



**MONGOLIAN
MINING
CORPORATION**

(Incorporated in the Cayman Islands
with limited liability) Stock Code: 975

**INTERIM
REPORT
2019**



COMPANY PROFILE

Mongolian Mining Corporation (“**MMC**” or the “**Company**” and together with its subsidiaries, the “**Group**”) (Stock Code: 975) is the largest producer and exporter of high-quality washed hard coking coal (“**HCC**”) in Mongolia. MMC owns and operates the Ukhaa Khudag (“**UHG**”) and the Baruun Naran (“**BN**”) open-pit coking coal mines, both located in the Umnugobi aimag (South Gobi province), Mongolia.

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Mission, Vision and Values

OUR MISSION:

To undertake safe and profitable mining and processing of mineral resources while promoting the development of Mongolia, through combination of modern technology and human endeavor

OUR VISION:

We strive to become a leading mining company in the region by maximising value for our shareholders and for the communities where we operate

OUR VALUES AND OBJECTIVES:

We recognise that people are our key asset.
Therefore:

MMC places the safety of our personnel the highest priority

As a responsible employer, MMC provides equal employment opportunities within a meritocratic workplace

We believe that modern and cost-efficient technology will bring sustainable growth and prosperity.
Therefore:

MMC aims to use technology and innovate in the same to produce quality products safely at the lowest cost

MMC continues to contribute to the development of technical standards in the global extractive industry

We are committed to environmental sustainability in our operations.
Therefore:

MMC strives to minimise the impact of our operations on the environment

MMC complies with all required environmental standards, and take further measures to prevent and mitigate potential environmental impact

We are committed to socially responsible mining practices.
Therefore:

MMC strives to build mutually beneficial relationships with local communities and officials

MMC contributes to social development through community development initiatives and other programs

We are committed to transparent and fair business practices.
Therefore:

MMC fosters mutually beneficial relationships with our suppliers and contractors

MMC develops, maintains and values long-term relationships with our customers

We believe sound corporate governance is a cornerstone of MMC's management and operations.
Therefore:

MMC complies with the best international practices

MMC continues to cultivate a culture of corporate governance as an integral part of its ongoing organisational development



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Odjargal Jambaljamts (*Chairman*)
Battsengel Gotov (*Chief Executive Officer*)

Non-Executive Directors

Od Jambaljamts
Enkhtuvshin Gombo
Enkhtuvshin Dashtseren

Independent Non-Executive Directors

Khashchuluun Chuluundorj
Unenbat Jigjid
Chan Tze Ching, Ignatius

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Cheung Yuet Fan

INDEPENDENT AUDITOR

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HONG KONG SHARE REGISTRAR

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Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

COMPANY WEBSITE

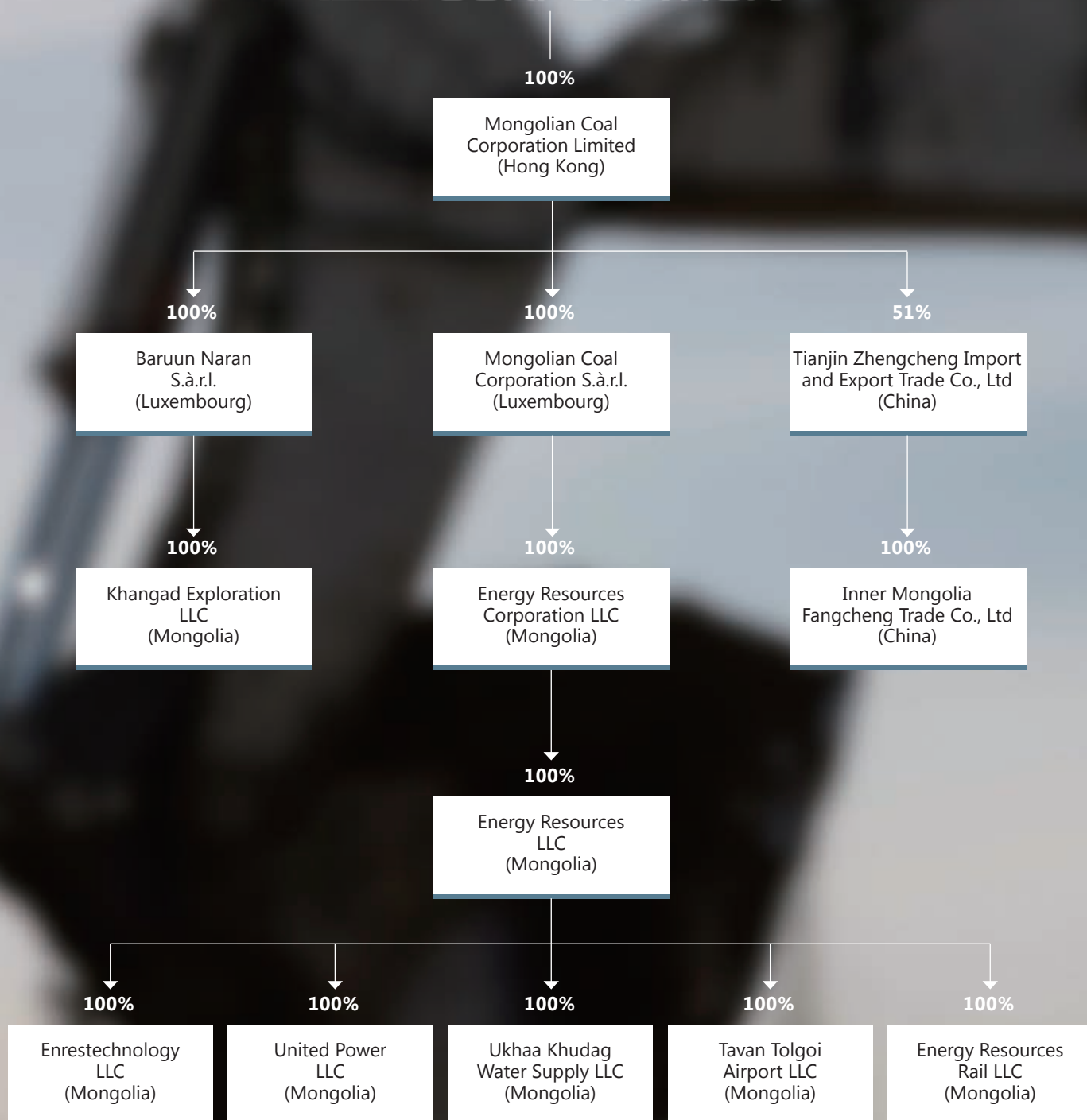
www.mmc.mn

STOCK CODE

975

GROUP STRUCTURE

(as at 30 June 2019)



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Chinese Steel, Coke and Coking Coal Sectors' Performance

According to the data released by the World Steel Association, in the first half of 2019, China's crude steel production reached 492.2 million tonnes ("**Mt**"), an increase of 9.9% from the same period in 2018 supported mostly by robust domestic demand. It was estimated by Shanxi Fenwei Energy Information Services Co., Limited ("**Fenwei**") that the domestic apparent crude steel consumption increased by 10.2%, to 460.7 Mt in the first half of 2019, from 417.9 Mt in the first half of 2018. In the meantime, amid continued international trade tensions, Chinese steel export decreased to 34.4 Mt compared to 35.5 Mt from the corresponding period in 2018.

China Iron and Steel Association reported that in the first half of 2019, combined sales revenue of its members increased by 10.9% on a year-on-year basis reaching Renminbi ("**RMB**") 2.1 trillion, whereas net profit declined to RMB106.5 billion. According to news reports in the industry, steel sector profitability was impacted by an increase in production costs, including impact from higher iron ore prices at international markets due to supply concerns following a deadly dam collapse accident in Brazil.

The National Bureau of Statistics ("**NBS**") of China reported that production of coke in China increased by 10.3% to 233.9 Mt in the first half of 2019, while coke consumption decreased by 4.4% to 226.5 Mt on year-on-year basis, according to Fenwei estimates. Coke exports from China decreased to 3.8 Mt in the first half of 2019 compared to 4.8 Mt exported in the first half of 2018.

China's coking coal consumption was 271.7 Mt in the first half of 2019, according to Fenwei, representing a 9.6% increase from the same period in the previous year. Domestic coking coal production increased to 228.5 Mt, representing a year-on-year increase of 2.8%. According to NBS, the profit of coal mining and washing industry in China totaled RMB139.1 billion in the first half of 2019, whereas the operating cost of coal mining and washing industry reached RMB833 billion, representing a 6.3% year-on-year increase.

Coking coal imports increased by 22.6% year-on-year to 36.3 Mt, of which import from Mongolia reached 16.7 Mt, surpassing import volume of 14.6 Mt from Australia. Mongolia and Australia continued to dominate as the main source for imported coking coal to China with a combined market share of 86.3% in the first half of 2019.

According to the data reported by the National Statistics Office of Mongolia, in the first half of 2019, Mongolia has exported 18.1 Mt of coal to China while 18.3 Mt of coal was exported during the same period in 2018.

OPERATING ENVIRONMENT

Legal Framework

Mining and Exploration related legislation

On 22 March 2019, the Minerals Law was amended with effect from 1 January 2020 to allow tax authorities to pledge mineral licenses for the purpose of collecting tax debts.

Management Discussion and Analysis

On 26 March 2019, the Parliament of Mongolia ("**Parliament**") amended Article 47 of the Minerals Law of Mongolia (the "**Amendment**") related to royalty payments, which came into effect on 17 June 2019. Under this Amendment, the royalty payment period was changed from a quarterly basis to a monthly basis, requiring the royalty payment for the corresponding month to be paid within the 20th day of the following month. Such change had no impact on the costs incurred by the Group's operations in Mongolia.

Under the Amendment, the obligation for royalty payments was extended from mining license holders to include any entity which sells mineral products. However, on 28 June 2019, the Constitutional Court of Mongolia held an initial hearing and concluded that the Amendment contradicts with the Constitution of Mongolia, and therefore, it ruled to suspend its effectiveness from 1 November 2019. On 16 July 2019, the decision of the Constitutional Court was rejected by a two-third majority in the Parliament. Pursuant to the constitutional dispute hearing procedures, a final ruling of the Constitutional Court is expected to decide the matter. The Group does not expect any impact on its obligation for royalty payments as it already complies with the royalty payment provision as a mining license holder.

Labour related legislation

On 15 March 2019, the Collective Bargaining Agreement of the Geology, Mining and Heavy Industry for 2019-2020 was executed after concluding trilateral negotiations held by representatives from the government, trade unions and business associations. As agreed by all parties, the minimum monthly wage of employees working in the mining sector was set at MNT640,000 in 2019 and MNT840,000 in 2020, which is twice as high as the national minimum wage set by the National Trilateral Committee of Labor and Social Consensus. The Group does not expect any material impact on its financial position from this requirement, since its existing internal remuneration policies sufficiently cover the newly adopted minimum monthly wage requirements.

Under the Law on Labor of Mongolia, all entities are obliged to employ at least one disabled person for every 25 permanent employment positions. Entities not meeting such requirement are obliged to pay a fee on a monthly basis to the Employment Support Fund. On 21 March 2019, the Government of Mongolia ("**GoM**") changed the applicable fee rate calculation from being originally linked to national minimum wage rate to a certain percentage of the entity's average salary rate, depending on the operating location and industry of entities. The Group does not expect any material impact on its financial position and will continue to pursue its non-discriminatory and equal opportunity employment policy.

Taxation, Accounting and Financial Reporting related legislation

On 22 March 2019, the Parliament revised the General Law on Taxation, the Law on Corporate Income Taxation, and the Law on Personal Income Taxation of Mongolia along with amendments to the Law on Value Added Tax ("**VAT**"). These changes will come into effect on 1 January 2020.

Under the revised Law on Corporate Income Taxation, taxable income of up to MNT6 billion are subject to a corporate income tax ("**CIT**") at a tax rate of 10% and at a tax rate of 25% in excess of MNT6 billion. To support small and medium enterprises ("**SMEs**"), entities with annual turnover under MNT300 million will be taxed at a tax rate of 1%, subject to certain qualifying conditions.

