earnings per share	*7(a)*	**12.05 cents**	13.11 cents
Diluted earnings per share	*7(b)*	**11.85 cents**	13.11 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2024 – unaudited

		Six months ended 30 June	
	Note	**2024**	2023
		USD'000	*USD'000*
Profit for the period		**132,920**	136,453
Other comprehensive income for the period (after tax and reclassification adjustments)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		**1,675**	21
Total comprehensive income for the period		**134,595**	136,474
Attributable to:			
Equity shareholders of the Company		**134,481**	136,721
Non-controlling interests		**114**	(247)
Total comprehensive income for the period		**134,595**	136,474

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

	Note	At 30 June 2024 USD'000	At 31 December 2023 USD'000
Non-current assets			
Property, plant and equipment, net	*8*	**1,098,239**	1,066,555
Construction in progress	*9*	**62,381**	7,236
Other right-of-use assets		**47**	48
Intangible assets	*10*	**510,556**	492,317
Interest in associates		**8,449**	8,258
Interest in joint ventures		**7**	6
Other non-current assets		**11,726**	6,544
Deferred tax assets		**12,231**	7,574
Total non-current assets		**1,703,636**	1,588,538
Current assets			
Inventories		**123,304**	98,952
Trade and other receivables	*11*	**128,293**	145,152
Cash and cash equivalents		**278,596**	175,799
Total current assets		**530,193**	419,903
Current liabilities			
Trade and other payables	*12*	**141,438**	126,736
Contract liabilities		**221,824**	237,447
Lease liabilities		**818**	–
Current taxation		**58,852**	69,249
Total current liabilities		**422,932**	433,432
Net current assets/(liabilities)		**107,261**	(13,529)
Total assets less current liabilities		**1,810,897**	1,575,009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2024 – unaudited

	Note	**At 30 June 2024** ***USD'000***	At 31 December 2023 *USD'000*
Non-current liabilities			
Senior notes	*13*	**214,939**	213,993
Provisions		**29,566**	24,959
Deferred tax liabilities		**163,888**	166,191
Total non-current liabilities		**408,393**	405,143
NET ASSETS		**1,402,504**	1,169,866
CAPITAL AND RESERVES			
Share capital		**104,776**	104,248
Reserves		**1,115,912**	1,010,589
Total equity attributable to equity shareholders of the Company		**1,220,688**	1,114,837
Perpetual notes	*14(c)*	**47,692**	55,476
Non-controlling interests		**134,124**	(447)
TOTAL EQUITY		**1,402,504**	1,169,866

NOTES

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), including compliance with IAS 34, *Interim financial reporting,* issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issuance on 27 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the Hong Kong Institute of Certified Public Accountants.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRS Accounting Standards that are first effective for the current accounting period of the Group:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the mining, processing, transportation and sale of coal products and gold products. Revenue represents the sales value of goods sold to customers exclusive of value added or sales taxes and after deduction of any trade discounts and volume rebates. The amount of each significant category of revenue recognised for the six months ended 30 June 2024 and 2023 are as follows:

	Six months ended 30 June	
	2024	2023
	USD'000	*USD'000*
Revenue from contracts with customers within the scope of IFRS 15		
Coal mining segment		
Washed hard-coking coal (“**HCC**”)	**437,887**	450,216
Washed mid-ash semi-hard coking coal (“**MASHCC**”)	**69,468**	–
Washed semi-soft coking coal (“**SSCC**”)	**30,097**	48,154
Middlings	**2,975**	17,364
Raw thermal coal	**702**	967
Gold mining segment		
Gold products	**–**	–
	541,129	516,701

Revenue generated from the coal mining segment is from sale of goods, which is recognised when the goods are transferred at point in time. No revenue was generated from the gold mining segment for the six months ended 30 June 2024.

(b) Segment reporting

The Group manages its businesses by business lines, which are divided into mining, processing, transportation and sale of coal products and gold products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has identified and presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Coal mining segment: the mining, processing, transportation and sale of coal products;
- Gold mining segment (Note)：the mining, processing, transportation and sale of gold products.

Note:

As at 30 June 2024, the gold mine is at construction stage and gold production is expected to start in 2025.

4 COST OF REVENUE

	Six months ended 30 June	
	2024	2023
	USD'000	*USD'000*
Mining costs	**139,850**	124,285
Processing costs	**30,842**	29,472
Transportation costs	**65,437**	41,831
Others *(Note)*	**81,171**	96,009
Cost of revenue	**317,300**	291,597

Note:

Others mainly include royalty tax on the coal sold.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (crediting)/charging:

(a) Net finance costs:

	Six months ended 30 June	
	2024	2023
	USD'000	*USD'000*
Interest income	**(2,085)**	(616)
Finance income	**(2,085)**	(616)
Interest on liability component of senior notes *(Note 13)*	**15,543**	18,189
Interest on lease liabilities	**32**	5
Transaction cost	**–**	9
Unwinding interest on accrued reclamation obligations	**1,560**	637
Foreign exchange loss, net	**4,044**	7,520
Others	**293**	–
Finance costs	**21,472**	26,360
Net finance costs	**19,387**	25,744

Note:

No borrowing costs have been capitalised during the six months ended 30 June 2024 and 2023.

(b) Other items:

	Six months ended 30 June	
	2024	2023
	USD'000	*USD'000*
Depreciation and amortisation	**63,944**	46,026
Loss on disposal of property, plant and equipment	**723**	286

6 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2024	2023
	USD'000	*USD'000*
Current tax	**58,417**	56,148
Deferred tax	**(6,129)**	(2,025)
	52,288	54,123

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	Six months ended 30 June	
	2024	2023
	USD'000	*USD'000*
Profit before taxation	**185,208**	190,576
Notional tax on profit before taxation	**46,786**	48,048
Tax effect of non-deductible items *(Note (iii))*	**5,856**	8,039
Tax effect of non-taxable items *(Note (iii))*	**(882)**	(2,167)
Tax losses not recognised	**528**	203
Actual tax expenses	**52,288**	54,123

Notes:

(i) Pursuant to the income tax rules and regulations of Mongolia, the subsidiaries of the Group located in Mongolia are liable to Mongolian Corporate Income Tax at a rate of 10% for the first MNT6 billion taxable income, and 25% for the remaining taxable income for the six months ended 30 June 2024 and 2023. According to the Corporate Income Tax Law of China, the Company's subsidiaries in China are subject to statutory income tax rate of 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The Group is not subject to Hong Kong, Luxembourg and Singapore profits tax as it has no assessable income arising in or derived from Hong Kong, Luxembourg and Singapore during the six months ended 30 June 2024 and 2023.

(iii) Non-deductible and non-taxable items mainly include net unrealised exchange gain or loss, other non-deductible expenses and non-taxable income pursuant to the income tax rules and regulations of Mongolia and other related tax source regions during the six months ended 30 June 2024 and 2023.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the adjusted profit attributable to ordinary equity shareholders of the Company of USD125,884,000 (profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2023: USD136,635,000) and the weighted average of 1,044,425,661 ordinary shares (six months ended 30 June 2023: weighted average of 1,042,476,786 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

For the six months ended 30 June 2024, the effect of the outstanding share options was dilutive and therefore included in the calculation of diluted earnings per share. The calculation of diluted earnings per share is based on the adjusted profit attributable to ordinary equity shareholders of the Company and the weighted average of 1,061,952,161 ordinary shares after adjusting the effect of outstanding share options (see Note 14(b)).

For the six months ended 30 June 2023, the effect of the outstanding share options was anti-dilutive and therefore the basic and diluted earnings per share were the same.

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Right-of-use assets

During the six months ended 30 June 2024, the Group entered into lease agreements for office premises and recognised additions to the right-of-use assets amounting to USD1,053,000 (six months ended 30 June 2023: nil).

(b) Acquisitions and disposals of owned assets

Mining properties of the Group as at 30 June 2024 include stripping activity assets with carrying amount of USD503,411,000 (as at 31 December 2023: USD483,446,000).

During the six months ended 30 June 2024, the additions of property, plant and equipment of the Group, representing mainly various mining structures and motor vehicles, amounted to USD88,982,000 (six months ended 30 June 2023: USD75,548,000). Items of property, plant and equipment with a net book value of USD723,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: USD286,000).

9 CONSTRUCTION IN PROGRESS

The construction in progress is mainly related to buildings and plants. The additions in construction in progress are mainly related to the construction of Bayan Khundii (“**BKH**”) mine of EM.

10 INTANGIBLE ASSETS

Intangible assets mainly represent the mining rights acquired and the permission to operate at the customs bonded terminal at Gashuunsukhait (“**GS**”). The additions of intangible assets mainly represent the mining rights acquired through the acquisition of a subsidiary.

11 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2024	At 31 December 2023
	USD'000	*USD'000*
Within 90 days	**25,304**	28,847
90 to 180 days	**11,591**	4,853
Trade receivables net of allowance for doubtful debts	**36,895**	33,700
Amounts due from related parties	**1**	22
Other debtors	**2,177**	41,466
Financial assets measured at amortised cost	**39,073**	75,188
Prepayments and deposits	**10,805**	7,232
Value added tax ("**VAT**") and other tax receivables *(Note)*	**78,415**	62,732
	128,293	145,152

Note:

VAT and other tax receivables include amounts that have been accumulated to date in certain subsidiaries and were due from Mongolian Tax Authority ("**MTA**"). According to the prevailing tax rules and regulations in Mongolia, a taxpayer may offset future taxes and royalties payable to MTA against VAT receivable from MTA. The Group verifies the collectability of such funds with MTA on a regular basis, and based on currently available information, the Group anticipates full recoverability.

12 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2024	At 31 December 2023
	USD'000	*USD'000*
Within 90 days	**91,728**	68,326
90 to 180 days	**176**	254
180 to 365 days	**295**	4
Over 365 days	**119**	272
Total trade creditors	**92,318**	68,856
Payables for purchase of equipment	**3,331**	1,282
Interest payables	**8,801**	8,250
Other taxes payables	**21,031**	34,020
Amounts due to related parties	**7,369**	5,249
Others	**8,588**	9,079
	141,438	126,736

13 SENIOR NOTES

	At 30 June 2024 *USD'000*	At 31 December 2023 *USD'000*
Senior Notes due 2026	**214,939**	213,993

On 13 September 2023, the Group issued senior notes due 2026 (“**Senior Notes due 2026**”) with initial principal amount of USD180,000,000. Further on 14 December 2023, the Group issued additional USD40,000,000 principal amount of Senior Notes due 2026. The Senior Notes due 2026 is listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), bears interest at 12.50% per annum fixed rate, payable semi-annually, and is due on 13 September 2026. The outstanding principal amount of the Senior Notes due 2026 was USD220,000,000 as at 30 June 2024.

The Senior Notes due 2026 is accounted for as a hybrid financial instrument containing a derivative component and a liability component. The derivative component of early redemption option was initially recognised at its fair value of nil. The fair value of the derivative component of early redemption option as at 30 June 2024 was nil (as at 31 December 2023: nil). The liability component was initially recognised at its fair value, taking into account attributable issuance discount, and will be accounted on amortised cost subsequently.

Fair value of the derivative component was estimated based on the Binomial model.