Management Discussion and Analysis

The withholding tax at 5% rate will be applied on interests paid by Mongolian entities for listed and publicly traded securities. However, this excludes entities involved in the extractive industry, which remains subject to the withholding tax at 10% rate applied on interests paid in Mongolia and 20% rate applied on interests paid outside of Mongolia, subject to existing double taxation arrangements according to international bilateral treaties. The Group does not expect any material impact on its financial position from the change in withholding tax rate as the rate remains the same for entities involved in the extractive industry.

The withholding tax at 10% rate will be applied on direct or indirect transfer of interests held by the “ultimate holder” in Mongolian entities which holds oil and mining licenses and land rights. The threshold of 30% or more direct or indirect interests was introduced to define the “ultimate holder” as an individual beneficial holder of interests in Mongolian entities, which will be subject to such taxation.

Furthermore, under the revised Law on Corporate Income Taxation, the new term of “foreign entity managed from Mongolia” was introduced, according to which if 50% or more shares of a foreign entity are held directly or indirectly by a Mongolian tax payer, such foreign entity shall be subject to Mongolian CIT and reporting obligations, unless such entity was established for the purposes of conducting initial public offering at a foreign stock exchange.

In relation to the shareholder loans provided, “thin-capitalization” restriction will require 3:1 debt to equity ratio, and interests paid for such related party shareholder loans will be capped and limited to 30% of earnings before interest, tax, depreciation and amortization (“**EBITDA**”) for any given year.

As applicable to mining industry, tax reporting ring-fencing rule has been introduced and income and expenses that are incurred for different mines must be accounted separately for tax purposes, but if the tax paying entity holds a number of licenses and those licensed areas are bordered with each other or they are granted for the same type of minerals, such entity may submit a consolidated report. This requirement will not impact the existing reporting undertaken by the Group’s operating entities in Mongolia.

With regards to the amendments made to the Law on VAT, the main change was on regulations related with the recovery of input VAT on capital goods. The input VAT incurred for capital expenditure for buildings and constructions will be recovered over 10 years, for equipment, including mineral exploration costs, will be recovered over 5 years, and for other capital assets, it shall be recovered in the same year of the asset purchase.

In addition, it was made clear under the Law on VAT that interest income, including all and any payments and benefits received by lender and/or holder from borrower or issuer with regards to all types of debts, receivables, deposit and saving accounts, guarantees, warranties, loans, bonds and debt instruments as well as shares, securities and other financial instruments shall be exempted from VAT.

Management Discussion and Analysis

BUSINESS OVERVIEW

Coal Resources and Exploration Activities

Ukhaa Khudag (UHG) deposit

The UHG deposit sits within the 2,960 hectare 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 acquiring the UHG mining license, the Group has prepared three JORC compliant Coal Resource estimates, the most recent of which is stated as of 31 December 2014, and three Coal Resource updates.

The most recent Coal Resource estimate has been made in accordance with the requirement 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 2018 was made only on the basis of revised surface topography, to account for depletion as a result of mining activity between 1 January 2018 to 31 December 2018, and no further exploration data was incorporated.

Exploration activities conducted in the process of preparing the three 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 2018, included:

- 1,556 individual boreholes drilled for 191,275 metres ("**m**"), including 104,369m of HQ-3 (63.1 millimetres ("**mm**") core, 96.0mm hole diameter) and 86,906m of 122mm diameter open hole drilling;
- 37,548 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, and are summarized in Table 1. No further exploration activities have been conducted within the UHG mining license area in 2018 and only geotechnical drilling has been conducted in the northern part of the pit. Total geotechnical drilling was 241.5m and the result has been reported to the Group's mining planning team.

Internal peer audit of these latest structural and coal quality models was conducted by Mr. Gary Ballantine, employed by the Group at that time as Executive General Manager of Exploration and Geology. This peer audit 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).

Management Discussion and Analysis

With updated surface topography being the only new information in preparation of the updated JORC Coal Resource estimate, and all other information and methodology remaining consistent with the previous JORC Coal Resource estimate, Appendix I of the Group's 2015 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 2018 (Notes):

Total Coal Resource Depth limit from topographic surface	Resource Category (Mt)			Total (M+I)	Total (M+I+I)
	Measured	Indicated	Inferred		
Subcrop to Base Horizon of Weathering Elevation ("BHWE")	2	3	5	5	10
BHWE to 100m	62	23	17	85	102
From 100m to 200m	82	47	25	129	154
From 200m to 300m	91	64	21	155	176
From 300m to 400m	57	35	15	92	107
Below 400m	40	44	30	84	114
Sub-Total above 300m	237	137	68	374	442
Sub-Total below 300m	97	79	45	176	221
Total	334	216	113	550	663
Total (Rounded)	330	220	110	550	660

Notes:

- (i) Technical information in the UHG Coal Resource estimation report has been compiled by Mr. Lkhagva-Ochir Said, Executive General Manager and Head of Mining and Processing, Mongolian Mining Corporation. Mr. Said is a member of the Australasian Institute of Mining and Metallurgy (Member #316005) and has over 11 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. Said 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 report. The estimates of the Coal Resource set out in Table 1 presented in this report are considered to be a true reflection of the UHG Coal Resource as at 31 December 2018, 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. Gary Ballantine was employed by the Group as Executive General Manager for Exploration and Geology at that time. Mr. Ballantine is a member of the Australasian Institute of Mining and Metallurgy (Member #109105) and has over 28 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).

Management Discussion and Analysis

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.

During 2015, the Group's geological team updated the JORC (2012) Coal Resource estimations as at 30 June 2015 for the BN and THG mining licenses. The estimation process applied more stringent requirements under the Australian Guidelines for the Estimation and Classification of Coal Resources (2014), as compared to the previous JORC (2012) Coal Resource estimates prepared by McElroy Bryan Geological Services Pty Ltd, stated as of 30 June 2012 and 30 April 2013 for the BN mining license and the THG mining license respectively. The last update stated for BN and Tsaikhar Khudag ("**THG**") as at 31 December 2018 was made only on the basis of revised surface topography, to account for depletion as a result of mining activity between 1 October 2017 to 31 December 2018, and no further exploration data was incorporated.

During 2018, 8,335.4m depth infill drilling was conducted at the BN deposit. The drilling focused on H pit mining boundary. A total of 3,766 samples were collected and tested, confirming the coal quality and coal seam structure. The drilling was not conducted for resource update purposes.

The Coal Resource stated as at 30 June 2015 incorporated additional exploration data gained from the exploration drilling program conducted in 2014. 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 2018:

- total of 92 exploration boreholes at BN, with a total of 28,540m drilled, of which 14,780m were HQ-3, 9,640m PQ-3 (83.0 mm core, 122.6mm hole diameter) and 4,120m were 122 mm diameter open boreholes;
- total of 32 exploration boreholes at THG, with a total of 9,970m drilling at THG, of which 5,900m were HQ-3, 3,610m PQ-3 and 460m were 122mm open boreholes;
- total of 8,720 (BN) and 3,824 (THG) coal samples 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. Gary Ballantine, the then Executive General Manager of Exploration and Geology. External peer review was provided by Mr. Todd Sercombe of GasCoal Pty Ltd. Mr. Brett Larkin from Geoscheck Pty Ltd was also involved in external peer review, specifically with regard to the geostatistical analysis required to be prepared under the Australian Guidelines for the Estimation and Classification of Coal Resources (2014). These peer reviews confirmed compliance of the Group's work to update the Coal Resource estimations in compliance with requirements of the JORC Code (2012).

Summary of the updated Coal Resources statement of 31 December 2018 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.

Management Discussion and Analysis

Table 2. BN mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2018 (Notes):

Total Coal Resource Depth limit from topographic surface	Resource Category (Mt)			Total (M+I)	Total (M+I+I)
	Measured	Indicated	Inferred		
Subcrop to BHWE	10	2	1	12	13
BHWE to 100m	41	9	3	50	53
From 100m to 200m	62	11	5	73	78
From 200m to 300m	67	13	7	80	87
From 300m to 400m	70	16	9	86	95
Sub-Total above 300m	180	35	16	215	231
Sub-Total below 300m	70	16	9	86	95
Total	250	51	25	301	326
Total (Rounded)	250	50	30	300	330

Table 3. THG mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2018 (Notes):

Total Coal Resource Depth limit from topographic surface	Resource Category (Mt)			Total (M+I)	Total (M+I+I)
	Measured	Indicated	Inferred		
Subcrop to BHWE	–	–	2	–	2
BHWE to 100m	–	–	14	–	14
From 100m to 200m	–	–	19	–	19
From 200m to 300m	–	–	19	–	19
From 300m to 400m	–	–	19	–	19
Sub-Total above 300m	–	–	54	–	54
Sub-Total below 300m	–	–	19	–	19
Total	–	–	73	–	73
Total (Rounded)	–	–	70	–	70

Management Discussion and Analysis

Notes:

- (i) Technical information in the BN deposit Coal Resource estimation report has been compiled by Mr. Lkhagva-Ochir Said, Executive General Manager and Head of Mining and Processing, Mongolian Mining Corporation. Mr. Said is a member of the Australasian Institute of Mining and Metallurgy (Member #316005) and has over 11 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. Said 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 report. The estimates of the Coal Resource set out in Table 2 and Table 3 presented in this report are considered to be a true reflection of the BN deposit Coal Resource as at 31 December 2018, 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. Gary Ballantine was employed by the Group as Executive General Manager for Exploration and Geology at that time. Mr. Ballantine is a member of the Australasian Institute of Mining and Metallurgy (Member #109105) and has over 28 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).

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 2019 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. 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 2018 to 1 January 2019.

Pit optimization 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. The pit algorithms used included for incorporation of:

- 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 previously by Mr. John Trygstad of Norwest Corporation ("**Norwest**") 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;



Management Discussion and Analysis

- 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 resulting run-of-mine (“**ROM**”) raw coal tonnages from the updated statement of the JORC (2012) Coal Reserve estimate for the UHG deposit as at 1 January 2019 based upon an as-received basis with 2.97 % total moisture, are shown in Table 4.

Table 4. UHG mining license JORC (2012) Coal Reserve estimate, as at 1 January 2019 (Notes):

ROM Coal Reserve Coal Type	Reserve Category (Mt)		
	Proved	Probable	Total
Coking	194	117	311
Thermal	11	2	13
Total	205	119	324

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 Australasian Institute of Mining and Metallurgy (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 17 years. During this time, he has either managed or contributed significantly to numerous mining studies related to the estimation, pit optimization, mine planning, assessment, evaluation and economic extraction of coal in Mongolia. He has sufficient experience which is relevant to the style of mineralization 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 report.
- (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 2019. 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 optimization 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.

Management Discussion and Analysis

The pit optimisation algorithms used for implementation included 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;
- cost input assumptions based on stripping and blasting estimates derived from the current mining contractors;
- 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 summarized in Table 5, with tonnage estimation based on an as-received basis with 4.5% total moisture. The last reserve statement was made on the basis of surface topography depletion due to mining activity between 1 January 2018 to 1 January 2019.

Table 5. BN mining license JORC (2012) Coal Reserve estimate, as at 1 January 2019 (Notes):

ROM Coal Reserve Coal Type	Reserve Category (Mt)		
	Proved	Probable	Total
Coking	163	12	175
Thermal	0	0	0
Total	163	12	175

Notes:

- 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 Australasian Institute of Mining and Metallurgy (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 17 years. During this time, he has either managed or contributed significantly to numerous mining studies related to the estimation, pit optimization, mine planning, assessment, evaluation and economic extraction of coal in Mongolia. He has sufficient experience which is relevant to the style of mineralization 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 report.
- Due to rounding, discrepancy may exist between sub-totals and totals.