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Board does not recommend declaration and payment of interim dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

(b) Equity settled share-based transactions

On 3 April 2023, 33,250,000 share options were granted to a director and employees of the Company under the share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest on 3 April 2024, 3 April 2025, 3 April 2026 and 3 April 2027 separately of 25% each, and then be exercisable until 3 April 2028. The exercise price is HKD3.26, being the closing price as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited on the date of grant.

5,279,500 share options were exercised during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

(c) Perpetual notes

The Company issued perpetual notes which were listed on the SGX-ST on 4 May 2017, with a principal amount of USD195,000,000 (“**Perpetual Notes**”) and with a fair value of USD75,897,000. Fair value of the Perpetual Notes was valued by the management with the reference to a valuation report issued by an independent valuer based on the discounted cash flow method.

During the previous reporting periods, the Company redeemed an aggregate principal amount of USD52,472,000 from the Perpetual Notes, with carrying amount of USD20,421,000. On 1 April 2024, the Company redeemed a principal amount of USD20,000,000 from the Perpetual Notes with carrying amount of USD7,784,000. As at 30 June 2024, the outstanding principal amount of the Perpetual Notes was USD122,528,000 with a carrying amount of USD47,692,000.

The Perpetual Notes have no fixed maturity and are redeemable at the Company’s option. The distribution payments can be deferred at the discretion of the Company. So long as the Perpetual Notes are outstanding, the Company shall not declare or pay any dividend or make any distribution on or with respect to its capital shares; or redeem, reduce, cancel, buy-back or acquire for any consideration any of its capital shares.

Pursuant to the Perpetual Notes’ indenture, it began to accrue distribution from 1 April 2023.

During the reporting period, the Company has paid USD14,609,000 to the holders of the Perpetual Notes as distribution.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Chinese Steel, Coke and Coking Coal Sectors' Performance

According to data published by the World Steel Association, Chinese crude steel production stood at 530.6 million tonnes ("**Mt**") in the first half of the year, representing 1.1% reduction year-on-year ("**y-o-y**") from the same period in 2023. Fenwei Digital Information Technology Co., Ltd. ("**Fenwei**") estimated that China's domestic apparent crude steel consumption decreased by 4.5% from 494.1 Mt in the first half of 2023 to 471.9 Mt in the first half of 2024. China exported 53.4 Mt of steel in the first half of 2024, up 22.5% from 43.6 Mt reported for the same period in 2023.

According to data compiled by Fenwei, coke output in China decreased by 0.8% to 241.8 Mt in the first half of 2024, and China's coke consumption increased by 0.2% y-o-y to 237.1 Mt. In the meantime, China's coke exports increased by 19.8% to 4.9 Mt during the first half of 2024 from 4.1 Mt reported during the same period in 2023.

China's coking coal consumption was 288.6 Mt during the reporting period, representing a decrease of 1.0% as compared to 291.6 Mt reported for the same period in 2023. Domestic coking coal production dipped to 228.3 Mt in the first half of 2024, which is 8.3% y-o-y decrease as compared to the same period in 2023. China's coking coal imports jumped to 57.4 Mt, a 25.9% increase compared to the 45.6 Mt imported in the first half of 2023.

Coking coal imports from Mongolia to China increased to 29.5 Mt as compared to 22.3 Mt imported during the same period in 2023. Thus, Mongolia solidified its position as a leading coking coal import source for China by accounting for 51.5% of total coking coal imports. According to figures from Mongolia's National Statistics Office, the country exported 40.6 Mt of coal to China in the first half of 2024, up from 38% during the same period in 2023.

Gold Sector's Performance

Gold prices remained strong in international markets during the first half of the year and spot price quoted by the World Gold Council ("**WGC**") was USD2,330.9 per ounce ("**oz**") as at the end of the reporting period, reflecting an increase of 12.7% compared to the beginning of the reporting period. According to the WGC, the demand for gold is primarily supported by increase in investments (38%), jewellery consumptions (37%) and central bank purchases (18%).

Global gold exchange-traded funds (ETFs) have experienced outflows totaling 120.1 tonnes during the first half of 2024, mainly from North America and Europe. Asian markets have been significant contributors of inflows, with a recorded 41.4 tonnes of inflows in the first half of the year. The WGC survey indicates that 29% of central banks intend to raise their gold reserves in 2024. Central banks added net of 116 tonnes of gold to their reserves by June 2024, though some, like the People's Bank of China, are decelerating their purchases and maintaining their gold reserve levels stable.

On the consumption side, significant price appreciation for gold and the slower-than-expected economic growth is leading gold jewellery consumption markets, such as India and China, to have dampened demand.

Looking ahead to the second half of 2024, the WGC forecasts that if central banks continue to be net buyers and Asian investors persist in their gold investments, the gold price is likely to hold steady. This expectation is also driven by the anticipation that policy rates in major economies will ease by the end of the year. Additional factors, such as renewed interest in gold from Western investors or ongoing geopolitical instability, could further support gold prices.

The Bank of Mongolia ("**BoM**") is the most active purchaser of domestically produced gold, with purchases made in prevailing global market prices denominated in Mongolian Togrog. During the six months ended 30 June 2024, the BoM purchased 7.8 tonnes of gold, representing a 6.5% increase from the level reported for the same period in 2023.

Figure 1. Gold spot prices from 2000-2024 (in USD):

Source: Bloomberg, Datastream, ICE Benchmark Administration, World Gold Council

OPERATING ENVIRONMENT

Legal Framework

Regulations related to sovereign wealth fund

On 19 April 2024, the Parliament of Mongolia ("**Parliament**") adopted the Law on the National Wealth Fund along with amendments to respective laws of Mongolia, including the Minerals Law, which became effective on 11 May 2024.

The Law on the National Wealth Fund introduces a new three-tier structured national sovereign wealth fund, enhancing the fund previously established by the Law on the Future Inheritance Fund of 2016. Pursuant to the Law on the National Wealth Fund, the former Future Inheritance Fund will be revised to be a savings fund dedicated to future generations. Additionally, two newly defined funds will be established: (i) the Savings Fund, dedicated to the health and wellness, education, and housing needs of the citizens of Mongolia; and (ii) the Development Fund, aimed at enhancing development projects with nationwide economic significance.

The Law on the National Wealth Fund provides a detailed framework for fund management and control, outlining each fund's sources, distribution, and investment operation. It aims to ensure the implementation of the Constitutional Amendment, dated 14 November 2019, for the fair and equal distribution of mineral resource benefits to the current and future generation of citizens through the national sovereign wealth fund.

The Minerals Law was amended to require that a single entity and its connected parties hold no more than 34 percent of shares in legal entities that possess mineral licenses for strategically important mineral deposits without state ownership and/or agreement with the Government of Mongolia ("**GoM**") related to a particular deposit. One-year transition period was granted to comply with this requirement, which will expire on 11 May 2025.

Moreover, Article 5.4 of the Minerals Law has been revised. In cases where a mineral deposit of strategic importance and its residual deposit (ore and mineral stockpiles with a certain mineral content formed during extraction, processing, and concentration, which may be economically profitable when reprocessed) with resources determined by the state-funded exploration, the state is allowed to hold up to 50 percent of the shares of such a license-holding legal entity free of charge if such deposit is to be exploited jointly by state and a private entity. The definite state shareholding percentage shall be determined based on the amount of the state investment required to be made, or it can be replaced by an additional special royalty of up to 5% as defined by the Minerals Law. The Parliament has the authority to define the state shareholding percentages or certain percentage for additional special royalty rate.

Furthermore, the GoM has been mandated by Parliament Resolution No. 30, dated 19 April 2024, to present its proposal on implementation measures concerning Parliament Resolution No. 27, dated 6 February 2007, on Mineral Deposits of Strategic Importance within the 2024 spring session of the Parliament. However, no proposal has been submitted by GoM during this session.

Regulations related to taxation

On 19 April 2024, the Law on Corporate Income Tax was amended alongside the adoption of the Law on the National Wealth Fund. Under this amendment: (i) dividends from state and municipally owned mining entities' accumulated in the Savings Fund through the sovereign wealth fund's revenue unit will be exempt from income tax; (ii) state budget funding made to the Future Inheritance Fund, Savings Fund and Development Fund, as well as their respective investment returns are also exempt from income tax; (iii) revenue from the sale and transfer of exploration and mining licenses for crude oil, radioactive minerals, and other minerals by state and municipally owned legal entities to the sovereign wealth fund's revenue unit will be exempt from income tax; and (iv) a 30 percent income tax to be imposed in cases of full or partial transfer of exploration and mining licenses for crude oil, radioactive minerals and other minerals, as well as land possession and use rights, by the ultimate holder of a mining license for a deposit of strategic importance through the gift or inheritance of its shares and voting rights.

Political environment

The first 126-seat parliamentary election of Mongolia was held on 28 June 2024. The Mongolian People's Party ("**MPP**") won 68 seats in the newly formed Parliament. The Democratic Party ("**DP**"), the National Labor Party ("**NLP**"), the Civil Will-Green Party and the National Coalition took 42, 8, 4 and 4 seats, respectively. MPP's nominee Mr. Amarbayasgalan Dashzegve was elected as the Speaker of the Parliament during the first session of the newly elected Parliament held on 2 July 2024.

Additionally, Mr. Oyun-Erdene Luvsannamsrai from MPP was re-appointed as the Prime Minister, and a coalition government was formed with 23 ministers. The cabinet consists of 13 representatives from the MPP, including the Prime Minister, 8 representatives from the DP and 2 representatives from the NLP.

BUSINESS OVERVIEW

Coal Resources and Exploration Activities

Ukhaa Khudag (UHG) deposit

The UHG deposit sits within the 2,960 hectares Mining License MV-011952 ("**UHG mining license**"), granted to the Group effective for 30 years from 29 August 2006, extendable twice by 20-year periods. Since the UHG mining license was granted, the Group has prepared four Australasian Joint Ore Reserves Committee ("**JORC**") compliant Coal Resource estimates, the most recent of which, stated as at 31 December 2021.

The most recent Coal Resource estimate has been made in accordance with the requirements of the JORC Code (2012), including in compliance with the most recent Australian Guidelines for the Estimation and Classification of Coal Resources (2014). The last update stated as at 31 December 2023 was made only on the basis of revised surface topography, to account for depletion as a result of mining activity between 1 January 2023 to 31 December 2023 and no further exploration data was incorporated.

Resources are divided in order of increasing geological confidence, into inferred, indicated, and measured categories. The most recent resource update performed in 2021 focused on improving the details and accuracy of the 3D coal seam model. As a result, the unclassified, inferred, and indicated coal resources were moved to the measured resource category, representing higher confidence level. The updated resource report includes new information gathered from 16,935 metres ("**m**") of drilling by 89 boreholes and 6,108 samples with laboratory analysis that were completed between October to December of 2020.

Exploration activities conducted in the process of preparing the four preceding JORC compliant Coal Resource estimates and used by the Group to prepare the structural and coal quality models supporting the latest Coal Resource estimate as at 31 December 2021, included:

- 1,645 individual boreholes drilled for 208,211 m, including 116,709 m of HQ-3 (63.1 millimetre ("**mm**") core, 96.0 mm hole diameter) and 91,502 m of 122 mm diameter open hole drilling;
- 43,656 individual analytical samples collected and analysed;

- 71 kilometres ("**km**") of high resolution 2D seismic in-field measurements, collected by Polaris Seismic International Ltd (**"Polaris"**) and analysed by Velseis Processing Pty Ltd (**"Velseis"**); and

- results from large-diameter, bulk-sample drilling samples analysed at the ALS Group laboratories in Ulaanbaatar.

JORC compliant Coal Resource estimate figures reported are based upon an in-situ density, at an as-received moisture basis, are summarised in Table 1.

Internal peer review of these latest structural and coal quality models was conducted by Mr. Lkhagva-Ochir Said, employed by the Group as Chief Operating Officer – Coal & Energy. This peer review confirmed that the Group's work to update the UHG geological model, and thus the Coal Resource estimate for the UHG mining license area, was in compliance with requirements of the JORC Code (2012).

During the first half of 2024, the Group conducted 21,957 m of drilling across 108 boreholes, collecting and completing laboratory analyses on 7,968 samples. This drilling was solely for infill purposes to assess the coal structure.

Appendix I of the Group's 2022 Annual Report can be referred to for the detailed information required to be presented under the JORC Code (2012) upon release of a JORC (2012) Coal Resource estimate.

Table 1. UHG mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2023 (Notes):

Total Coal Resource	**Resource Category (Mt)**				
Depth limit from topographic surface	**Measured**	**Indicated**	**Inferred**	**Total (M+I)**	**Total (M+I+I)**
Subcrop to Base Horizon of Weathering Elevation ("**BHWE**")	7	1	3	8	11
BHWE to 100m	59	4	12	63	75
From 100m to 200m	89	9	19	98	117
From 200m to 300m	130	6	13	136	149
From 300m to 400m	88	3	4	91	95
Below 400m	85	7	14	92	106
Sub-Total above 300m	285	20	47	305	352
Sub-Total below 300m	173	10	18	183	201
Total	**458**	**30**	**65**	**488**	**553**
Total (Rounded)	**460**	**30**	**60**	**490**	**550**

Notes:

*(i) Technical information in the UHG Coal Resource estimation report has been compiled by Mr. Byambaa Barkhas, employed by the Group as General Manager, Project Management – Mining. Mr. Barkhas is a member of the Australasian Institute of Mining and Metallurgy (the "**AusIMM**") (Member #318198) and has over 14 years of experience relevant to the style and type of coal deposit under consideration and to the activity which*

is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Mr. Barkhas consents to the inclusion and the release of the matters based on this information in the form and context in which it appears in this announcement. The estimates of the Coal Resource set out in Table 1 presented in this announcement are considered to be a true reflection of the UHG Coal Resource as at 31 December 2023, and have been carried out in accordance with the principles and guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).

(ii) Mr. Lkhagva-Ochir Said is employed by the Group as Chief Operating Officer – Coal & Energy. Mr. Said is a member of the AusIMM (Member #316005) and has over 16 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).

(iii) Due to rounding, discrepancy may exist between sub-totals and totals. Rounding rules refer to Clause 25 of the JORC Code (2012).

Baruun Naran (BN) deposit

The BN deposit is covered by two mining licenses. Mining License MV-014493 ("**BN mining license**") of 4,482 hectares area was obtained through the acquisition of Baruun Naran Limited, formerly known as QGX Coal Limited, on 1 June 2011, and is effective for 30 years from 1 December 2008. Mining License MV-017336 ("**THG mining license**") of 8,340 hectares area was granted to the Group on 24 June 2013, effective for 30 years. Both licenses are extendable twice, by 20-year periods.

In 2021, the Group's geological team updated the JORC (2012) Coal Resource estimations as at 31 December 2021 for the BN and THG mining licenses. The last update stated for BN and Tsaikhar Khudag ("**THG**") as at 31 December 2023 was made only on the basis of revised surface topography, to account for depletion as a result of mining activity between 1 January 2023 to 31 December 2023, and no further exploration data was incorporated.

The resource update in 2021 was done based on 8,335.4 m of drilling data on the BN deposit. The drilling focused on the H pit mining boundary. 3,766 samples were collected and tested, confirming the coal quality and coal seam structure. As a result, the inferred and indicated coal resources were moved to the measured resource category, and the geological model was updated with improved accuracy. Moreover, based on 2018 exploration drilling result, the technical team improved the interpretation of the seam correlation between the BN and THG deposits and classified an indicated resource in THG resource estimation.

The Coal Resource stated as at 31 December 2021 incorporated additional exploration data gained from the exploration drilling program conducted in 2018. The following information provided the basis for updating the structural and coal quality geological models underpinning the updated Coal Resource statement as at 31 December 2021:

- total of 135 exploration boreholes at BN, with a total of 36,875 m drilled, of which 16,102 m were HQ-3, 9,640 m were PQ-3 (83.0 mm core, 122.6 mm hole diameter) and 11,133 m were 122 mm diameter open boreholes;

- total of 32 exploration boreholes at THG, with a total of 9,970 m drilling at THG, of which 5,900 m were HQ-3, 3,610 m were PQ-3 and 460 m were 122 mm open boreholes;

- total of 12,502 (BN) and 3,824 (THG) coal samples were collected and analysed; and

- total of 75 km of 2D seismic survey captured by Polaris over the BN mining license, and analysed by Velseis.

Internal peer review was conducted by Mr. Lkhagva-Ochir Said, the Group's Chief Operating Officer – Coal & Energy. This These peer review confirmed compliance of the Group's work to update the Coal Resource estimations in compliance with the requirements of the JORC Code (2012).

Summary of the updated Coal Resources statement as at 31 December 2023 for BN and THG mining license areas are shown in Table 2 and Table 3. The figures in these tables represent calculation based upon in – situ density at an assumed 5% moisture basis.

In the first half of 2024, three large-diameter boreholes were drilled, reaching a total depth of 161 m, to collect technological samples specifically for the coal washability study.

Table 2. BN mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2023 (Notes):

Total Coal Resource	**Resource Category (Mt)**				
Depth limit from topographic surface	**Measured**	**Indicated**	**Inferred**	**Total (M+I)**	**Total (M+I+I)**
Subcrop to BHWE	6	1	1	8	9
BHWE to 100m	59	9	5	67	72
From 100m to 200m	87	12	8	99	107
From 200m to 300m	89	13	8	102	110
From 300m to 400m	87	16	9	103	112
Sub-Total above 300m	241	35	22	276	298
Sub-Total below 300m	87	16	9	103	112
Total	**328**	**51**	**31**	**379**	**410**
Total (Rounded)	**330**	**50**	**30**	**380**	**410**

Table 3. THG mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2023 (Notes):

Total Coal Resource	**Resource Category (Mt)**				
Depth limit from topographic surface	**Measured**	**Indicated**	**Inferred**	**Total (M+I)**	**Total (M+I+I)**
Subcrop to BHWE	–	1	0	1	1
BHWE to 100m	–	13	4	13	17
From 100m to 200m	–	18	4	18	22
From 200m to 300m	–	19	5	19	24
From 300m to 400m	–	16	9	16	25
Sub-Total above 300m	–	51	13	51	64
Sub-Total below 300m	–	16	9	16	25
Total	**–**	**67**	**22**	**67**	**89**
Total (Rounded)	**–**	**70**	**20**	**70**	**90**

Notes:

(i) *Technical information in the BN deposit Coal Resource estimation report has been compiled by Mr. Byambaa Barkhas, employed by the Group as General Manager, Project Management – Mining. Mr. Barkhas is a member of the AusIMM (Member #318198) and has over 14 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Mr. Barkhas consents to the inclusion and the release of the matters based on this information in the form and context in which it appears in this announcement. The estimates of the Coal Resource set out in Table 2 and Table 3 presented in this announcement are considered to be a true reflection of the BN deposit Coal Resource as at 31 December 2023, and have been carried out in accordance with the principles and guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).*

(ii) *Mr. Lkhagva-Ochir Said is employed by the Group as Chief Operating Officer – Coal & Energy. Mr. Said is a member of the AusIMM (Member #316005) and has over 16 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).*

(iii) *Due to rounding, discrepancy may exist between sub-totals and totals. Rounding rules refer to Clause 25 of the JORC Code (2012).*

Baruun Naran Gas LLC ("**BNG**") was established in 2019 and is jointly owned 66% by Jade Gas Mongolia LLC ("**Jade**") and 34% by KEX, BN mining license holder.

On 21 July 2022, BNG has entered into a prospecting contract with the Mineral Resources and Petroleum Authority of Mongolia to conduct coal-bed methane ("**CBM**") prospecting work within the area covered by the BN mining license area.

As part of the prospecting work, BNG drilled seven wells with a total depth of 4,418.3m and conducted respective logging and permeability tests in 2023 and 2024. Within the prospecting work scope, 244 samples were extracted from coal seams, and gas desorption was identified in the N, K, J, I, H, and G coal seams. The average gas content of the gas-bearing coal seams (N, K, J, I, H, and G) was estimated to be in the range of 9.4-15.2 cubic meters per tonne.

Detailed information about the results of CBM prospecting works conducted by BNG was publicly disclosed by Jade Gas Holdings Limited (Jade's parent company) on the Australian Stock Exchange (ASX: JGH) and respective announcements are available at Jade Gas Holdings Limited corporate website under link: https://jadegas.com.au/investors/asx-announcements/.

Coal Reserves

Ukhaa Khudag (UHG) deposit

The Group engaged Glogex Consulting LLC ("**Glogex**") to prepare an updated JORC (2012) Coal Reserve statement as at 1 January 2024 for the UHG deposit. The process used was the same as that used to prepare the previous JORC (2012) Coal Reserve estimate, with the updated JORC (2012) Coal Reserve estimate again based on open cut, multi seam, truck and excavator mining methods. Updated Coal Resource estimate served as a base to prepare such updated Coal Reserve estimate. The last reserve statement was made on the basis of revised surface topography, to account for depletion as a result of mining activity between 1 January 2023 and 1 January 2024.

Pit optimisation software was used to generate a series of nested pit shells corresponding to varying revenue factors, simulating incrementally different economic scenarios as impacted by mining cost or coal price variance. Due to the increase in the measured resource concerning the coal seam structure accuracy improvement and movement of the unclassified, inferred, and indicated coal resource to the measured coal resource, the coal reserve increased. The pit optimisation algorithms used included for implementation of the following:

- geotechnical constraints, including limitation of overall slope angles within the pit by sector, ex-pit dump offset from life-of-mine ("**LOM**") pit shell crest and maximum pit depth, with updates on basis of research and analyses made since timing of the previous JORC (2012) Coal Reserve estimate, as provided by Mr. John Latilla of AMC Consultants Pty Ltd (**"AMC"**);

- washability curves on seam ply basis, as prepared by the Group's processing team for inclusion in the previous JORC (2012) Coal Reserve estimate, to individual coal seams based upon propensity for processing into coking and/or thermal products, with update made to reassign portion of Seam 0B and 0AU from thermal to coking coal production, based upon results observed during production trials in 2017;

- updated cost input assumptions, derived from recent historical operating performance at UHG mine on the basis of sustainable cost reductions made in response to difficult market conditions, and as forecast based upon negotiated reductions in cost for mining and blasting contractor services; and

- updated revenue input assumptions, derived from an updated market study prepared by Fenwei, which provided for medium to long term forecasting of expected Free-on-Transport ("**FOT**") pricing at UHG mine for hard coking, semi-soft coking and thermal coal products planned for production.