Management Discussion and Analysis

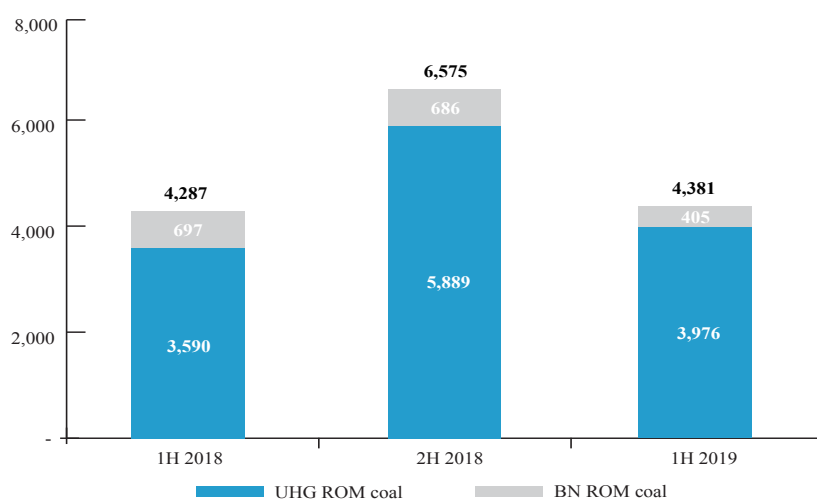
Production and Transportation

Coal Mining

The UHG mine has produced 4.0 Mt of ROM coal in the first half of 2019 and 26.3 million bank cubic metres (“bcm”) of prime overburden was removed, resulting in an actual stripping ratio of 6.6 bcm per ROM tonne for the period. Higher stripping ratio during the first half of 2019 at the UHG mine compared to previous periods was due to deliberate adjustments undertaken by the management to mining schedules by targeting coal mining in higher stripping ratio areas in order to smoothen mid and long-term production profiles. The BN mine has produced 0.4 Mt ROM coal in the reporting period and 2.7 million bcm of prime overburden was removed, resulting in an actual stripping ratio of 6.7 bcm per ROM tonne for the reporting period.

As such, the Group’s total ROM coal production reached 4.4 Mt in the first half of 2019. The Group’s combined semi-annual mine production from UHG and BN mines for the last three semi-annual periods is shown in Figure 1.

Figure 1. The Group’s semi-annual ROM coal production volumes for 2018-2019 (in kt):



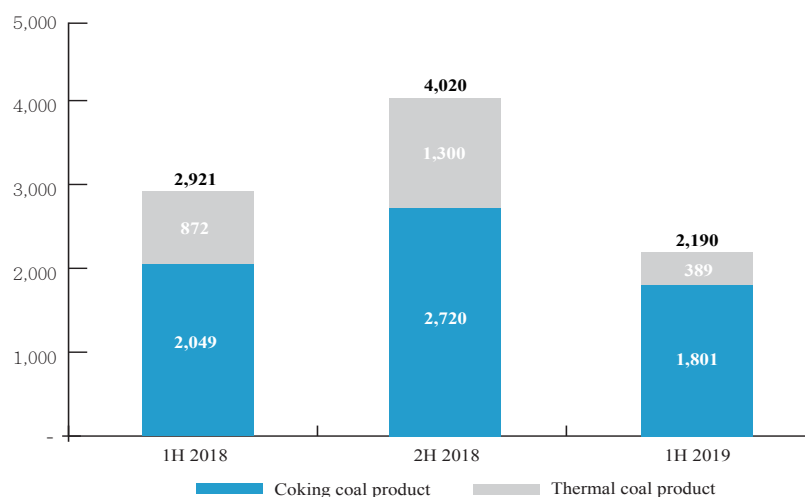
Coal Processing

In the first half of 2019, total feed of 3.5 Mt ROM coking coal was processed by the Group’s coal handling and preparation plant (“CHPP”), resulting in the production of 1.8 Mt washed coking coal as a primary product at 51.0% yield, and 0.3 Mt of washed thermal coal (“middlings”) as a secondary product at 8.7% yield. For washed coking coal produced, the Group targeted ash content at dry basis of 10.5% for its HCC and 9.5% for its washed semi-soft coking coal (“SSCC”). The middlings yield was lower compared to previous periods due to a changing product targeting ash content at dry basis from 20% – 22% to 14% – 16% and an increase of the typical gross calorific value as at received basis from 6,000 kcal/kg to 6,500 kcal/kg.

Management Discussion and Analysis

In the first half of 2019, 3.1 Mt and 0.4 Mt of ROM coking coal processed was sourced from the UHG and BN mines, respectively. In addition, the Group's CHPP processed 144 thousand tonnes ("kt") of ROM thermal coal from UHG mine to produce 80 kt of middlings. The Group's washed coal production for the last three semi-annual periods are shown in Figure 2.

Figure 2. The Group's semi-annual processed coal production volumes for 2018-2019 (in kt):



Transportation and Logistics

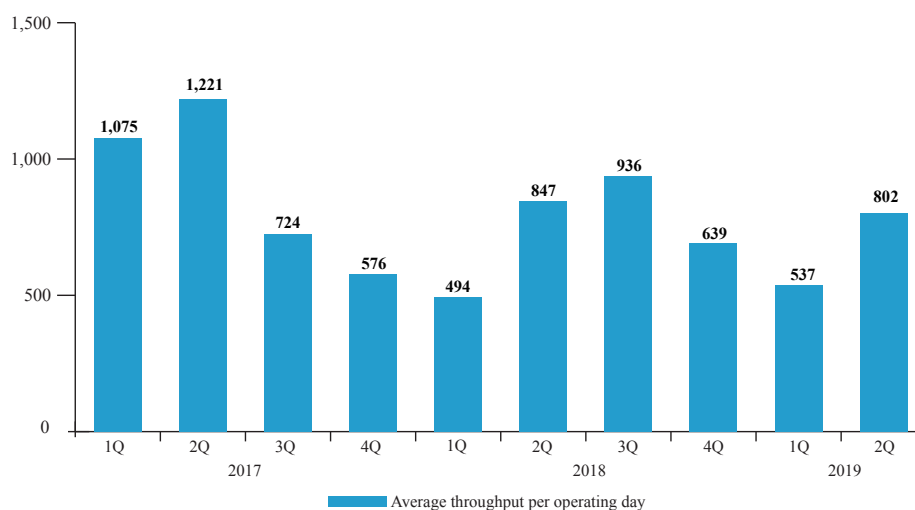
The Group shipped 2.3 Mt of coal products for export from Mongolia to People's Republic of China ("PRC") in the first half of 2019, which consisted of: (i) 1.9 Mt of HCC; (ii) 0.4 Mt of SSCC; and (iii) 43 kt of middlings.

All transportation to Ganqimaodu ("GM") for exports to PRC was undertaken after Mongolian Customs clearance at Tsagaan Khad ("TKH") customs bonded yards. For transportation from TKH to GM, the Group utilized its own double-trailer trucking fleet supplemented by third party contractors. For the first half of 2019, approximately 31.5% of coal products were loaded out from TKH for exports to PRC using the Group's own double-trailer trucking fleet. The transportation from UHG to TKH for the coal inventory buildup at TKH was undertaken by exclusively deploying the Group's own double-trailer trucking fleet.

The cross-border logistics bottleneck at Gashuunsukhait ("GS")-GM border crossing point remained as the main factor limiting potential increase for coal export volumes from Mongolia to PRC, as shown in Figure 3.

Management Discussion and Analysis

Figure 3. Average cross border throughput via GS-GM in coal-loaded trucks per operating day for 2017-2019:



Occupational Health, Safety and Environment

The Group received formal certification from AFNOR Group, an international standardisation and accreditation institution and a member of the International Organization for Standardization (“ISO”), for successful implementation of an Integrated Management System, which includes international standards ISO 14001:2015 (Environmental management) and OHSAS 18001:2007 (Occupational Health and Safety management).

During the reporting period, approximately 4.4 million man-hours were recorded as worked by employees, contractors and sub-contractors of the Group, as compared to 4.1 million man-hours worked during the same period in 2018. During the first half of 2019, two occurrences of Lost Time Injury (“LTI”) were recorded, resulting in a Lost Time Injury Frequency Rate (“LTIFR”) of 0.46 LTIs per million man-hours worked equivalent being recorded as compared to 0.72 LTIs per million man-hours worked recorded during the same period in 2018. The 12-month rolling average of LTIFR was 0.22 per million man-hours worked. The Total Recordable Injury Frequency Rate (“TRIFR”) for the period was at 2.07 Total Recordable Injuries (“TRI”), resulting in a very low 12-month rolling average TRIFR of 2.59 TRIs per million man-hours worked equivalent being realised, as compared to 4.43 TRIs per million man-hours worked during the same period in 2018.

Risk assessment and safety analysis were conducted during the reporting period to minimize 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 heat, noise, lighting, vibration, dust and toxic gases monitoring.

The Group continued to deliver Occupational Health, Safety and Environment specific training to employees, contractors, sub-contractors and visitors, with 6,287 training sessions to individuals, totaling 28,721 man-hours in the first half of 2019.

In the first half of 2019, the Umnugobi Province’s Professional Inspection Agency conducted its periodical review on the Group’s operations and issued an official evaluation report according to which the Group was evaluated at “low risk” level with a check list score of 87.1 out of 100.0.

Management Discussion and Analysis

The Group has an internal rating scale for environmental incidents based on their severity, which was last updated in April 2015. 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, fatal injury and others. In the first half of 2019, the Group recorded no environmental incidents.

Sales and Marketing

The Group sold a total of 2.5 Mt of self-produced coal in the first half of 2019 and increased its sales tonnage by 19.8% year-on-year, namely: (i) 2.0 Mt HCC; (ii) 0.3 Mt SSCC; and (iii) 0.2 Mt thermal coal, including middlings. Washed HCC sales volume increased by 14.0% compared to 1.7 Mt sold in the same period of 2018.

The Group increased its coal sales through its existing sales channels mainly in Inner Mongolia, Gansu, Hebei and Tianjin by further strengthening its relationship with its existing customers' bases. Washed coking coal products are dispatched from Mongolia after export customs clearance to designated customs bonded yards at GM. Once import customs clearance and quality inspections are completed by relevant authorities at GM, washed coking coal products are delivered to ultimate customers under FOT GM terms or further transported within China for delivery to the customers' locations under Cost-and-Freight ("C&F") terms. Middlings are exported and sold under Delivery-at-Place ("DAP") GM terms.

In addition, coal products are also supplied and sold to local customers located in Mongolia. During the first half of 2019, as part of the Group's social contribution, 0.3 Mt middlings were supplied free of charge from mine gate at UHG by Energy Resources LLC ("ER") to Tavan Tolgoi Tulsh LLC ("TTT"). TTT is a state-owned designated entity for manufacturing and distributing smokeless fuel to Ulaanbaatar residents under the GoM's program to fight Ulaanbaatar air pollution during the winter heating season.

OUTLOOK AND BUSINESS STRATEGIES IN 2019

The Company will continue to pursue the following key strategies in order to maintain and enhance its competitive position as a major washed coking coal producer in Mongolia: (i) maintaining an adequate capital structure by implementing prudent financial policy; (ii) scaling up production and sales volumes by maximizing assets utilization; (iii) supporting initiatives to improve logistics infrastructure for providing access to its customers in China and beyond; (iv) exploring opportunities for expanding and diversifying its business operations through potential strategic cooperation and joint venture arrangements, and also identifying possible investment targets in Mongolia; and (v) remaining fully committed to safety, environment, and socially responsible operations.

Based on strong demand from its customers and also favorable pricing for coking coal, the Company will aim to maximize its production and sales volumes during the second half of 2019. The ultimate intention is to ramp up production output in a safe manner by fully utilizing existing coal mining and processing capacity, whilst optimizing transportation and logistics efficiency by implementing strategic change solutions, in order to overcome the limitations caused by inefficient cross border logistics.

Increase in sales volume will be achieved by expanding the relationship with ultimate end-user customers. Therefore, the Company's primary focus will be its customers located in the North-Western regions of China neighboring with Mongolia, such as Inner Mongolia, Gansu and Xinjiang.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group generated a total revenue of USD325.6 million during the six months ended 30 June 2019, representing an increase of 19.6%, compared to USD272.2 million of total revenue during the six months ended 30 June 2018. The Group sold approximately 2.0 Mt of HCC, which includes approximately 1.8 Mt and 0.2 Mt of HCC sold under FOT GM and C&F terms during the six months ended 30 June 2019. This represents an increase of 14.0% compared to 1.7 Mt of HCC sold during the same period in 2018. In addition, the Group sold approximately 0.3 Mt of SSCC and 0.2 Mt of thermal coal, including middlings, for the six months ended 30 June 2019, compared to 0.2 Mt of SSCC and 0.2 Mt of other coal sales, including middlings during the same period in 2018.

The ASP for HCC was USD147.0 per tonne for the six months ended 30 June 2019 compared to USD146.1 per tonne for the same period in 2018. The ASP for HCC under FOT GM and C&F terms were USD143.0 per tonne and USD178.6 per tonne, respectively, for the reporting period (USD140.8 and USD176.3 in the first half of 2018). The ASP for SSCC under FOT GM and C&F terms were USD101.3 per tonne and USD142.6 per tonne, respectively, during the six months ended 30 June 2019, whereas during the same period in 2018, SSCC was sold only under FOT GM term with ASP of USD92.3 per tonne. ASP represents the price exclusive of applicable VAT in China.

During the reporting period, the Group derived individually more than 10.0% of its revenue from three customers, with the purchase amounts of approximately USD148.9 million, USD45.5 million and USD35.0 million. For the six months ended 30 June 2018, the Group derived individually more than 10.0% of its revenue from three customers, with purchase amounts of approximately USD85.8 million, USD77.7 million and USD29.5 million.

Cost of Revenue

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

During the six months ended 30 June 2019, the total cost of revenue increased to USD195.7 million from USD164.1 million during the six months ended 30 June 2018, due to the higher sales volume. From the total cost of revenue, USD172.8 million was attributable to coal products sold from the UHG mine and USD22.9 million was attributable to coal products sold from the BN mine.

Management Discussion and Analysis

Table 6. Total and individual costs of revenue:

	Six months ended 30 June	
	2019 (USD' 000)	2018 (USD' 000)
Cost of revenue	195,708	164,109
Mining cost	68,224	59,803
Variable cost	36,866	29,827
Fixed cost	20,999	21,803
Depreciation and amortization	10,359	8,173
Processing cost	24,965	19,968
Variable cost	8,418	5,668
Fixed cost	2,219	1,548
Depreciation and amortization	14,328	12,752
Handling cost	7,108	4,385
Transportation cost	59,709	46,371
Logistic cost	3,244	5,465
Variable cost	2,206	3,926
Fixed cost	864	1,398
Depreciation and amortization	174	141
Site administration cost	9,619	7,724
Transportation and stockpile loss	3,852	3,877
Royalties and fees	18,987	16,516
Royalty	15,704	13,614
Air pollution fee	1,873	1,576
Customs fee	1,410	1,326



Management Discussion and Analysis

The mining cost consists of cost associated with overburden and topsoil removal and ROM coal extraction, including the cost related to mining staff and equipment, together with base and performance fees paid to the mining contractor, blasting contractor fees, and fuel cost. The mining contractor's base fee is indexed to the market coal price and is charged based on the total number of fleet utilized under the mining contract. During the reporting period, the Group's mining cost was approximately USD68.2 million (first half of 2018: USD59.8 million). Unit mining cost decreased to USD15.0 per ROM tonne for the reporting period, compared to USD15.8 per ROM tonne during the same period in 2018, mainly due to the lower contractor fee resulting from the demobilization of certain mining fleet.

The Group identifies components of the mine in accordance with the mine plan. Accounting of unit mining cost is based on the accounting stripping ratio applicable to each component of the mine, which was mined during the respective reporting periods. Average accounting stripping ratio for components mined during the six months ended 30 June 2019 was 3.1 bcm per tonne, compared to 3.3 bcm per tonne for the six months ended 30 June 2018.

Table 7. Unit mining cost per ROM tonne:

	Six months ended 30 June	
	2019 (USD/ROM tonne)	2018 (USD/ROM tonne)
Mining cost	15.0	15.8
Blasting	1.0	1.1
Plant cost	4.2	4.3
Fuel	2.9	2.5
National staff cost	0.9	0.8
Expatriate staff cost	0.2	0.2
Contractor fee	3.5	4.7
Ancillary and support cost	–	0.1
Depreciation and amortization	2.3	2.1

The mining cost is not only recorded in the income statement, but also the cost of pre-stripped overburden, which is associated with the coal to be mined, processed, transported and sold in the future, is capitalized in the balance sheet as mining structure and subsequently amortized once attributable ROM coal is extracted according to the mining operations progress.

The processing cost primarily includes cost associated with operations of the CHPP including power generation and water extraction cost. During the six months ended 30 June 2019, the Group's processing cost was approximately USD25.0 million (first half of 2018: USD20.0 million), of which approximately USD14.3 million was related to the depreciation and amortization of the CHPP, USD2.7 million was cost related to power generation and distribution, and USD1.4 million was cost incurred for water extraction and distribution related to the washed coal sold during the reporting period.

Management Discussion and Analysis

Unit processing cost calculated per ROM coal in-feed tonne was USD5.5 per ROM tonne for the six months ended 30 June 2019 and USD5.3 per ROM tonne for the six months ended 30 June 2018.

Table 8. Unit processing cost per ROM tonne:

	Six months ended 30 June	
	2019 (USD/ROM tonne)	2018 (USD/ROM tonne)
Total	5.5	5.3
Consumables	0.3	0.3
Maintenance and spares	0.6	0.7
Power	0.6	0.3
Water	0.3	0.2
Staff	0.3	0.3
Ancillary and support	0.2	0.1
Depreciation and amortization	3.2	3.4

The handling cost is related to feeding ROM coal from ROM coal stockpiles to the CHPP, raw and thermal coal handling and also the removal of course reject (primarily rock and sediment separated from coal) after coal processing. During the six months ended 30 June 2019, the Group's handling cost was approximately USD7.1 million (first half of 2018: USD4.4 million). The handling cost increase was mainly due to the coal stockpiles management measures undertaken for the purposes of optimizing thermal coal stockpiles and preserving the quality during storage.

During the six months ended 30 June 2019, the Group's transportation cost was USD59.7 million (first half of 2018: USD46.4 million) including transportation cost incurred for using own fleet and fees paid to third party contractors, as well as toll fees paid for the usage of the UHG-GS paved road. On unit cost basis, the Group's average transportation cost from UHG to GM, including third party contractors, increased to USD25.6 per tonne for the six months ended 30 June 2019 from USD22.6 per tonne for the six months ended 30 June 2018. The increase was mainly due to a higher third party contractor tariffs caused by the continuing inefficiencies at the border crossing. The increase in contractor tariffs was partially mitigated by the increased utilization of the Group's own trucking fleet.

The Group used two-step shipment for coal export transportation from the mine area to GM. The first step is around 240km long-haul section from UHG to TKH, the transshipment yard on the Mongolian side of the border. The second step is around 20km short-haul section for cross border shipment between TKH and GM, Chinese side of the Sino-Mongolian border crossing. On the long-haul section (UHG-TKH), the Group used solely its own double-trailer trucking fleet with the transportation cost of USD7.4 per tonne during the six months ended 30 June 2019. Whereas, on the short-haul (TKH-GM) section, the Group utilized a combination of its own trucking fleet with cost of USD4.7 per tonne, as well as fleet from third party contractors with an average cost of USD24.5 per tonne.

Management Discussion and Analysis

For the six months ended 30 June 2019, the Group recorded a total transportation loss of around USD1.4 million (first half of 2018: USD0.8 million), and unrealized inventory loss of USD2.5 million for ROM coal and washed coal product stockpiles (first half of 2018: USD3.1 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 product 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. Therefore, variations within 5% are tolerated, and any tonnages above/below this limit are recorded as stockpile gain/loss. The management expects that by improving overall inventory management, the Company will be in a position to keep inventory losses under control.

Other components of the cost of revenue are site administration cost and logistics cost, amounting to USD9.6 million and USD3.2 million, respectively, for the six months ended 30 June 2019 (first half of 2018: USD7.7 million and USD5.5 million, respectively). Site administration cost is primarily associated with the site support facilities, such as overall supervision and management of the Group's mining, processing and transportation activities. Logistics cost is associated with loading and unloading of coal products at UHG and TKH.

Governmental royalties and fees are related to royalties, air pollution fees and custom fees paid in accordance with the applicable laws and regulations in Mongolia. The progressive royalty rate is applied in the range of 5% to 8% for processed coal products and 5% to 10% for raw coal products based on monthly reference price determined by the relevant governmental authorities of Mongolia. Starting from 1 February 2016, the contract prices were allowed to be used for calculating royalty rates. However, if the coal exporter fails to comply with the respective requirements for royalty calculation based on the contractual prices, the royalty would be calculated based on the benchmark reference price. The Group's effective royalty rate for the six months ended 30 June 2019 was approximately 6.0% for coal exported from Mongolia based on customs clearance documentation (first half of 2018: 6.0%).

Gross Profit

The Group's gross profit for the six months ended 30 June 2019 was approximately USD129.9 million, compared to the gross profit of approximately USD108.1 million recorded for the six months ended 30 June 2018.

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 recognized measures of financial performance or liquidity under 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.

Management Discussion and Analysis

The Group's adjusted EBITDA for the six months ended 30 June 2019 was approximately USD117.7 million, compared to the adjusted EBITDA of approximately USD99.5 million recorded for the six months ended 30 June 2018.

Selling and Distribution Costs

The Group's selling and distribution costs were USD30.8 million for the six months ended 30 June 2019 (first half of 2018: USD30.8 million) which was associated with inland China sales activities and include expenses relating to fees and charges incurred for importing coal into China, logistics, transportation, governmental fees and charges and agent fees. The selling and distribution costs are associated with the sales volume realized under FOT GM and C&F terms for inland China sales activities.

General and Administrative Expenses

The Group's general and administrative expenses relate primarily to head office staff cost, share option expenses, consultancy and professional fees, donation expenses, depreciation and amortization of office equipment and other expenses. For the six months ended 30 June 2019, the Group's general and administrative expenses were approximately USD9.8 million (first half of 2018: USD7.5 million). The increase was mainly attributable to the expenses associated with the thermal coal supplied free of charge to be used for the production of household heating purpose refined coal to reduce air pollution in Ulaanbaatar city. In addition, the Company transferred 3.1km paved road to the local authorities of Umnugobi province, which was part of the 12.2km paved road from UHG mine area to the Tavan Tolgoi airport. Upon such transfer, the Company will no longer bear maintenance costs of the paved road attributable to the section passing through the local residential area of Tsogttsetsii soum.

Net Finance Costs

Net finance costs for the six months ended 30 June 2019 were approximately USD23.8 million (first half of 2018: USD27.3 million). Net finance costs comprised of (i) accrued interest expense of 5% to 8% per annum based on benchmark coal price on the senior notes with initial principal amount of USD412,465,892 due 30 September 2022 ("**Senior Notes due 2022**"), of which USD397,847,706 was redeemed on 15 April 2019, and the first ranking senior secured facility with initial principal amount of USD31,200,000 ("**Senior Loan**"), which was fully repaid on 12 April 2019, and accrued interest expense of 9.25% per annum on the senior notes with outstanding principal amount of USD440,000,000 due 15 April 2024 ("**Senior Notes due 2024**"), (ii) change in fair value of derivative component of the Senior Notes due 2022 and the Senior Loan including the interest rates linked to the benchmark coal price index and cash sweep premium, (iii) amortization of the difference between the fair value and the principal amounts due on the Senior Notes due 2022, the Senior Loan and the Senior Notes due 2024 using the effective interest rate method, (iv) foreign exchange net loss, and (v) others. Decrease in net finance costs were mainly due to the relatively low change in fair value estimation of the derivative components upon redemption of the majority part of the Senior Notes due 2022 and issuance of the Senior Notes due 2024. Breakdown of the net finance costs are set out in note 7 to the unaudited consolidated interim results.