The run-of-mine ("**ROM**") raw coal tonnages, resulting from the updated statement of the JORC (2012) Coal Reserve estimate for the UHG deposit as at 1 January 2024 based upon an as-received basis with 3.64% total moisture for coking coal and 2.68% for thermal coal types, are shown in Table 4.

Table 4. UHG mining license JORC (2012) Coal Reserve estimate, as at 1 January 2024 (Notes):

ROM Coal Reserve	**Reserve Category (Mt)**		
Coal Type	**Proved**	**Probable**	**Total**
Coking	325	10	335
Thermal	19	–	19
Total	**344**	**10**	**354**

Notes:

(i) *The estimate of Coal Reserve presented in Table 4 has been carried out in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Technical information in the UHG Coal Reserve estimation report has been compiled by Mr. Naranbaatar Lundeg, who is a member of the AusIMM (Member #326646). He is the General Director and Executive Consultant of Glogex. He holds a bachelor's degree of mining industrial management and a master's degree* *of business administration in the field of financial management. He has extensive experience in the mining industry, having worked with major mining companies and as a consultant for over 22 years. During this time, he has either managed or contributed significantly to numerous mining studies related to the estimation, pit optimisation, mine planning, assessment, evaluation and economic extraction of coal in Mongolia. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify him as a Competent Person as defined under the JORC Code (2012). Mr. Lundeg consents to the inclusion and the release of the matters based on this information in the form and context in which it appears in this announcement.*

(ii) Due to rounding, discrepancy may exist between sub-totals and totals.

Baruun Naran (BN) deposit

Coal Reserve statement for the BN deposit was prepared by Glogex with the resulting statement dated 1 January 2024. The LOM mining plan prepared to underpin the current JORC (2012) Coal Reserve estimate for the BN deposit was based upon open cut, multi seam, truck and excavator mining methods. Pit optimisation software was used to generate a series of nested pit shells corresponding to varying revenue factors, simulating incrementally different economic scenarios as impacted by operating cost and coal revenue variance. The last reserve statement was made on the basis of revised surface topography, to account for depletion as a result of mining activity between 1 January 2023 to 1 January 2024.

The pit optimisation algorithms used included for implementation of the following:

- limitation of open pit depth to 360 m from surface, and overall slope angle restrictions, based upon geotechnical advice received from Mr. John Latilla of AMC;
- categorisation of coal seams for scheduling purposes on basis of propensity for coking or thermal coal production, based upon recommendations made by Mr. John Trygstad of Norwest Corporation;
- cost input assumptions based on stripping and blasting estimates derived from the current mining contractors; and
- revenue input assumptions derived from an updated market study of the principal coking and thermal coal markets in China, completed by Fenwei.

The JORC (2012) Coal Reserve estimate for the BN deposit prepared on basis of the above is summarised in Table 5, with tonnage estimation based on an as-received basis with 1.8% total moisture for coking coal and 2.62% for thermal coal types.

Table 5. BN mining license JORC (2012) Coal Reserve estimate, as at 1 January 2024 (Notes):

ROM Coal Reserve	**Reserve Category (Mt)**		
Coal Type	**Proved**	**Probable**	**Total**
Coking	243	23	266
Thermal	9	1	10
Total	**252**	**24**	**276**

Notes:

(i) The estimate of Coal Reserve presented in Table 5 has been carried out in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Technical information in the BN Coal Reserve estimation report has been compiled by Mr. Naranbaatar Lundeg, who is a member of the AusIMM (Member #326646). He is the General Director and Executive Consultant of Glogex. He holds a bachelor's degree of mining industrial management and a master's degree of business administration in the field of financial management. He has extensive experience in the mining industry, having worked with major mining companies and as a consultant for over 22 years. During this time, he has either managed or contributed significantly to numerous mining studies related to the estimation, pit optimisation, mine planning, assessment, evaluation and economic extraction of coal in Mongolia. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify him as a Competent Person as defined under the JORC Code (2012). Mr. Lundeg consents to the inclusion and the release of the matters based on this information in the form and context in which it appears in this announcement.

(ii) Due to rounding, discrepancy may exist between sub-totals and totals.

Gold Resources and Exploration Activities

Khundii mining license

Mining License MV-021444 ("**Khundii mining license"**) covers 2,309 hectares**,** obtained through the acquisition of EM and is effective for 30 years from 5 August 2019, extendable twice by 20-year periods. Since the Khundii mining license was granted, EM has prepared independent mineral resource estimates for two deposits located within the license area, the BKH gold deposit and the Dark Horse ("**DH**") gold deposit.

The current BKH Mineral Resource Estimate ("**BKH Mineral Resource**") was prepared in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects (NI 43-101) and Canadian Institute of Mining, Metallurgy and Petroleum ("**CIM**") standards by AGP Mining Consultants Inc. with an effective date of 20 April 2023. The BKH Mineral Resource was prepared by Mr. Paul Daigle, P.Geo., who is a qualified person ("**QP**") as defined in the CIM Standards of Disclosure.

The BKH Mineral Resource has been constrained to a conceptual pit shell and is reported at a cut-off grade of 0.4 g/t gold (Au). The assumptions and parameters utilised to establish the cut-off grade and pit shell are reported below in notes to Table 6.

Table 6. BKH gold deposit NI 43-101 compliant Mineral Resource, as at 20 April 2023 (Notes):

Resource Classification	**Quantity (Mt)**	**Gold Grade (Au g/t)**	**Gold (Koz)**	**Silver Grade (Ag g/t)**	**Silver (Koz)**
Measured	4.0	3.03	394	1.44	187
Indicated	3.3	2.04	219	1.22	131
Measured and Indicated	**7.4**	**2.58**	**613**	**1.34**	**319**
Inferred	0.2	1.08	6	1.32	8

Notes:

1. *Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.*

2. *Summation errors may occur due to rounding.*

3. *Open pit mineral resources are reported within an optimised constraining shell.*

4. *Open pit cut-off grade is 0.4 g/t Au based on the following parameters:*

   - *Gold price of USD2,000/oz Au*
   - *Gold recovery of 95%*
   - *Capping of gold grades was 200 g/t Au and 50 g/t Ag on 1m composite values.*
   - *The density varies between 2.58 g/cm³ and 2.66 g/cm³ depending on lithology.*
   - *Further details are disclosed in Bayan Khundii Gold Project Feasibility Study Update, NI 43-101 Technical Report dated 15 August 2023.*

EM reported the maiden mineral resource estimate for the DH gold deposit (**"DH Mineral Resource**") discovered in 2021 within Khundii mining license area and located 2 km north of the BKH gold deposit. The DH Mineral Resource was prepared in accordance with NI 43-101 and CIM standards by RPM Global ("**RPM**") with an effective date of 1 November 2022.

The DH Mineral Resource is reported above a gold cut-off grade of 0.35 g/t Au for oxide and transition mineralisation and 1.02 g/t Au for fresh mineralisation. The DH Mineral Resource has been constrained to a conceptual pit shell.

Table 7. DH gold deposit NI 43-101 compliant Mineral Resource, as at 1 November 2022 (Notes):

	Indicated Mineral Resource			**Inferred Mineral Resource**		
Type	**Tonnage (Kt)**	**Gold Grade (g/t Au)**	**Gold (Koz)**	**Tonnage (Kt)**	**Gold Grade (g/t Au)**	**Gold (Koz)**
Oxide	578	3.0	56.2	75	1.1	2.7
Transitional	99	1.5	4.8	109	1.2	4.1
Fresh	5	4.9	0.7	–	–	–
Total	**682**	**2.8**	**61.7**	**184**	**1.2**	**6.8**

Notes:

1. *Technical information of the DH Mineral Resource estimation report has been compiled under the supervision of Mr. Oyunbat Bat-Ochir who is a full-time employee of RPM and a member of the Australian Institute of Geoscientists. Mr. Bat-Ochir has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a QP.*

2. *Rounding may cause some computational discrepancies.*

3. *Mineral Resources are reported on a dry in-situ basis.*

4. *The Mineral Resource is reported using a 0.35 g/t Au cut-off grade in oxide and transition mineralisation and 1.02 g/t Au cut-off in fresh mineralisation and is constrained above conceptual optimised pit shell. Cut-off parameters were selected based on RPM internal cut-off calculator, assuming an open cut mining method with 5% ore loss and 10% dilution, a gold price of USD1,723 per oz, and processing recovery of 90% for oxide, 87% for transitional and 30% for fresh mineralisation. Further details are disclosed in Bayan Khundii Gold Project Feasibility Study Update, NI 43-101 Technical Report dated 15 August 2023.*

5. *Mineral Resources referred to above have not been subject to detailed economic analysis and therefore, have not been demonstrated to have actual economic viability.*

The northern portion of the Khundii mining license, approximately 20 square km, and extending into the Ulaan exploration license ("**UN exploration license**") is characterised by elevated gold in soil anomalism with multiple surface rock-chip, trench and drill core samples assaying greater than 1 g/t Au. Trace element anomalism, geophysical anomalies related to alteration and mineralisation, structures interpreted to represent conduits for mineralising fluids, and alteration signatures supporting an epithermal mineralisation model characterise this prospect area. As at the end of the reporting period, 25,132 m of drilling in 236 holes ranging in vertical depths from 8 m to 318 m within this prospect area was completed, including 18 holes totaling 1,040 m completed in 2023.

The DH gold deposit is associated with a north-south trending, linear structural corridor which intersects deep seated northeast trending transform faults, believed to be a conduit for primary mineralising fluids. The near surface oxide gold zones discovered at DH gold deposit are the result of oxidation of sulfide bearing epithermal veins and hydrothermal breccias within white mica altered host lithologies. Limited deeper drilling has identified gold bearing epithermal veins and associated white mica and sulfide alteration zones to a depth of up to 230 m vertically, that remain open at depth.

Scout drilling and IP surveys completed during the second quarter of 2023 identified several new prospects within the prospect area. The program identified multiple areas of near-surface, gold and indicator element anomalism, with 10 holes intersecting anomalous gold (greater than 0.1 g/t Au) and indicator elements mineralisation, and a further 6 holes returning indicator element anomalies.

Altan Nar mining license

The Altan Nar ("**AN**") gold-polymetallic deposit sits within 4,669 hectares covered by Mining License MV-021547 ("**AN mining license**"), obtained by the Group through the acquisition of EM and is effective for 30 years from 5 March 2020, extendable twice by 20-year periods. The AN mining license is located 16 km northwest of Khundii mining license.

The AN mining license hosts 18 mineralised (gold, silver, lead, zinc) target areas within a 5.6 by 1.5 km mineralised corridor.

AN gold-polymetallic deposit is an intermediate sulphidation, carbonate-base metal gold ("**CBMG**") deposit. CBMG deposits generally occur above porphyry intrusions in arc settings and may extend for more than 500 m vertically.

RPM calculated the Mineral Resource Estimate for AN gold-polymetallic deposit ("**AN Mineral Resource**") in May 2018 at several gold cut-offs, and RPM recommends reporting the AN Mineral Resource at cut-off of 0.7 g/t AuEq2 (see definition for AuEq2 in note 7 of Table 8) above a pit and 1.4 g/t AuEq2 below the same pit shell.