Management Discussion and Analysis

Debt Refinancing

On 18 March 2019, the Company announced an invitation to offer to tender in relation to the perpetual notes with principal amount of USD195,000,000 ("**Perpetual Notes**"), consent solicitation and an invitation to offer to tender in relation to the Senior Notes due 2022 and proposed issuance of the Senior Notes due 2024 ("**Debt Refinancing**"). On 15 April 2019 upon successful completion of the Debt Refinancing, the Group issued the Senior Notes due 2024 with principal amount of USD440,000,000 bearing interest of 9.25% per annum. The proceeds from the issuance of Senior Notes due 2024 were used (i) to redeem the principal amount of USD397,847,706 of the Senior Notes due 2022 with tender offer consideration of USD1,050 per USD1,000 in principal amount for the total consideration amount of USD417,740,091, and (ii) to repurchase the principal amount of USD23,971,673 of the Perpetual Notes with early tender consideration of USD510 and late tender consideration of USD460 respectively for each USD1,000 principal amount for the total consideration of USD12,220,476. In addition, the Group fully repaid the Senior Loan with then outstanding principal amount of USD16,200,000 on 12 April 2019. All information in relation to the Debt Refinancing is published on the websites of the Company and The Hong Kong Exchanges and Clearing Limited. The remaining indebtedness of the Group as at 30 June 2019 is set out in the section "Indebtedness" on page 28.

The excess of derecognised carrying value of the Senior Notes due 2022 and Senior Loan over the consideration to settle the financial liabilities, amounting to approximately USD21,101,000 has been recognised as a gain from the Debt Refinancing and credited to profit or loss during the six months ended 30 June 2019.

Upon completion of the Debt Refinancing and the repayment of the Senior Loan, the following security and pledges were released: CHPP modules 1 and 2, UHG Power Plant, certain water facilities, shares of Mongolian Coal Corporation Limited, Mongolian Coal Corporation S.à.r.l., Enrestechology LLC, Ukhaa Khudag Water Supply LLC and United Power LLC, certain coal stockpiles, collection accounts and debt reserve account.

Income Tax Expenses

The Group's income tax expenses for the six months ended 30 June 2019 were approximately USD21.3 million, compared to approximately USD12.8 million for the six months ended 30 June 2018. The increase was mainly attributable to the reversal of deferred taxes upon redemption of the Senior Notes due 2022 and the Senior Loan, which have been previously recognized on fair value accounting of the related derivative components.

Profit for the Period

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 amounted to approximately USD47.1 million (six months ended 30 June 2018: USD29.5 million).

Management Discussion and Analysis

Liquidity and Capital Resources

For the six months ended 30 June 2019, the Company's cash needs were primarily related to working capital requirements.

Table 9. Combined cash flows:

	Six months ended 30 June	
	2019 USD' 000	2018 USD' 000
Net cash generated from operating activities	92,664	65,323
Net cash used in investing activities	(46,833)	(34,559)
Net cash used in financing activities	(42,861)	(17,761)
Net increase in cash and cash equivalents	2,970	13,003
Cash and cash equivalents at beginning of the period	33,035	7,460
Effect of foreign exchange rate changes	(22)	(287)
Cash and cash equivalents at end of the period	35,983	20,176

Note: USD46.8 million used in investing activities comprises of USD42.1 million incurred for payments of deferred stripping activity, USD4.9 million used for purchase of property, plant and equipment and USD0.2 million generated from interest income.

Cash balance of USD36.0 million as at 30 June 2019 stated in Table 9 above consists of (i) consolidated cash balance of USD24.0 million of ER, an indirect wholly-owned subsidiary of the Company, which includes ER and Energy Resources Corporation LLC and their respective subsidiaries ("ER Group"), (ii) cash balance of USD3.6 million of Khangad Exploration LLC, an indirect wholly-owned subsidiary of the Company, and (iii) cash balance of USD8.4 million held by the remaining investment holding subsidiaries of the Company. Cash and cash equivalents are mainly held in USD, RMB and MNT.

The gearing ratio (calculated based on the fair value of total bank and other borrowings as stated in the consolidated financial statements of the Company as at 30 June 2019 divided by total assets) of the Company as at 30 June 2019 was 26.4% (31 December 2018: 27.8%). All borrowings are denominated in USD.

Management Discussion and Analysis

Indebtedness

As at 30 June 2019, the Group had USD454.6 million outstanding principal payments consisting of (i) USD14.6 million Senior Notes due 2022 and (ii) USD440.0 million Senior Notes due 2024.

Credit Risk

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

As at 30 June 2019, the Group had approximately USD8.4 million in trade receivables and USD86.1 million in other receivables. As at 31 December 2018, the Group had approximately USD5.9 million in trade receivables and USD95.6 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.

With regard to other receivables of USD86.1 million, this amount is mainly related to USD34.9 million VAT receivables and USD50.3 million of other deposits and prepayments. The remaining amounts are 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 2019 and 31 December 2018 amounted to USD9.3 million and USD10.2 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 2019 and 31 December 2018.

The Group has not entered into any derivative instruments to manage foreign exchange fluctuations. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Management Discussion and Analysis

Pledge of Assets of the Group

As at 30 June 2019, ER pledged its 4,207,500 common shares, being 5.02% common shares held by it in International Medical Centre LLC ("**IMC**") to secure loan repayment obligation of IMC in proportion to its equity interest in IMC.

Contingent Liabilities

As at 30 June 2019, 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.) (the "**Acquisition**"), 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

The Company has a share option scheme, adopted on 17 September 2010 ("**Share Option Scheme**"), in which the Board is authorized, 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.

Under the Share Option Scheme, the Company granted four batches of Share Options to its directors and employees. On 12 October 2011, the Company granted 3,000,000 and 32,200,000 Share Options to a director and employees respectively, at the exercise price of Hong Kong Dollar ("**HKD**") 6.66 (which was adjusted to HKD4.53 due to rights issue in December 2014). On 28 November 2012, the Company granted another 5,000,000 and 17,750,000 Share Options to a director and employees respectively, at the exercise price of HKD3.92 (which was adjusted to HKD2.67 due to rights issue in December 2014). On 10 June 2015, the Company granted another 60,000,000 and 94,750,000 Share Options to a director and employees respectively, at the exercise price of HKD0.445. On 8 May 2017, the Company granted another 40,000,000 and 100,000,000 Share Options to a director and employees respectively, at the exercise price of HKD0.2392.

Management Discussion and Analysis

The fair value of services received in return for Share Options granted is measured with reference to the fair value of Share Options granted. For the six months ended 30 June 2019, USD0.1 million was recognized in administrative expenses and capital reserves in relation to the equity-settled share-based transactions.

Capital Commitments and Capital Expenditures

As at 30 June 2019, the capital commitments outstanding on the respective dates on the balance sheet were as follows:

Table 10. Capital commitments:

	As at 30 June 2019 USD' 000	As at 31 December 2018 USD' 000
Contracted for	1,655	3,880
Authorized but not contracted for	–	3,255
Total	1,655	7,135

Table 11. The Group's historical capital expenditure for the periods indicated:

	Six months ended 30 June	
	2019 USD' 000	2018 USD' 000
CHPP	3,607	1,453
Trucks and equipment	–	5,083
Others	1,083	540
Total	4,690	7,076

Operating Lease Commitments

As at 30 June 2019, the Group had contracted obligations consisting of operating leases which totalled approximately USD1.4 million, of which USD1.3 million due within one year and USD0.04 million due after one year but within two years. Lease terms range up to two years, with fixed rentals.

Management Discussion and Analysis

Significant Investments Held

As at 30 June 2019, the Company did not hold any significant investments. Save as disclosed in this interim report, the Company has no future plans for material investment or capital assets in the coming year.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

For the six months ended 30 June 2019, the Company did not have any material acquisitions and disposals of subsidiaries and associated companies.

Other and Subsequent Events

On 22 July 2019, the Company announced its proposal to implement a share consolidation of every ten (10) issued and unissued ordinary shares of par value of USD0.01 each in the share capital of the Company ("**Existing Shares**") into one (1) ordinary share of par value of USD0.10 each in the share capital of the Company ("**Consolidated Shares**") (the "**Share Consolidation**"), and to change the board lot size for trading on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from 500 Existing Shares to 3,000 Consolidated Shares upon the Share Consolidation becoming effective.

The Extraordinary General Meeting ("**EGM**") of the Company was convened and held on 22 August 2019 for the shareholders to consider and, if thought fit, approve the Share Consolidation. The shareholders of the Company passed an ordinary resolution approving the Share Consolidation at the EGM and the Share Consolidation will become effective on 26 August 2019 (the "**Effective Date**").

Upon the Share Consolidation becoming effective and assuming that no further Existing Share is issued or repurchased from the date hereof until the Effective Date, the authorised share capital of the Company will become USD150,000,000.00 divided into 1,500,000,000 Consolidated Shares of par value of USD0.10 each and, of which not less than 1,029,176,786 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, which will take effect on 26 August 2019, adjustments shall be made to the exercise price of the outstanding Options and the number of Consolidated Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding Options. Save for such adjustments, all other terms and conditions of the Share Option Scheme remain unchanged. For further details of the adjustments, please refer to the announcement of the Company dated 22 August 2019.

For further details relating to the Share Consolidation and change in board lot size, please refer to the announcement of the Company dated 22 July 2019, the circular of the Company dated 7 August 2019 and the poll results of EGM dated 22 August 2019.

Save as disclosed in this interim report, there have been no post balance sheet events subsequent to 30 June 2019 which require adjustment to or disclosure in this interim report.

Management Discussion and Analysis

Employees

As at 30 June 2019, the number of employees of the Group was 2,021 compared with 1,928 employees as at 30 June 2018.

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 will be responsible for the support and supervision of the process. During the six months ended 30 June 2019, the Company focused on internally sourced trainings rather than trainings provided by external parties.

As at 30 June 2019, a total of 6,710 employees attended various professional trainings, out of which 4,500 employees attended safety training, 230 employees attended mining heavy equipment operator training, 1,160 employees attended mine maintenance training and 820 employees attended professional development training and general skills development training. The Group's total staff cost for the six months ended 30 June 2019 was USD13.3 million, compared to USD13.3 million for the six months ended 30 June 2018.

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

For the six months ended 30 June 2019, neither the Company or any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

Dividend

The Board does not recommend the payment of dividend in respect of the six months ended 30 June 2019 (dividend for the six months ended 30 June 2018: nil).

Management Discussion and Analysis

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and legal requirements, and that adequate disclosures have been made.



CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

As one of the largest employers of Umnugobi aimag and Mongolia as a whole and a responsible mining company, we aim to ensure that corporate social responsibility (“**CSR**”) is embedded within all aspects of our business and remain committed to maintain a corporate culture that encourages ethical behaviour and transparency.

As required by our sustainability and CSR policies, we are committed to complying with all applicable laws and regulations in Mongolia and exceeding the legal and other requirements, where necessary. Through meaningful and two-way stakeholder engagement, we strive to make tangible contributions to the long-term sustainable development of the communities where we operate and create a lasting benefit.

Based on socio-economic baseline studies and needs of the communities, we implement long-term community development and CSR projects in the areas of health, education, environment, SME development and protection of cultural heritage etc. Below are some of the highlights of our on-going projects and program outcomes.

Governance and Sustainability

- In June 2019, together with seven other mining companies, the Company signed a Voluntary Code on Responsible Mining Practices, a landmark initiative to promote responsible best mining practices in Mongolia which are compliant with local and international standards. As part of the commitment, the companies have pledged to share relevant information and experience and publicly report on five major areas central to responsible mining which include corporate governance, labor practices, workplace safety, environmental protection and community engagement, on an annual basis. This Voluntary Code was initiated by the Mongolian National Mining Association and was supported by the Minister of Mining and Heavy Industry of Mongolia;
- For its ongoing community development programs, MMC won the “Best Community Program Award” at the 11th annual Global CSR Summit and Awards, out of a pool of over 200 companies nominated. The award was a showcase of the Company’s ongoing commitment to CSR, especially in the area of local economic empowerment and sustainable development.