Table 8. AN deposit NI 43-101 compliant Mineral Resource, as at 7 May 2018 (Notes):

			Grade					Contained Metal				
Cut-off AuEq2 g/t	**Resource Classification**	**Quantity (Mt)**	**Au g/t**	**Ag g/t**	**Zn g/t**	**Pb g/t**	**AuEq2 g/t**	**Au Koz**	**Ag Koz**	**Zn Kt**	**Pb Kt**	**AuEq2 Koz**
0.7	Indicated	5.0	2.0	14.8	0.6	0.6	2.8	318	2,350	31.6	29.0	453
	Inferred	3.4	1.7	7.9	0.7	0.7	2.5	186	866	23.7	22.3	277

Notes:

1. *The Mineral Resources have been constrained by topography and a cut-off of 0.7 g/t AuEq2 above a pit and 1.4 g/t AuEq2 below the same pit shell.*

2. *The AN Mineral Resource was compiled under the supervision of Mr. Jeremy Clark who is a full-time employee of RPM and a member of the Australian Institute of Geoscientists. Mr. Clark has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a QP.*

3. *Rounding may cause some computational discrepancies.*

4. *Mineral Resources reported on a dry in-situ basis.*

5. *No dilution or ore loss factors have been applied to the reported Resource Estimate.*

6. *No allowances have been made for recovery losses that may occur should mining eventually result.*

7. *For the AN Mineral Resource estimate, Gold Equivalent ("**AuEq2**") calculations assume metal prices of USD1,310 per oz gold, USD18 per oz silver, USD2,400 per tonne lead and USD3,100 per tonne zinc.*

Ulaan (UN) exploration license

The UN exploration license (XV-016057) is located within the 1,780 hectares to the west of the Khundii mining license, obtained through the acquisition of EM, effective for 3 years from 16 February 2015, and extendable three times by 3-year periods.

In June 2021, EM completed the maiden gold exploration program in the southern portion of the UN exploration license, whereas, a multiple drill holes have returned up to 354 m of gold mineralisation.

Gold Reserves

Khundii mining license

On 15 August 2023, an updated independent feasibility study for the BKH gold deposit was completed. The technical report compliant with NI 43-101, dated 25 September 2023, was prepared by O2 Mining Limited. The study incorporates detailed mine design and scheduling, front-end engineering and design for the processing plant and site infrastructure, a hydrogeological assessment, mineral waste facility design, comprehensive capital and operating cost estimation, and an updated economic model.

The cut-off grade for Mineral Reserve calculations is 0.63 g/t Au for the BKH gold deposit and 0.68 g/t Au for DH gold deposit, based on gold price of USD1,816 per oz. The reserves, as defined by the regularised block model, contain modelled mineral losses of 2.5% and average internal dilution of 10%, within the ultimate pit.

It is estimated that a total of 4.0 Mt of mineralised material mined from BKH mine within Khundii mining license area with an average diluted head grade of 4.0 g/t Au will be processed at the plant over the course of the mine life to produce a total of 476 thousand ounces ("**Koz**") recovered gold by using an estimated 92.7% gold recovery rate.

Table 9. Khundii mining license NI 43-101 Mineral Reserves estimate, as at 1 August 2023 (Notes):

BKH gold deposit:

Classification	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Koz)	Grade (g/t Ag)	Contained Silver (Koz)
Proven	2.7	4.1	360.2	1.8	159.4
Probable	1.1	3.0	104.7	1.7	61.1
Total	**3.8**	**3.8**	**464.9**	**1.8**	**220.5**

DH gold deposit:

Classification	Tonnage (Mt)	Grade (g/t Au)	Contained Gold (Koz)
Proven	–	–	–
Probable	0.2	7.0	48.8
Total	**0.2**	**7.0**	**48.8**

Notes:

1. *The QP for the estimate is Mr. Julien Lawrence of O2 Mining Limited.*
2. *The Mineral Reserve estimates were prepared with reference to the CIM Definition Standards (2014) and the CIM Best Practice Guidelines (2003).*
3. *Reserves estimated assuming open-pit mining method.*
4. *Waste to ore cut-offs were determined using a net smelter return (“**NSR**”) for each block in the model. NSR is calculated using prices and process recoveries for each metal accounting for all off-site losses, transportation, smelting and refining charges.*
5. *Reserves are based on gold price of USD1,816 per oz.*
6. *Mineral Reserves were calculated from a diluted “mining” block model which included average dilution of 10% and losses of 2.5%.*

Production and Transportation

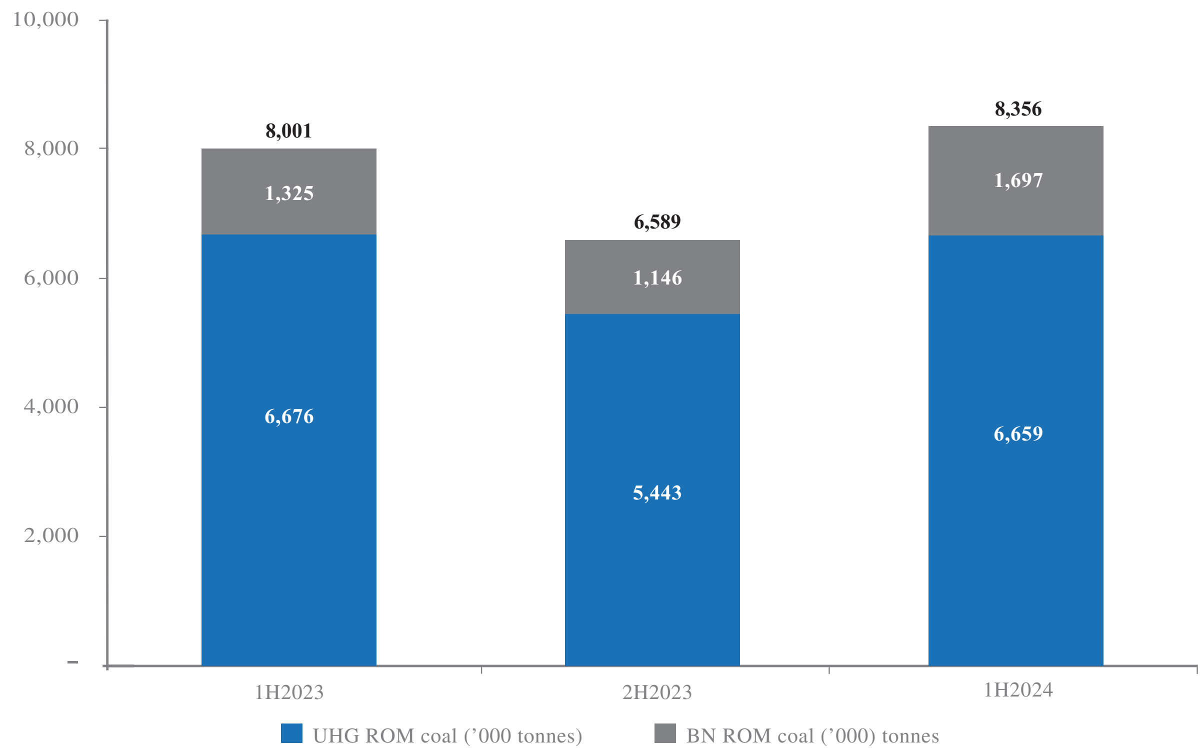
Coal Mining

The Group’s total ROM coal production was 8.4 Mt in the first half of 2024, of which 6.7 Mt and 1.7 Mt of ROM coal was produced from UHG and BN mine, respectively.

A total of 28.6 million bank cubic metres (“**bcm**”) of prime overburden was removed, resulting in an actual stripping ratio of 4.3 bcm per ROM tonne for the reporting period at UHG mine. At BN mine, a total of 12.6 million bcm of prime overburden was removed, resulting in an actual stripping ratio of 7.4 bcm per ROM coal tonne for the reporting period.

The Group's combined semi-annual mine production from UHG and BN mines for the last three semi-annual periods are shown in Figure 2.

Figure 2. The Group's semi-annual ROM coal production volumes for 2023-2024 (in Kt):



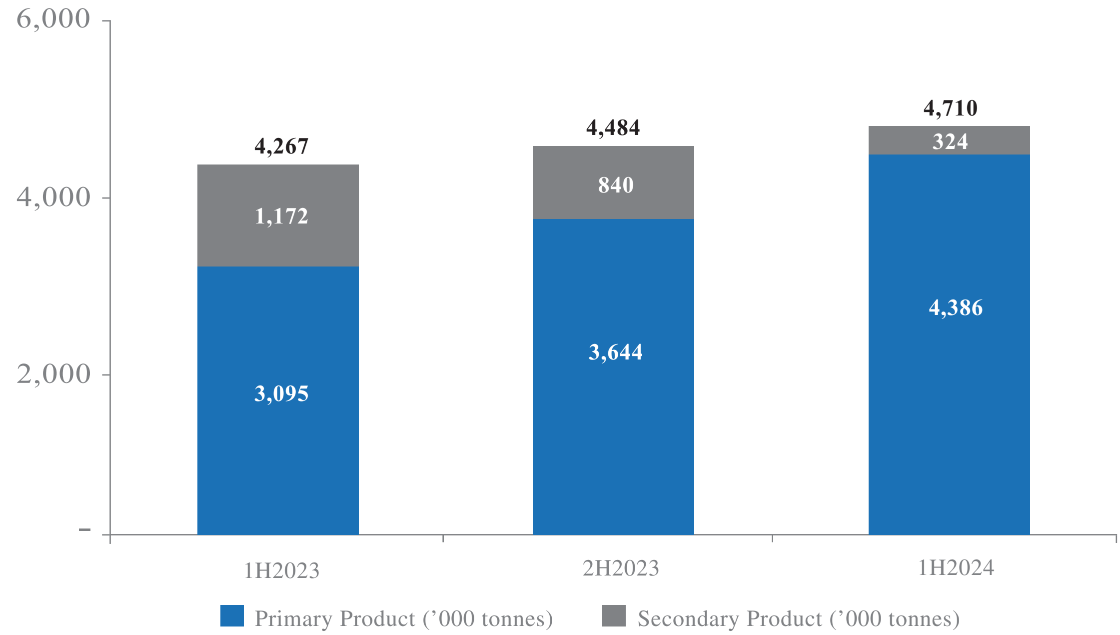
Coal Processing

The Group processed a total of 7.7 Mt of ROM coking coal in the first half of 2024, of which 6.5 Mt and 1.2 Mt was sourced from UHG and BN mine, respectively. The coal handling and preparation plant ("**CHPP**") has produced 4.4 Mt of primary products at 57% yield, and 0.3 Mt of secondary products at 16% yield.

Starting from the second half of 2023, the Group adopted strategic changes to ROM coal processing and blending procedures while maximising primary product output and minimising secondary product output.

The Group's combined semi-annual processed coal production from UHG and BN mines for the last three semi-annual periods are shown in Figure 3.