Community Development Programs

- The local education support program continued in the reporting period, involving all the students and teachers at both secondary schools in Tsogttsetsii soum where we operate. In addition to the provision of online math courses and a systematic implementation of key performance indicator (“**KPI**”) based remuneration system at “Dream” school, certified consultants and math instructors worked at both schools as part of the program;
- To provide employment opportunities and an alternative source of income for the local students and their families, the Company started to implement a summer job program specifically for students from Tsogttsetsii, Bayan-Ovoo, Khankhongor, and Tsogt-Ovoo soums of Umnugobi aimag. During the reporting period, a total of 42 students enrolled in the program and worked at the UHG mine for 2 months;

Corporate Social Responsibility

- We continued to carry out the Sustainable Livelihood Support Program in the reporting period. The program primarily focuses on supporting local start-up businesses and SMEs and provides interest-free loans to eligible participants, enabling them to start new businesses or expand their existing ones. During the reporting period, the Company granted interest-free loans to 19 initiatives or small businesses run by the host community members and enrolled them in business specific trainings;
- The Company created a wind protected area for the Tsogttsetsii soum residents in 2012 to support their vegetable gardening initiatives and combat desertification. Locals who grow vegetables in the greenbelt are provided with a cultivated land and an irrigation system, and undergo training on vegetable gardening. During the reporting period, a total of 46 local families and 6 entities were newly registered and started to grow vegetables in designated areas.



Local students enrolled in summer job program 2019

“Good Neighborhood” Initiative

Within the framework of its “Good Neighborhood” initiative, the Company provides various types of in-kind assistance to the host communities. During the period under review, the Company carried out the following activities:

- Over 29 kt of free-of-charge thermal coal was provided to Dalanzadgad city power plant as well as communities in 10 soums of Umnugobi aimag during the harsh winter months;
- Free-of-charge hay and fodder were provided to over 320 herder families in five nearby soums in an effort to help them overcome the winter months;
- An annual welcoming event was organized on the occasion of the Lunar New Year to pay respect to senior citizens in the local communities. Same as in previous years, the event involved over 330 senior citizens from the nearby soums of Tsogttsetsii, Bayan-Ovoo, Khanbogd and Khankhongor;
- In the reporting period, a total of 19 requests were received from the local communities via our grievance mechanism. All of the requests were handled and responded to in a timely manner.

Environment

- No environmental incident was recorded in the reporting period;
- As part of the internal system improvements, the potential impacts that could result from our mining activities were re-defined and an environmental impact monitoring plan was developed;
- Detailed environmental impact assessment of BN mine was updated and approved by the Ministry of Environment and Tourism of Mongolia;
- A series of training on ISO 14001:2015 Environmental management standard was organized jointly with an international training academy and involved 44 employees who work in relevant fields;

Corporate Social Responsibility

- Soil, water, air, fauna and flora monitoring activities were carried out on a regular basis as part of our environmental monitoring and management system. In the reporting period, herder well and borehole water monitoring was carried out 108 times and dust monitoring in and around the mine-site and Tsogttsetsii soum was carried out 56 times. A daily measurement on dust concentration was also carried out in order to ensure continuous monitoring. Over 100 representatives of local organizations and herder communities were involved in the monitoring activities and/or voluntary trainings on efficient use of electricity and waste management;
- In the reporting period, over 8,000 trees were planted by the Company's staff and contractor companies in and around the mine-site and the forest belt area. About 9,000 seedlings were planted in the nursery area as a preparation for indigenous tree plantations and reclamation activities in the future;
- As part of its biodiversity action plan, the Company has organized wild animal conservation activities every year since 2009. During the reporting period, over 300 kg of natural salt marsh and 120 bales of hay were placed in the Gobi mountains as an extra food support for hoofed mountain animals in the region;
- Routine activities on waste management were successfully carried out throughout the reporting period. Awareness training on waste handling and management was organized jointly with the national recycling association and involved 220 students of the secondary schools in Tsogttsetsii soum in addition to over 120 employees of the Company. Designated cages and containers were installed at 17 points in and around the mine facilities as part of the efforts to improve waste segregation.

Health and Safety

- No environmental incidents were recorded in the reporting period;
- In the first half of 2019, approximately 4.4 million man-hours were recorded by our employees, contractors and sub-contractors within the Company's coal mining, processing and transportation operations. During the period, two occurrences of LTI were recorded, resulting in a LTIFR of 0.46 LTIs per million man-hours worked equivalent being recorded;
- Average TRIFR was reduced by over 27% to 2.59, compared to average TRIFR of 4.11 recorded in the same period of 2018;
- A total of 6,287 individual training sessions for a total of 28,271 man-hours were delivered to our employees, contractors, sub-contractors and mine-site visitors.

DISCLOSURE OF INFORMATION

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 10 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 2019.

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 Guidelines**”) who are likely to possess inside information of the Company. No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company during the reporting period.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules as its code of corporate governance. CG Code provision E.1.2 stipulated that the chairman of the board should attend the annual general meeting of the Company. Mr. Odjargal Jambaljamts, Chairman of the Board, appointed Mr. Chan Tze Ching, Ignatius, independent non-executive Director, to attend and answer questions on his behalf at the 2019 annual general meeting of the Company held on 30 May 2019 (the “**2019 AGM**”), as Mr. Odjargal Jambaljamts was unable to attend the 2019 AGM due to important business engagement. Save as disclosed above, the Company has complied with all other applicable code provisions as set out in the CG Code during the six months ended 30 June 2019.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interest and short positions of the Directors and chief executive of the Company in the shares and underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“**SFO**”)) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register required to be kept; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Disclosure of Information

(a) Table 12. Interests in Shares:

Name of Director	Nature of interest	Ordinary shares of USD0.01 each	
		Total number of Shares held	Approximate percentage of total issued share capital
Mr. Odjargal Jambaljamts (Note 1)	Interest of controlled corporation	3,696,569,439 (L)	35.92%
		223,898,693 (S)	2.18%
Mr. Od Jambaljamts (Note 2)	Interest of controlled corporation	3,500,684,159 (L)	34.01%
		223,898,693 (S)	2.18%
Mr. Enkhtuvshin Dashtseren	Beneficial owner	600,000 (L)	0.0058%
Mr. Chan Tze Ching, Ignatius	Beneficial owner	2,000,000 (L)	0.02%

(L) – Long position (S) – Short position

Notes:

- (1) Mr. Odjargal Jambaljamts holds the entire interest of Novel Holdings Group Limited. Novel Holdings Group Limited directly holds 461,647,547 shares in the Company. Mr. Odjargal Jambaljamts is directly interested in approximately 55.11% of MCS Mongolia LLC. MCS Mongolia LLC holds the entire interest of MCS Holding LLC. MCS Holding LLC is interested in approximately 43.51% of MCS Mining Group Limited which in turn holds 3,234,921,892 shares in the Company. MCS Mongolia LLC also directly holds approximately 56.49% interest of MCS Mining Group Limited. MCS Mining Group Limited had a short position in 223,898,693 shares in the Company.
- (2) Mr. Od Jambaljamts holds the entire interest of Trimunkh Limited. Trimunkh Limited directly holds 265,762,267 shares in the Company. Mr. Od Jambaljamts is directly interested in approximately 29.17% of MCS Mongolia LLC. MCS Mongolia LLC holds the entire interest of MCS Holding LLC. MCS Holding LLC is interested in approximately 43.51% of MCS Mining Group Limited which in turn holds 3,234,921,892 shares in the Company. MCS Mongolia LLC also directly holds approximately 56.49% interest of MCS Mining Group Limited. MCS Mining Group Limited had a short position in 223,898,693 shares in the Company.

Disclosure of Information

(b) Table 13. Interest in underlying Shares:

Name of Director	Nature of interest	Ordinary shares of USD0.01 each	
		Total number of underlying Shares held pursuant to Share Options under the Share Option Scheme	Approximate percentage of total issued share capital
Dr. Battsengel Gotov	Beneficial owner	111,764,707 (L)	1.09%
Mr. Enkhtuvshin Dashtseren	Beneficial owner	8,088,239 (L)	0.0786%

(L) – Long position

Save as disclosed above, as at 30 June 2019, so far as was known to any Director or chief executive of the Company, neither the Directors nor the chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register required to be kept; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, so far as was known to the Directors and chief executive of the Company and based on the information publicly available, the following persons (other than a Director or chief executive of the Company whose interests are disclosed above) had interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Disclosure of Information

Table 14. Interests in the Shares and underlying Shares:

Name of substantial shareholder	Nature of interest	Ordinary shares of USD0.01 each	
		Total number of Shares held	Approximate percentage of total issued share capital
MCS Mining Group Limited (Note 1)	Beneficial owner	3,234,921,892 (L)	31.43%
		223,898,693 (S)	2.18%
MCS Mongolia LLC (Note 1)	Interest of controlled corporation	3,234,921,892 (L)	31.43%
		223,898,693 (S)	2.18%
MCS Holding LLC (Note 1)	Interest of controlled corporation	3,234,921,892 (L)	31.43%
		223,898,693 (S)	2.18%
Ms. Batmunkh Dashdeleg (Note 1)	Interest of spouse	3,696,569,439 (L)	35.92%
		223,898,693 (S)	2.18%
Ms. Munkhsuren Surenkhoo (Note 1)	Interest of spouse	3,500,684,159 (L)	34.01%
		223,898,693 (S)	2.18%
Kerry Mining (UHG) Limited ("KMUHG") (Note 2)	Beneficial owner	750,000,000 (L)	7.29%
Kerry Mining (Mongolia) Limited ("KMM") (Note 2)	Interest of controlled corporation	750,000,000 (L)	7.29%
Fexos Limited ("Fexos") (Note 2)	Interest of controlled corporation	756,890,120 (L)	7.35%
Kerry Holdings Limited ("KHL") (Note 2)	Interest of controlled corporation	775,780,883 (L)	7.54%
Kerry Group Limited ("KGL") (Notes 2 and 3)	Interest of controlled corporation	1,216,351,874 (L)	11.82%

(L) – Long position (S) – Short position

Notes:

- (1) MCS Mining Group Limited is owned as to approximately 43.51% by MCS Holding LLC and approximately 56.49% by MCS Mongolia LLC. MCS Holding LLC is wholly-owned by MCS Mongolia LLC. MCS Mongolia LLC is owned as to approximately 55.11% by Mr. Odjargal Jambaljamts, and approximately 29.17% by Mr. Od Jambaljamts. MCS Mining Group Limited holds 3,234,921,892 shares and had a short position in 223,898,693 shares in the Company. Novel Holdings Group Limited and Trimunkh Limited each also directly holds 461,647,547 shares and 265,762,267 shares, respectively, in the Company. The entire interest of Novel Holdings Group Limited and Trimunkh Limited are held by Mr. Odjargal Jambaljamts and Mr. Od Jambaljamts respectively. Ms. Batmunkh Dashdeleg is the spouse of Mr. Odjargal Jambaljamts, and Ms. Munkhsuren Surenkhoo is the spouse of Mr. Od Jambaljamts.
- (2) (a) KMUHG is a direct wholly-owned subsidiary of KMM. Fexos controls more than one-third of the voting power of KMM. Fexos is a direct wholly-owned subsidiary of KHL which in turn is a direct wholly-owned subsidiary of KGL. Accordingly, KMM, Fexos, KHL and KGL were deemed to be interested in the 750,000,000 shares of the Company that KMUHG was interested.

Disclosure of Information

- (b) Fexos controls more than one-third of the voting power of Kerry Asset Management Limited (“**KAM**”). Fexos, KHL and KGL were deemed to be interested in 6,890,120 shares of the Company that KAM was interested.
- (3) Out of KGL’s corporate interest in 1,216,351,874 shares of the Company, KGL’s wholly-owned subsidiaries (other than KHL) were interested in 440,570,991 shares of the Company, KHL (through companies that it controls more than one-third of the voting power) was interested in 775,780,883 shares of the Company.

Save as disclosed above, as at 30 June 2019, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company.

CHANGE OF INFORMATION OF DIRECTORS

Change of information of Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2018 Annual Report are set out below:

Mr. Chan Tze Ching, Ignatius ceased to be the member of Hong Kong Tourism Board with effect from 31 March 2019 and ceased to be the Non-executive Director of Rizal Commercial Banking Corporation, the shares of which are listed on the Philippines Stock Exchange, with effect from 24 June 2019.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 17 September 2010, which became effective on the Listing Date on 13 October 2010 (the “**Adoption Date**”). Share Options could be granted within a period of 10 years from the Adoption Date. Therefore, as at 30 June 2019, the remaining life of the Share Option Scheme was approximately 1 year and 3 months. The purpose of the Share Option Scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company for the benefit of the Company and its shareholders as a whole.

Under the Share Option Scheme, the Company granted four batches of Share Options to its Director and employees. On 12 October 2011, the Company offered 3,000,000 and 34,500,000 Share Options to a Director and employees respectively, at the exercise price of HKD6.66 and 3,000,000 and 32,200,000 Share Options were accepted by a Director and employees respectively. On 28 November 2012, the Company granted another 5,000,000 and 17,750,000 Share Options to a Director and employees respectively at the exercise price of HKD3.92. On 10 June 2015, the Company further granted 60,000,000 and 94,750,000 Share Options to a Director and employees respectively at the exercise price of HKD0.445. On 8 May 2017, the Company granted another 40,000,000 and 100,000,000 Share Options to a Director and employees respectively at the exercise price of HKD0.2392.

As a result of the rights issue completed on 29 December 2014, adjustments were made to the exercise price and the number of shares falling to be issued upon the exercise of the Share Options in accordance with the terms of the Share Option Scheme and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding the adjustment of share options under Rule 17.03(13) of the Listing Rules. The exercise price of HKD6.66 for the Share Options granted on 12 October 2011 was adjusted to HKD4.53 and the exercise price of HKD3.92 for the Share Options granted on 28 November 2012 was adjusted to HKD2.67.

Disclosure of Information

A total of 48,100,000 Options were outstanding under the Share Option Scheme as at the completion of the rights issue. The exercise prices and the number of Shares falling to be issued under the outstanding Share Options were adjusted pursuant to Clause 11 of the Share Option Scheme (the “**Option Adjustments**”) with effect from 1 January 2015, and such adjustments have been reviewed and confirmed by the independent financial adviser of the Company, Somerley Capital Limited. Please refer to the 2014 Annual Report of the Company for details.

Details of the movements in the number of Share Options of the Company during the six months ended 30 June 2019 were as follows:

Table 15. Directors:

Name of Director	Date of grant	Exercise period	Exercise price per share	Balance as at 1 January 2019	Number of Share Options				Balance as at 30 June 2019
					Granted during the six months ended 30 June 2019	Lapsed during the six months ended 30 June 2019	Cancelled during the six months ended 30 June 2019	Exercised during the six months ended 30 June 2019	
Dr. Battsengel Gotov	12 October 2011	(Note 1)	HKD4.53	4,411,765	-	-	-	-	4,411,765
	28 November 2012	(Note 2)	HKD2.67	7,352,941	-	-	-	-	7,352,941
	10 June 2015	(Note 3)	HKD0.445	60,000,000	-	-	-	-	60,000,000
	8 May 2017	(Note 4)	HKD0.2392	40,000,000	-	-	-	-	40,000,000
Mr. Enkhtuvshin Dashtseren	12 October 2011	(Note 1)	HKD4.53	2,941,180	-	-	-	-	2,941,180
	28 November 2012	(Note 2)	HKD2.67	5,147,059	-	-	-	-	5,147,059
Total				119,852,945	-	-	-	-	119,852,945

Table 16. Employees of the Group other than Directors:

Date of grant	Exercise period	Exercise price per share	Balance as at 1 January 2019	Number of Share Options				Balance as at 30 June 2019
				Granted during the six months ended 30 June 2019	Lapsed during the six months ended 30 June 2019	Cancelled during the six months ended 30 June 2019	Exercised during the six months ended 30 June 2019	
12 October 2011	(Note 1)	HKD4.53	30,238,968	-	-	-	-	30,238,968
28 November 2012	(Note 2)	HKD2.67	19,485,294	-	-	-	-	19,485,294
10 June 2015	(Note 3)	HKD0.445	86,500,000	-	-	-	-	86,500,000
8 May 2017	(Note 4)	HKD0.2392	98,600,000	-	1,200,000	-	-	97,400,000
Total			234,824,262	-	1,200,000	-	-	233,624,262

Disclosure of Information

Notes:

1. The Share Options are subject to vesting scale in four tranches of 25% each. The exercise periods are as follows:
 - (1) first 25% of the Share Options granted – 12 October 2012 to 12 October 2019
 - (2) second 25% of the Share Options granted – 12 October 2013 to 12 October 2019
 - (3) third 25% of the Share Options granted – 12 October 2014 to 12 October 2019
 - (4) fourth 25% of the Share Options granted – 12 October 2015 to 12 October 2019
2. The Share Options are subject to vesting scale in three tranches. The exercise periods are as follows:
 - (1) first 25% of the Share Options granted – 28 November 2013 to 28 November 2020
 - (2) second 25% of the Share Options granted – 28 November 2014 to 28 November 2020
 - (3) third 50% of the Share Options granted – 28 November 2015 to 28 November 2020
3. The Share Options are subject to vesting scale in four tranches of 25% each. The exercise periods are as follows:
 - (1) first 25% of the Share Options granted – 10 June 2015 to 10 June 2020
 - (2) second 25% of the Share Options granted – 10 June 2016 to 10 June 2020
 - (3) third 25% of the Share Options granted – 10 June 2017 to 10 June 2020
 - (4) fourth 25% of the Share Options granted – 10 June 2018 to 10 June 2020
4. The Share Options are subject to vesting scale in five tranches of 20% each. The exercise periods are as follows:
 - (1) first 20% of the Share Options granted – 1 July 2017 to 8 May 2022
 - (2) second 20% of the Share Options granted – 8 May 2018 to 8 May 2022
 - (3) third 20% of the Share Options granted – 8 May 2019 to 8 May 2022
 - (4) fourth 20% of the Share Options granted – 8 May 2020 to 8 May 2022
 - (5) fifth 20% of the Share Options granted – 8 May 2021 to 8 May 2022

TREATMENT OF LAPSE OF THE SHARE OPTIONS

Pursuant to the Share Option Scheme, in the event that an employee ceases to be an employee of the Company before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine. The offer letter to grantees also states that any option shares that have not yet vested according to the vesting scales shall be considered “Unvested Shares”, and upon cessation of employment or services on behalf of the Company for any reason, no further vesting of the option will occur and any unvested portion of the option will terminate.

The Directors determined that in the event that an employee ceases to be an employee of the Company before exercising the option in full, only unvested Share Options (but not all the outstanding Share Options) will lapse effective from 1 August 2013.

On behalf of the Board
Mongolian Mining Corporation
Odjargal Jambaljamts
Chairman

Hong Kong, 22 August 2019



INDEPENDENT REVIEW REPORT



**Independent Review Report to the Board of Directors of
Mongolian Mining Corporation**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 46 to 81 which comprises the consolidated statement of financial position of Mongolian Mining Corporation (“the **Company**”) as of 30 June 2019 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors (“**Directors**”) are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independent Review Report

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Without qualifying our conclusion, we draw your attention to Note 1 to the unaudited interim financial report which describes that the Company together with its subsidiaries (the “**Group**”) had net current liabilities of approximately USD19,639,000 as at 30 June 2019, indicating the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

The interim financial report has been prepared on a going concern basis, the validity of which is dependent on the achievability of the Group’s business plan and cash flow forecast for the twelve months since 30 June 2019. The interim financial report does not include any adjustments that would result should the Group be unable to continue to operate as a going concern.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

22 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June	
		2019	2018
		USD' 000	USD' 000 (Note)
Revenue	4	325,581	272,245
Cost of revenue	5	(195,708)	(164,109)
Gross profit		129,873	108,136
Other net loss	6	(18,383)	(24)
Selling and distribution costs		(30,761)	(30,795)
General and administrative expenses		(9,814)	(7,500)
Profit from operations		70,915	69,817
Finance income	7(a)	175	29
Finance costs	7(a)	(23,957)	(27,299)
Net finance costs	7(a)	(23,782)	(27,270)
Gain from debt refinancing	8	21,101	–
Share of profits of associates		209	108
Share of losses of joint venture		(1)	(2)
Profit before taxation		68,442	42,653
Income tax	9	(21,299)	(12,755)
Profit for the period		47,143	29,898
Attributable to:			
Equity shareholders of the Company		47,077	29,528
Non-controlling interests		66	370
Profit for the period		47,143	29,898
Basic and diluted earnings per share	11	0.46 cents	0.29 cents

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 53 to 81 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 23(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June	
		2019 USD' 000	2018 (Note) USD' 000
Profit for the period		47,143	29,898
Other comprehensive income for the period	10		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		(2,299)	(6,722)
Total comprehensive income for the period		44,844	23,176
Attributable to:			
Equity shareholders of the Company		44,778	22,806
Non-controlling interests		66	370
Total comprehensive income for the period		44,844	23,176

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 53 to 81 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 – unaudited

		At 30 June 2019	At 31 December 2018
	Note	USD' 000	(Note) USD' 000 <i>(audited)</i>
Non-current assets			
Property, plant and equipment, net	12	868,100	853,278
Construction in progress	13	31,155	23,365
Lease prepayments		52	53
Intangible assets	14	503,269	504,392
Interest in associates		535	328
Interest in joint venture		46	47
Other non-current assets	15	55,643	70,749
Deferred tax assets		16,566	31,248
Total non-current assets		1,475,366	1,483,460
Current assets			
Inventories	16	85,321	99,980
Trade and other receivables	17	94,524	101,493
Cash and cash equivalents	18	35,983	33,035
Total current assets		215,828	234,508
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	20	–	25,065
Trade and other payables	19	187,726	195,472
Contract liabilities		34,815	43,018
Lease liabilities		186	–
Current taxation		12,740	26,796
Total current liabilities		235,467	290,351
Net current liabilities		(19,639)	(55,843)
Total assets less current liabilities		1,455,727	1,427,617

The notes on pages 53 to 81 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 – unaudited

	Note	At 30 June 2019 USD' 000	At 31 December 2018 (Note) USD' 000 (audited)
Non-current liabilities			
Senior notes	21	447,182	451,711
Lease liabilities		29	–
Provisions	22	15,277	13,059
Deferred tax liabilities		142,488	144,290
Other non-current liabilities		733	1,296
Total non-current liabilities		605,709	610,356
NET ASSETS		850,018	817,261
CAPITAL AND RESERVES			
Share capital		102,918	102,918
Perpetual notes	23	66,569	75,897
Reserves		680,937	638,918
Total equity attributable to equity shareholders of the Company		850,424	817,733
Non-controlling interests		(406)	(472)
TOTAL EQUITY		850,018	817,261

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 53 to 81 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 – unaudited

	Attributable to equity shareholders of the Company									
	Share capital USD' 000	Share premium USD' 000	Other reserve USD' 000	Exchange reserve USD' 000	Property revaluation reserve USD' 000	Accumulated losses USD' 000	Total USD' 000	Perpetual notes USD' 000 (Note 23(c))	Non-controlling interests USD' 000	Total equity USD' 000
At 1 January 2018	102,918	768,520	36,387	(360,600)	341,625	(193,788)	695,062	75,897	(109)	770,850
Changes in equity for the six months ended 30 June 2018:										
Profit for the period	-	-	-	-	-	29,528	29,528	-	370	29,898
Other comprehensive income	-	-	-	(6,722)	-	-	(6,722)	-	-	(6,722)
Total comprehensive income	-	-	-	(6,722)	-	29,528	22,806	-	370	23,176
Equity-settled share-based transactions	-	-	471	-	-	-	471	-	-	471
Reclassification of property revaluation reserve to accumulated losses upon disposal of property	-	-	-	-	(94)	94	-	-	-	-
Reclassification arising from changes in functional currency of certain group entities	-	-	-	(74,014)	-	74,014	-	-	-	-
At 30 June 2018	102,918	768,520	36,858	(441,336)	341,531	(90,152)	718,339	75,897	261	794,497
At 1 July 2018	102,918	768,520	36,858	(441,336)	341,531	(90,152)	718,339	75,897	261	794,497
Changes in equity for the six months ended 31 December 2018:										
Profit for the period	-	-	-	-	-	53,245	53,245	-	(733)	52,512
Other comprehensive income	-	-	-	(29,954)	-	-	(29,954)	-	-	(29,954)
Total comprehensive income	-	-	-	(29,954)	-	53,245	23,291	-	(733)	22,558
Equity-settled share-based transactions	-	-	206	-	-	-	206	-	-	206
Reclassification of property revaluation reserve to accumulated losses upon disposal of property	-	-	-	-	(17)	17	-	-	-	-
At 31 December 2018 (Note)	102,918	768,520	37,064	(471,290)	341,514	(36,890)	741,836	75,897	(472)	817,261