Figure 3. The Group's semi-annual processed coal production volumes for 2023-2024 (in Kt):

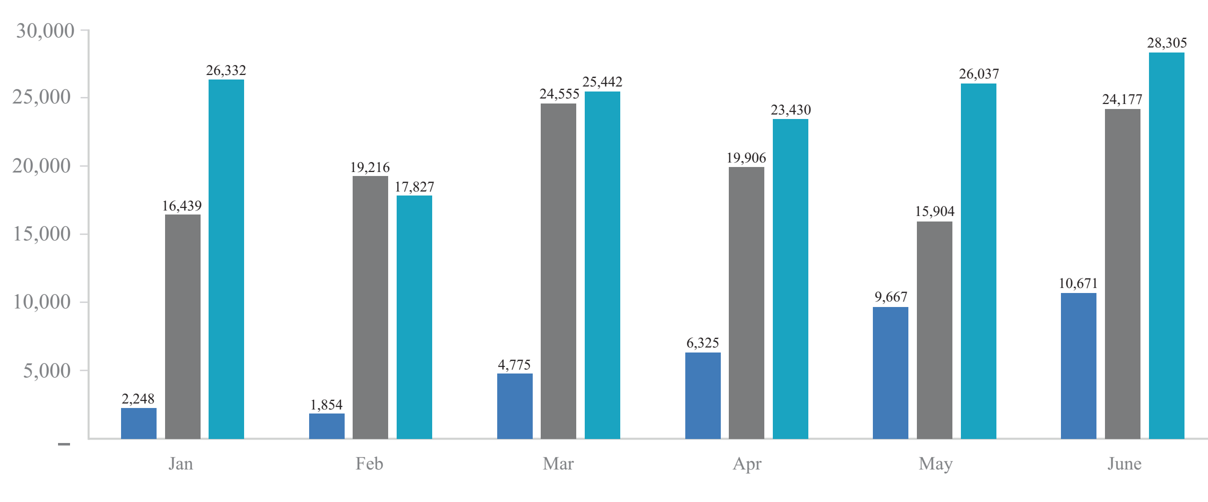


Transportation and Logistics

The Group shipped all its coal products for exports to China by primarily utilising its trans-shipping facilities at Tsagaan Khad ("**TKH**") and GS Terminal ("**GST**") while the domestic volume was sold under Ex-Works ("**EXW**") UHG term. Coal was transported from UHG to TKH and from TKH to GST exclusively by the Group's own trucking fleet. Coal was stockpiled at TKH or GST and after export clearance by Mongolian Customs, shipped further by trucks to Ganqimaodu ("**GM**"). The transportation of coal from TKH to GM was performed by the Group's own trucking fleet and by third party contractors while coal shipped from GST was exported by third party contractors. Small volumes of coal were also shipped by railway from UHG terminal to Khangi ("**KHA**") for exports via Mandula.

According to the data compiled by the Group and its customers, a total of 147,373 coal-loaded trucks passed through the GS-GM border in the first half of 2024, which represents an increase of 23% compared to the same period in 2023.

Figure 4. Total monthly coal-loaded trucks throughput via GS-GM in 2022-2024:



Occupational Health, Safety and Environment

During the reporting period, approximately 7.2 million man-hours were recorded as worked at the coking coal operations by employees, contractors, and sub-contractors of the Group, as compared to 5.9 million man-hours worked during the same period in 2023. During the first half of 2024, seven occurrences of Lost Time Injury ("**LTI**") were recorded, resulting in a Lost Time Injury Frequency Rate ("**LTIFR**") of 0.97 LTIs per million man-hours worked equivalent being recorded as compared to 1.36 LTIs per million man-hours worked recorded during the same period in 2023.

The Total Recordable Injury Frequency Rate ("**TRIFR**") for the period was at 17 Total Recordable Injuries ("**TRI**"), resulting in a 12-month rolling average TRIFR of 2.23 per million man-hours worked equivalent being realised, as compared to 3.05 TRIFR per million man-hours worked during the same period in 2023.

At the gold operations, approximately 0.7 million man-hours were recorded as worked by employees, contractors, and sub-contractors of the Group. There was zero occurrence of LTI recorded and TRIFR was zero during the reporting period.

Risk assessment and safety analysis were conducted during the reporting period to minimise or eliminate work-related hazards and to enhance awareness of daily safety routines among the Group's employees. Routine working condition inspections and checks were performed, including monitoring heat, noise, lighting, vibration, dust, and toxic gases. Professional organisations have established workwear standards. Assessment of working conditions was conducted by a professional company for all employees in the workplace.

The Group continued to deliver Occupational Health, Safety and Environment ("**OHSE**") specific training to employees, contractors, sub-contractors and visitors, with 14,154 training sessions to individuals, totaling 75,080 man-hours in the first half of 2024 at the coking coal operations. During the reporting period, safety training materials and methods were updated, and manuals were developed to provide management with clear guidance on managing health and environmental risks.

At the gold operations, OHSE specific training was provided to employees, contractors, sub-contractors and visitors, with 132 training sessions to individuals, totaling 5,320 man-hours in the first half of 2024. In addition, safety training materials and methods were updated, and manuals were developed to meet ISO 45001:2018 standard and the order of Ministry of Labor and Social Welfare.

The Group has an internal rating scale for environmental incidents based on their severity, which was last updated in July 2019. Accordingly, the risk rating scale uses five classifications which are low, minor, moderate, high, and extreme. More specific classifications were developed for each environmental risk subjects including oil spills, waste disposal, land disturbance, air emissions and others.

The Group has successfully passed another round of periodic audit by the AFNOR Group, an international standardisation and accreditation institution and a member of the International Organization for Standardization, for a successful implementation of Integrated Management System (IMS), which includes ISO 45001:2018.

In the first half of 2024, the Group did not record any cases of occupational diseases or environmental incidents.

Sales and Marketing

During the first half of 2024, the Group primarily sold its coal products under Delivery-at-Place ("**DAP**") GM and FOT GM terms. In addition, the Group has also shipped coal products through the railway to be delivered and sold at the KHA border stockyard in Mongolia under free carrier ("**FCA**") KHA term. Coal sales to local customers in Mongolia was sold under EXW UHG term.

The Group sold a total of 4.2 Mt of self-produced coal in the first half of 2024. Sold coal split by product type as follows: (i) 2.5 Mt of HCC; (ii) 0.2 Mt of SSCC; (iii) 1.2 Mt of MASHCC; and (iv) 0.2 Mt of thermal coal.

In the first half of 2024, the Group auctioned a total of 1,708.8 thousand tonnes ("**Kt**") of HCC, 1,356.8 Kt of MASHCC and 51.2 Kt of SSCC under DAP GM term via the Mongolian Stock Exchange's ("**MSE**") commodity trading platform. The weighted average price was RMB1,277 per tonne for HCC, RMB472 per tonne for MASHCC and RMB983 per tonne for SSCC under DAP GM terms calculated using the publicly available information at MSE's official website at the following link: https://mse.mn/en/content/list/369.

Gold Project Update

On 25 January 2024, the Group announced the closing of the investment agreement dated 10 January 2023 and EM became a subsidiary of the Company.

The Group achieved around 30% of the total construction work completed at BKH mine and gold production is expected to start in 2025. The BKH mine has an expected LOM total production of 476 Koz of recovered gold according to the NI 43-101 compliant updated feasibility study prepared in 2023.

The processing plant will consist of single stage crushing, two-stage grinding via a semi-autogenous followed by ball grinding circuit, cyanide leaching, adsorption via carbon-in-pulp methods, elution via the pressure zadra, electrowinning and furnace smelting to produce doré bars. The processing plant will have a nameplate ore feed capacity of 650 Kt throughput per annum and is expected to produce an average of 74 Koz of gold within a doré per annum, over the planned mine life, at an average recovery rate of 92.7%.

All major long-lead components of the processing plant were either delivered or shipped to the construction site. Additionally, the Group has advanced to constructing non-processing facilities, including the accommodation camp, workshops, warehouses and laboratory.

Photo: Processing plant construction at BKH mine as at 31 July 2024.

OUTLOOK AND BUSINESS STRATEGIES IN 2024

The Company remains committed to pursuing its key strategies in order to maintain and enhance its competitive position as the largest internationally listed private mining company in Mongolia: (i) maintaining an adequate capital structure by implementing prudent financial policy; (ii) scaling up production and sales volumes by maximising assets utilisation; (iii) supporting the development required to improve access to infrastructure; (iv) exploring opportunities for expanding and diversifying its business operations through potential strategic cooperation and joint venture arrangements, and also identifying possible investment targets primarily in Mongolia; and (v) remaining fully committed to safety, environment and socially responsible operations.

The Group's balance sheet was strengthened by its solid operating and financial performance over the past 24 months. In 2023, the Group undertook deleveraging actions to reduce and extend the maturity of senior debt without impacting its ability to expand and diversify its business portfolio.

Additionally, during the first half of 2024, the Perpetual Notes were partially redeemed. As of 30 June 2024, the Group's cash position reached a level sufficient to fully retire the remaining Perpetual Notes by 1 October 2024. Consequently, the limitations stipulated under the terms of the Perpetual Notes will be removed. Subject to its business performance, the Group will be permitted to declare and pay dividends to its shareholders and implement share buybacks in line with the General Mandate granted by shareholders to the Board.

FINANCIAL REVIEW

Revenue

The Group generated a total revenue of USD541.1 million during the six months ended 30 June 2024, compared to USD516.7 million of total revenue generated during the six months ended 30 June 2023. Total sales volume for the reporting period comprised of approximately 4.0 Mt of primary products and 0.2 Mt of secondary products, compared to 3.2 Mt of primary products and 1.7 Mt of secondary products sold during the same period in 2023.

The Group's average selling price ("**ASP**") for HCC, excluding applicable VAT in China was USD174.2 per tonne during the first half of 2024, compared to USD161.8 per tonne during the first half of 2023. During the reporting period, the Group sold approximately 1.2 Mt of HCC through the MSE commodities exchange platform under DAP GM term at ASP of USD192.8 per tonne. The remaining 1.3 Mt of HCC was sold under long-term contracts with various delivery terms and durations.

Cost of Revenue

The Group's cost of revenue consists primarily of mining costs, processing and handling costs, transportation and logistics costs, and costs related to site administration, stockpile and transportation loss, and governmental royalties and fees.

During the six months ended 30 June 2024, the total cost of revenue was USD317.3 million, compared to USD291.6 million for the same period in 2023.

From the total cost of revenue for the reporting period, USD275.2 million was attributable to coal products produced from the UHG mine and USD42.1 million was attributable to coal products produced from the BN mine.

Table 10. Total and individual costs of revenue:

	Six months ended 30 June	
	2024	2023
	(USD'000)	*(USD'000)*
Cost of revenue	**317,300**	291,597
Mining cost	**139,850**	124,285
Variable cost	**81,446**	78,429
Fixed cost	**18,956**	19,612
Depreciation and amortisation	**39,448**	26,244
Processing cost	**30,842**	29,472
Variable cost	**14,027**	12,910
Fixed cost	**6,238**	5,586
Depreciation and amortisation	**10,577**	10,976
Handling cost	**9,931**	8,336
Transportation cost	**65,437**	41,831
Logistic cost	**7,719**	5,959
Variable cost	**3,603**	3,109
Fixed cost	**3,288**	2,100
Depreciation and amortisation	**828**	750
Site administration cost	**15,706**	12,828
Transportation and stockpile loss	**2,763**	6,921
Royalties and fees	**45,052**	61,965
Royalty	**42,908**	59,441
Air pollution fee	**417**	459
Customs fee	**1,727**	2,065

The mining costs are costs associated with overburden and topsoil removal and ROM coal extraction, including costs related to mining staff and equipment, fuel cost, blasting contractors' cost and mining contractors' cost.

The mining contractors' cost includes plant rates for mining equipment operation, expatriate staff wages, corporate overhead and base fee. The plant rates include contractors' costs related to the depreciation, financing, insurance and maintenance of the mining equipment. In December 2023, the mining equipment previously owned by the Group's main mining contractor, Thiess Mongolia LLC ("**Thiess**") was transferred to the Group and a new contract was entered into with Thiess. Under the new contract, Thiess will deliver asset management services, including supply chain management and maintenance services. As a result, the plant rate and the base fee previously charged by Thiess have been reduced, while the Group's depreciation costs have increased.

The Group identifies components of the ore body in accordance with the mine plan. Accounting of the unit mining cost is based on the accounting stripping ratio applicable to each component of an ore body, which was mined during the respective reporting period. The average accounting stripping ratio for components mined was 4.2 bcm per tonne during the first half of 2024 (first half of 2023: 4.1 bcm per tonne).

Unit mining cost was USD19.2 per ROM tonne during the reporting period, compared to USD17.5 per ROM tonne during the same period in 2023. The increase in unit mining cost is mainly due to increase in depreciation and amortisation cost.

Table 11. Unit mining cost per ROM tonne:

	Six months ended 30 June	
	2024	2023
	(USD/ROM tonne)	*(USD/ROM tonne)*
Mining cost	**19.2**	17.5
Blasting	**1.4**	1.3
Plant cost	**5.9**	5.8
Fuel	**3.9**	3.9
National staff cost	**1.1**	0.8
Expatriate staff cost	**0.2**	0.2
Contractor fee	**1.1**	1.7
Ancillary and support cost	**0.2**	0.1
Depreciation and amortisation	**5.4**	3.7

Mining costs are not only recorded in the statement of profit or loss but also in the statement of financial position. The cost of pre-stripped overburden, which is associated with the coal to be mined, processed, transported and sold in the future, is capitalised as mining structure in the statement of financial position and subsequently amortised once the attributable ROM coal is extracted according to the mining operations progress.

Processing costs primarily include costs associated with operations of the CHPP, including power generation and water extraction costs. During the six months ended 30 June 2024, the Group's processing costs were approximately USD30.8 million (first half of 2023: USD29.5 million), of which approximately USD10.6 million was related to the depreciation and amortisation of the CHPP, USD3.9 million was costs related to power generation and distribution and USD1.5 million was costs incurred for water extraction and distribution related to the washed coal sold during the reporting period.

Unit processing cost calculated per ROM coal in-feed tonne was USD4.3 for the six months ended 30 June 2024, compared to USD4.3 per ROM tonne for the same period in 2023.

Table 12. Unit processing cost per ROM tonne:

	Six months ended 30 June	
	2024	2023
	(USD/ROM tonne)	*(USD/ROM tonne)*
Unit processing cost	**4.3**	4.3
Consumables	**0.4**	0.5
Maintenance and spares	**0.9**	0.7
Power	**0.5**	0.5
Water	**0.2**	0.2
Staff	**0.3**	0.3
Ancillary and support	**0.5**	0.5
Depreciation and amortisation	**1.5**	1.6

Handling costs are related to feeding ROM coal from coal stockpiles to the CHPP, raw and thermal coal handling, and the removal of course reject (primarily rock and sediment separated from coal) after coal processing. The Group's handling costs were approximately USD9.9 million in the first half of 2024 (first half of 2023: USD8.3 million).

Logistics costs are associated with loading and unloading of coal products at UHG, TKH and GST. The Group's logistics costs were USD7.7 million during the reporting period, compared to USD6.0 million recorded in the first half of 2023. The increase in logistics costs was mainly due to increased sales quantity at GM compared to the first half of 2023.

During the six months ended 30 June 2024, the Group's transportation costs were USD65.4 million (first half of 2023: USD41.8 million), including fees paid for the usage of the UHG-GS paved road. The increase in overall transportation costs was mainly due to the higher volume of coal products sold at GM.

The Group used two-step shipment for coal export transportation from the mine area to GM during the reporting period. The first step is around 240 km long-haul section from UHG to TKH, the transshipment yard on the Mongolian side of the border. The Group used solely its own double-trailer trucking fleet on this long-haul section with transportation cost of USD7.4 per tonne during the six months ended 30 June 2024, compared to USD6.8 per tonne during the six months ended 30 June 2023. The increase in unit transportation cost on the long-haul section was mainly attributable to increase in maintenance and depreciation costs as a result of increased trucking fleets.

The second step is around 20 km cross border short-haul shipment between TKH and GM, the Chinese side of the Sino-Mongolian border crossing. During the reporting period, on this short-haul section, the Group utilised a combination of its own trucking fleet and third party contractors' fleet. The transportation cost on the short-haul section reduced to USD12.0 per tonne in the first half of 2024, compared to USD13.3 per tonne recorded during the first half of 2023. The decrease in unit transportation cost on the short-haul section was mainly due to the utilisation of own trucking fleet for transportation to GST during the reporting period and lower contractors' tariff. The total unit transportation cost was USD16.5 per tonne in the first half of 2024, compared to USD13.1 per tonne in the first half of 2023.

For the six months ended 30 June 2024, the Group recorded a total transportation loss of around USD0.9 million (first half of 2023: USD0.5 million), and net unrealised inventory loss of USD1.9 million for ROM coal and washed coal product stockpiles (first half of 2023: net unrealised inventory loss of USD6.4 million). The inventory losses or gains are assessed based on periodic survey measurements of the Group's ROM coal stockpile inventories at the mine sites and coal stockpile inventories at UHG, TKH and inland China. Survey of coal quantity is a measurement of volume, and as for every bulk commodity, the conversion to tonnage requires the application of density assumption, which involves natural variance. Hence, the measurement of stockpile quantities is an estimation in which errors are inherent.

Site administration costs are primarily associated with the site support facilities, such as overall supervision and management of the Group's mining, processing, transportation and other supporting activities. Site administration costs were USD15.7 million during the six months ended 30 June 2024 compared to USD12.8 million during the same period in 2023.

Governmental royalties and fees are related to royalties, air pollution fees and customs fees paid in accordance with the applicable laws and regulations of Mongolia. The progressive royalty rate is applied in the range of 5% to 8% for exported processed coal products and 5% to 10% for exported raw coal products based on monthly reference price determined by the relevant governmental authorities of Mongolia. Effective from 1 October 2023, the royalty calculation of coal products traded through the MSE commodities exchange platform are based on the monthly average trading price as published by the MSE. Moreover, with the improvement in border throughput from the second half of 2022, the gap between reference prices and contact prices is gradually narrowing. As a result, the Group's effective royalty rate decreased to 7.9% during the reporting period (first half of 2023: 11.5%).

Gross Profit

The Group's gross profit for the six months ended 30 June 2024 was approximately USD223.8 million, compared to approximately USD225.1 million of gross profit recorded in the first half of 2023.

Non-IFRS Measure

Certain parts of financial reporting and disclosure may contain non-IFRS financial measures and ratios, such as EBITDA, adjusted EBITDA, free cash flow and net debt, which are not recognised measures of financial performance or liquidity under the IFRS. The non-IFRS financial measures presented are measures used by the management to monitor the underlying performance of the business and operations and are presented because they are considered important supplemental measures of performance, and the Group believes that these and similar measures are widely used in the industry in which the Group operates as a way to evaluate operating performance and liquidity. Not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis. As a result, these measures and ratios may not be comparable to the measures used by other companies under the same or similar names.

The Group's adjusted EBITDA for the reporting period was approximately USD270.1 million, compared to the adjusted EBITDA of approximately USD258.0 million recorded for the same period in 2023.

Selling and Distribution Costs

The Group's selling and distribution costs were USD5.2 million for the six months ended 30 June 2024 (first half of 2023: USD2.1 million). The selling and distribution costs are associated with the sales volume realised under FOT GM term for inland China sales activities. The increase in selling and distribution costs was mainly attributable to the reinstatement of China's customs fee on coal imported from Mongolia.

General and Administrative Expenses

The Group's general and administrative expenses relate primarily to head office staff costs, share option expenses, consultancy and professional fees, donations, depreciation and amortisation of office equipment and other expenses. For the six months ended 30 June 2024, the Group's general and administrative expenses were approximately USD23.2 million (first half of 2023: USD14.0 million). During the reporting period, the Group recorded USD9.5 million in general and administrative expenses in relation to coal donations (first half of 2023: USD4.8 million), including USD8.4 million worth of middlings supplied free of charge to Tavan Tolgoi Tulsh LLC ("**TTT**"), a state-owned entity designated for manufacturing and distributing coal briquettes to Ulaanbaatar residents under the GoM's programme to reduce air pollution and improve air quality, as part of the Group's social contribution (first half of 2023: USD4.4 million worth of middlings supplied to TTT).

Net Finance Costs

Net finance costs for the six months ended 30 June 2024 were approximately USD19.4 million (first half of 2023: USD25.7 million). Net finance costs are comprised of (i) accrued interest expense of 12.5% per annum on the Senior Notes due 2026 with outstanding principal amount of USD220,000,000; (ii) amortisation of the difference between the fair value and the principal amounts due on the Senior Notes due 2026 using the effective interest rate method; (iii) foreign exchange net loss; and (iv) interest income accrued on cash and cash equivalents.

Breakdown of the net finance costs is set out in note 5 to the consolidated financial statements.

Income Tax Expenses

The Group's income tax expenses for the six months ended 30 June 2024 were approximately USD52.3 million, compared to USD54.1 million recorded for the same period in 2023.

Profit for the Period

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2024 amounted to approximately USD133.0 million (six months ended 30 June 2023: USD136.6 million).

Liquidity and Capital Resources

For the six months ended 30 June 2024, the Group's cash needs were primarily related to working capital requirements.

Table 13. Combined cash flows:

	Six months ended 30 June	
	2024	2023
	(USD'000)	*(USD'000)*
Net cash generated from operating activities	**159,573**	247,810
Net cash used in investing activities[1]	**(94,428)**	(52,239)
Net cash generated from/(used) in financing activities[2]	**40,151**	(46,241)
Net increase in cash and cash equivalents	**105,296**	149,330
Cash and cash equivalents at the beginning of the period	**175,799**	64,695
Effect of foreign exchange rate changes	**(2,499)**	(5,806)
Cash and cash equivalents at the end of the period	**278,596**	208,219

Note:

1. *Net cash of USD94.4 million used for investing activities comprises of (i) USD54.6 million incurred for payments of deferred stripping activity; (ii) USD47.6 million used for acquisition of property, plant and equipment and other assets, of which USD30.4 million was attributable to EM; (iii) USD6.0 million existing cash balance of EM at the date of acquisition; and (iv) USD1.8 million interest receipt.*

2. *Net cash of USD40.2 million generated from financing activities comprises of (i) USD20.0 million used for redemption of Perpetual Notes; (ii) USD14.6 million distribution payment for Perpetual Notes; (iii) USD13.8 million interest payment for Senior Notes due 2026; (iv) USD0.8 million payment in relation to lease arrangements; (v) USD88.8 million generated from disposal of shares in a subsidiary; and (vi) USD0.6 million capital injection received from a non-controlling interest.*

The gearing ratio (calculated based on the carrying amount of total bank and other borrowings as stated in the consolidated financial statements of the Group as at 30 June 2024 divided by total assets) of the Group as at 30 June 2024 was 9.6% (30 June 2023: 17.2%). All borrowings are denominated in USD.

Indebtedness

As at 30 June 2024, the Group had USD220.0 million outstanding principal payment of Senior Notes due 2026.

Credit Risk

The Group closely monitors its credit exposure. Credit risk is primarily attributable to trade and other receivables.

As at 30 June 2024, the Group had approximately USD36.9 million in trade receivables and USD91.4 million in other receivables. As at 31 December 2023, the Group had approximately USD33.7 million in trade receivables and USD111.5 million in other receivables.

According to the Group's internal credit policy (the "**Credit Policy**"), the Group holds periodic Credit Committee meetings to review, assess and evaluate the Group's overall credit quality and the recoverable amount of each individual trade credit based on quantitative and qualitative analysis. The purpose of the Credit Policy is to set limits for and monitor the unsecured credit provided to customers at an aggregated Group level and to a single customer, and the maximum contractual term for unsecured limit. The management continues to monitor, on an ongoing basis, the exposure, including but not limited to, the current ability to pay, and takes into account information specific to the customer and pertaining to the economic environment in which the customer operates.

The other receivables of USD91.4 million is mainly related to USD78.2 million of VAT receivables and the remaining amounts consist of deposits, advances, prepayments and other receivables in the ordinary course of business. The management believes that there is no issue in the collectability of such receivables.

Foreign Exchange Risk

Cash and cash equivalents denominated in the currency other than the functional currency of the entity to which they relate as at 30 June 2024 and 31 December 2023 amounted to USD120.6 million and USD73.3 million, respectively. Total borrowings denominated in the currency other than the functional currency of the entity to which they relate amounted to nil as at 30 June 2024 and 31 December 2023.

Contingent Liabilities

As at 30 June 2024, the Company has contingent liability in respect of the consideration adjustments for the acquisition of BN mine pursuant to the share purchase agreement (the "**Share Purchase Agreement**") entered into by the Company and its subsidiary Mongolian Coal Corporation Limited with Quincunx (BVI) Ltd. and Kerry Mining (Mongolia) Limited on 31 May 2011 in relation to the acquisition of the entire share capital of Baruun Naran Limited (formerly known as QGX Coal Ltd.), which may arise from the royalty provision. Under the royalty provision, an additional LOM payment of USD6 per tonne may be payable in each semi-annual period after 1 June 2011 commencing on 1 January and ending on 30 June and commencing on 1 July and ending on 31 December, in the event that the actual amount of coal extracted from the BN mine exceeds a specified semi-annual production target fixed on the date of the determination of the total reserves.

Under the royalty provision for excessive coal production at the BN mine pursuant to the Share Purchase Agreement and the Settlement Agreement dated 27 November 2012 entered into by the same parties as the Share Purchase Agreement, the specified semi-annual ROM coal production has to exceed approximately 5.0 Mt. Therefore, the probability of royalty provision is considered to be very low.

Financial Instruments

On 16 June 2021, the Company adopted a share option scheme ("**Share Option Scheme**"), in which the Board is authorised, at its discretion, to grant to eligible participants options to subscribe for shares ("**Share Options" or "Options**") subject to the terms and conditions stipulated therein as incentives or rewards for their contributions to the Company.

On 3 April 2023 (the "**Grant Date**"), the Company granted 10,000,000 and 23,250,000 Share Options to a director and employees, respectively, at the exercise price of HKD3.260 under the Share Option Scheme. During the six months ended 30 June 2024, a total number of 5,279,500 Share Options were exercised.

The fair value of services received in return for Share Options granted is measured by reference to the fair value of Share Options granted. The estimate of the fair value of the Share Options granted is measured based on the Binomial model. The variables of the model included risk-free interest rate, expected volatility and expected dividend of the shares of the Company.

Fair value of Share Options and assumptions:

	3 April 2023
Fair value at measurement date	HKD1.100 ~ HKD1.680
Share price	HKD3.260
Exercise price	HKD3.260
Expected life	5 years
Risk-free interest rate	3.020%
Expected volatility	60%
Expected dividends	–

The risk-free interest rate is based on the market yield of Hong Kong Government Bond corresponding to the expected life of the Options as at the Grant Date. The expected volatility is based on the normalised historical share price movement of the Company prior to the Grant Date for a period over the life of the Options. Expected dividends are based on management's estimates. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share Options were granted under a service condition. The condition has not been taken into account in the Grant Date fair value measurement of the services received. There was no market condition associated with the Share Option grants.

For the six months ended 30 June 2024, USD1.1 million was recognised in administrative expenses and capital reserves in relation to the equity-settled share-based transactions (six months ended 30 June 2023: USD0.7 million).

Capital Commitments and Capital Expenditures

As at 30 June 2024 and 31 December 2023, the capital commitments outstanding were as follows:

Table 14. Capital commitments:

	As at 30 June 2024 ***(USD'000)***	As at 31 December 2023 *(USD'000)*
Contracted for	**39,913**	21,142
Authorised but not contracted for	**18,367**	192
Total	**58,280**	21,334

Note: Capital commitment of USD58.3 million includes USD41.4 million commitment related to the project development of BKH gold mine.

Table 15. The Group's historical capital expenditure for the periods indicated:

	Six months ended 30 June	
	2024	2023
	(USD'000)	*(USD'000)*
CHPP	**158**	243
Project development of BKH gold mine	**30,419**	–
Coal transportation trucks	**3,005**	4,465
Others	**14,005**	4,356
Total	**47,587**	9,064

Significant Investments Held

As at 30 June 2024, the Company did not hold any significant investments.

Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Venture

(i) Subscription of 50% interest in EM

On 10 January 2023, the Company entered into an investment agreement with EM and Erdene Resource Development Corporation to subscribe for 50% of the issued and outstanding share capital of EM for a total consideration of USD40,000,000. Upon completion of the subscription, on 25 January 2024, EM became a subsidiary of the Company. Please refer to the announcements of the Company dated 11 January 2023 and 25 January 2024 for further details.

(ii) Disposal of 20% interest in a wholly-owned subsidiary

On 21 February 2024, Baruun Naran S.a.r.l ("**BNS**") (an indirect wholly-owned subsidiary of the Company) and the Company (each as the "**Seller**") and Jiayou International Logistics Co., Ltd* (嘉友國際物流股份有限公司) (the "**Purchaser**"), an independent third party, entered into a share purchase agreement, pursuant to which the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to purchase 20% equity interest in KEX for a consideration of USD88,810,000 ("**KEX Share Purchase Agreement**"). Upon closing of the KEX Share Purchase Agreement, on 3 June 2024, the Company and the Purchaser held 80% and 20% equity interest in KEX, respectively and KEX remains as a subsidiary of the Company.

This transaction was accounted for as an equity transaction and did not result in the recognition of any gain or loss in the statement of profit or loss. Please refer to the announcements of the Company dated 21 February 2024 and 3 June 2024 for further details.

Other and Subsequent Events

On 2 August 2024, Energy Resources Rail LLC, an indirect wholly-owned subsidiary of the Company, was liquidated.

Save as disclosed in this interim results announcement, there have been no other events subsequent to 30 June 2024 which require adjustment to or disclosure in this interim results announcement.

Employees

As at 30 June 2024, the number of employees of the Group was 2,559, (which included 81 employees at the gold and metals operations), compared with 2,285 employees as at 30 June 2023.

The Group's employees are remunerated with reference to the individual performance, experience, qualification and the prevailing salary trends in the local market, which is subject to review from time to time. With reference to the Group's financial and operational performance, employees may also enjoy other benefits such as discretionary bonus and Share Options pursuant to the Company's Share Option Scheme.

The Group believes that the foundation of its progress is to build employee capabilities. Hence, having a sound training and development mechanism is an important part of developing its employee capabilities. Employees have the opportunity to further develop their skills and competencies through ongoing training and development based on business needs of the Company and job specifications.

Training and development programs shall be designed for the interest and welfare of the Company and employees. An employee who has completed his/her training is expected to apply the knowledge into practice and share the newly gained experience with co-workers. The immediate management shall be responsible for the support and supervision of the process.

The Company focused on internally sourced training rather than training provided by external parties. During the first half of the year, retraining for all employees was organised occupational, health, and safety training and human resources regulation training.

As of 30 June 2024, a total of 18,671 employees at coking coal operations and 4,365 at gold and metals operations attended different professional trainings, out of which 16,005 employees attended occupational, health, and safety training and human resources regulation training, 1,882 employees at coking coal operations and 25 employees at gold and metals operations attended professional development training and 814 employees attended general skills development training.

The Group continued to utilise the online safety training, launched in 2019, for all employees and contractors. The Group was able to increase the number of total employees attending trainings by utilising online training methods during the reporting period. In order to improve the skills and methods of the Group's training instructors, they were enrolled in different ISO module trainings as well as given first aid training and additional general skills training.

A new series of specific theoretical and practical training was provided to 62 mining heavy equipment operators.

For the six months ended 30 June 2024, the Group's staff costs were USD29.4 million (including USD1.1 million at gold and metals operations), compared to USD20.3 million for the six months ended 30 June 2023.

Purchase, Sale or Redemption of the Company's Listed Securities or Sale of Treasury Shares

For the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities or sold any treasury Shares. As at 30 June 2024, the Company did not hold any treasury Shares.

Dividend

The Board does not recommend the payment of dividend in respect of the six months ended 30 June 2024 (dividend for the six months ended 30 June 2023: nil).

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2024.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by relevant employees (the "**Employees Written Guideline**") who are likely to possess inside information of the Company. No incident of non-compliance with the Employees Written Guideline by the employees was noted by the Company during the reporting period.

Corporate Governance

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 to the Listing Rules as its code of corporate governance and has complied with all applicable code provisions set out in the CG Code during the six months ended 30 June 2024.

Review by Audit Committee

The Audit Committee of the Company currently comprises one non-executive Director, Ms. Enkhtuvshin Gombo, and three independent non-executive Directors, namely Mr. Chan Tze Ching, Ignatius, Mr. Unenbat Jigjid, and Dr. Khashchuluun Chuluundorj. Mr. Chan Tze Ching, Ignatius is the chairman of the Audit Committee.

The Audit Committee of the Company, together with the management, have reviewed the accounting principles and practice adopted by the Group, and also discussed issues related to financial reporting, including the review of the Group's unaudited interim results for the period under review. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

The interim financial results are unaudited but derived from the interim financial report reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants.

Publication of the 2024 Unaudited Consolidated Interim Results and 2024 Interim Report

This interim results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.mmc.mn), and the 2024 Interim Report containing all the information required by the Listing Rules will be published on the above-mentioned websites in due course.

For and on behalf of the Board
Mongolian Mining Corporation
Odjargal Jambaljamts
Chairman

Hong Kong, 27 August 2024

As at the date of this announcement, the Board consists of Mr. Odjargal Jambaljamts and Dr. Battsengel Gotov, being the executive Directors, Mr. Od Jambaljamts, Ms. Enkhtuvshin Gombo and Mr. Myagmarjav Ganbyamba, being the non-executive Directors, and Dr. Khashchuluun Chuluundorj, Mr. Unenbat Jigjid and Mr. Chan Tze Ching, Ignatius, being the independent non-executive Directors.