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 53 to 81 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 – unaudited

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Other reserve	Exchange reserve	Property revaluation reserve	Accumulated losses	Total	Perpetual notes	Non-controlling interests	Total equity
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
At 1 January 2019	102,918	768,520	37,064	(471,290)	341,514	(36,890)	741,836	75,897	(472)	817,261
Changes in equity for the six months ended 30 June 2019:										
Profit for the period	-	-	-	-	-	47,077	47,077	-	66	47,143
Other comprehensive income	-	-	-	(2,299)	-	-	(2,299)	-	-	(2,299)
Total comprehensive income	-	-	-	(2,299)	-	47,077	44,778	-	66	44,844
Repurchase of Perpetual Notes	-	-	-	-	-	(2,903)	(2,903)	(9,328)	-	(12,231)
Equity-settled share-based transactions	-	-	144	-	-	-	144	-	-	144
Reclassification of property revaluation reserve to accumulated losses upon disposal of property	-	-	-	-	(983)	983	-	-	-	-
At 30 June 2019	102,918	768,520	37,208	(473,589)	340,531	8,267	783,855	66,569	(406)	850,018

The notes on pages 53 to 81 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June	
		2019 USD' 000	2018 (Note) USD' 000
Operating activities			
Cash generated from operations		98,286	70,708
Income tax paid		(5,622)	(5,385)
Net cash generated from operating activities		92,664	65,323
Investing activities			
Payments for acquisition of property, plant and equipment and construction in progress		(47,003)	(34,567)
Interest received		170	8
Net cash used in investing activities		(46,833)	(34,559)
Financing activities			
Capital element of lease rentals paid		(85)	–
Interest element of lease rentals paid		(15)	–
Net proceeds from Senior Notes due 2024		429,795	–
Redemption of Senior Notes due 2022		(417,740)	–
Repurchase of Perpetual Notes		(12,231)	–
Repayment of borrowings		(23,700)	–
Interest paid		(18,885)	(17,761)
Net cash used in financing activities		(42,861)	(17,761)
Net increase in cash and cash equivalents		2,970	13,003
Cash and cash equivalents at the beginning of the period		33,035	7,460
Effect of foreign exchange rates changes		(22)	(287)
Cash and cash equivalents at the end of the period	18	35,983	20,176

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 53 to 81 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issuance on 22 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

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 (“**HKICPA**”). KPMG’s independent review report to the Board of Directors is included on pages 44 and 45.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. In the auditor’s report dated 15 March 2019, the auditor expressed an unqualified opinion on those financial statements but drew attention to conditions which indicated the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

Notes to the Unaudited Interim Financial Report

1 BASIS OF PREPARATION (CONTINUED)

The Group had net current liabilities of approximately USD19,639,000 as at 30 June 2019 (as at 31 December 2018: USD55,843,000). This condition continues to indicate the existence of a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern assumption.

Assuming that the Group's business plan and cash flow forecast can be achieved, the Directors expect to have sufficient financial resources to cover its operating costs and to meet its financing commitments, as and when they fall due for the twelve months since 30 June 2019. The achievability of the business plan and cash flow forecast is dependent upon the current economic environment and sustainability of the coking coal price in the market. Based on the business plan and cash flow forecast, the Directors consider that it is appropriate to prepare this interim financial report on a going concern basis. The interim financial report does not include adjustments that would result should the Group be unable to continue as a going concern.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**").

The functional currency of the Group's overseas holding entities and main operating subsidiaries located in Mongolia is USD and the functional currency of remaining subsidiaries located in Mongolia is MNT.

The Company and the Group's presentation currency is USD.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

None of the 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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Report

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Notes to the Unaudited Interim Financial Report

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (Continued)

(ii) *Lessee accounting*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 12(a).

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Unaudited Interim Financial Report

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

Notes to the Unaudited Interim Financial Report

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in Note 26(c) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 USD' 000
Operating lease commitments at 31 December 2018	707
Less: short-term leases and other leases with remaining lease term ending on or before 31 December 2019 which are exempted from capitalisation	373
	334
Less: total future interest expenses	30
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1 January 2019	304

Notes to the Unaudited Interim Financial Report

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (Continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 USD' 000	Capitalisation of operating lease contracts USD' 000	Carrying amount at 1 January 2019 USD' 000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Other property, plant and equipment	853,278	304	853,582
Total non-current assets	1,483,460	304	1,483,764
Trade and other payables	195,472	–	195,472
Lease liabilities (current)	–	304	304
Current liabilities	290,351	304	290,655
Net current liabilities	(55,843)	(304)	(56,147)
Total assets less current liabilities	1,427,617	–	1,427,617
Lease liabilities (non-current)	–	–	–
Total non-current liabilities	610,356	–	610,356
Net assets	817,261	–	817,261

The analysis of the net book value of the Group's right-of-use assets at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019 USD' 000	At 1 January 2019 USD' 000
Included in "Other property, plant and equipment":		
Other properties leased for own use, carried at depreciated cost	211	304

Notes to the Unaudited Interim Financial Report

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments USD' 000	Total minimum lease payments USD' 000	Present value of the minimum lease payments USD' 000	Total minimum lease payments USD' 000
Within 1 year	186	199	188	200
After 1 year but within 2 years	29	33	116	134
Sub-total	215	232	304	334
Less: total future interests expenses		17		30
Present value of lease liabilities		215		304

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

Notes to the Unaudited Interim Financial Report

3 SEGMENT REPORTING

The Group has one business segment, the mining, processing, transportation and sale of coal products. The majority of its customers are located in the People's Republic of China ("PRC"). Based on information reported by the chief operating decision maker for the purpose of resource allocation and performance assessment, the Group's only operating segment is the mining, processing, transportation and sale of coal products. Accordingly, no additional business and geographical segment information are presented.

4 REVENUE

The Group is principally engaged in the mining, processing, transportation and sale of coal 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 2019 is as follows:

	Six months ended 30 June	
	2019 USD' 000	2018 USD' 000
Washed hard-coking coal	289,940	252,735
Washed semi-soft coking coal	34,485	18,271
Washed thermal coal	1,027	1,186
Others	129	53
	325,581	272,245

5 COST OF REVENUE

	Six months ended 30 June	
	2019 USD' 000	2018 USD' 000
Mining costs	68,224	59,803
Processing costs	24,965	19,968
Transportation costs	59,709	46,371
Others (Note)	42,810	37,967
Cost of revenue	195,708	164,109

Note: Others include royalty tax on the coal sold.

Notes to the Unaudited Interim Financial Report

6 OTHER NET LOSS

Other net loss is mainly including prepayments approximately amounting to USD17,700,000 that were written off as a result of the demobilization of certain mining fleet under the mining contract. Such demobilization was undertaken as a measure to decrease immediate costs being borne by the Group and the related prepayments cannot be claimed back from the mining contractor according to the contractual terms.

7 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	Six months ended 30 June	
	2019	2018
	USD' 000	(Note) USD' 000
Interest income	(175)	(29)
Finance income	(175)	(29)
Interest on liability component of bank and other borrowings (Note 20)	761	1,828
Interest on liability component of senior notes (Note 21)	21,491	20,424
Interest on lease liabilities	13	–
Unwinding interest on accrued reclamation obligations (Note 22)	344	310
Net change in fair value of derivative component of senior notes	1,000	3,583
Foreign exchange loss, net	348	1,154
Finance costs	23,957	27,299
Net finance costs	23,782	27,270

Note: No borrowing costs have been capitalised during the six months ended 30 June 2019 and the six months ended 30 June 2018.

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

Notes to the Unaudited Interim Financial Report

7 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items:

	Six months ended 30 June	
	2019	2018
	USD' 000	(Note) USD' 000
Depreciation and amortisation	29,459	29,283
Operating lease charges: minimum lease payments	974	900
Costs of inventories	195,708	164,109
Loss/(gain) on disposal of property, plant and equipment and assets held for sale	5	(81)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

8 GAIN FROM DEBT REFINANCING

The Group redeemed (i) the guaranteed senior notes due September 2022 (the "**Senior Notes due 2022**") with a principal amount of USD397,847,706 on 15 April 2019 and (ii) the first ranking senior secured facility (the "**Senior Loan**") with an outstanding principal amount of USD16,200,000 on 12 April 2019. In addition, the Group issued guaranteed senior notes due April 2024 with a principal amount of USD440,000,000 (the "**Senior Notes due 2024**") on 15 April 2019. The proceeds raised from the issuance of the Senior Notes due 2024 were used in redeeming the Senior Notes due 2022 and repurchasing the perpetual notes. The excess of derecognised carrying value of the Senior Notes due 2022 and Senior Loan over the consideration to settle the financial liabilities, amounting to approximately USD21,101,000 has been recognised as a gain from the debt refinancing and credited to profit or loss during the six months ended 30 June 2019.

Notes to the Unaudited Interim Financial Report

9 INCOME TAX

(a) Income tax in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2019 USD' 000	2018 USD' 000
Current tax	8,280	20,073
Deferred taxation	13,019	(7,318)
	21,299	12,755

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

	Six months ended 30 June	
	2019 USD' 000	2018 USD' 000
Profit before income tax	68,442	42,653
Notional tax on profit before taxation	8,157	15,136
Tax effect of non-deductible items (Note (iii))	17,374	1,577
Tax effect of non-taxable items (Note (iii))	(4,244)	(4,934)
Tax losses not recognised	12	976
Actual tax expenses	21,299	12,755

Notes:

- (i) Pursuant to the income tax rules and regulations of Mongolia, the Group is liable to Mongolian Corporate Income Tax at a rate of 10% of the first MNT3 billion taxable income, and 25% of the remaining taxable income for the six months ended 30 June 2019 and 2018. According to the Corporate Income Tax Law of the PRC, the Company's subsidiary in the PRC is 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 and Luxembourg profits tax as it has no assessable income arising in or derived from Hong Kong and Luxembourg during the six months ended 30 June 2019 and 2018.
- (iii) Non-deductible and non-taxable items mainly includes reversal of deferred taxes upon redemption of the Senior Notes due 2022 and the Senior Loan, which have been previously recognised on fair value accounting of the related derivative components and 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 2019 and 2018.

Notes to the Unaudited Interim Financial Report

10 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019 USD' 000	2018 USD' 000
Exchange differences on translation of the financial statements of certain subsidiaries	(2,299)	(6,722)
	(2,299)	(6,722)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of USD47,077,000 (six months ended 30 June 2018: USD29,528,000) and the weighted average of 10,291,767,865 ordinary shares (six months ended 30 June 2018: weighted average of 10,291,767,865 ordinary shares) in issue during the interim period.

After adjusting for the share consolidation issue approved by shareholders at the Extraordinary General Meeting ("EGM") held on 22 August 2019 (see Note 27), 1,029,176,786 consolidated shares will be in issue. The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of USD47,077,000 (six months ended 30 June 2018: USD29,528,000) and the weighted average of 1,029,176,786 ordinary shares (six months ended 30 June 2018: weighted average of 1,029,176,786 ordinary shares) in issue during the interim period. The adjusted basic earnings per share was USD4.57 cents (six months ended 30 June 2018: USD2.88 cents).

(b) Diluted earnings per share

For the six months ended 30 June 2019, basic and diluted earnings per share are the same.

The equity-settled share-based payment transactions are anti-dilutive and therefore not included in calculating diluted earnings per share for the six months ended 30 June 2019.

Notes to the Unaudited Interim Financial Report

12 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Right-of-use assets

As discussed in Note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in other property, plant and equipment is also identified as right-of-use assets. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of building, and therefore recognised the additions to right-of-use assets of USD302,000.

(b) Acquisitions and disposals of owned assets

Mining properties of the Group at 30 June 2019 include stripping activity assets carrying book value of USD315,222,000 (31 December 2018: USD279,553,000).

During the six months ended 30 June 2019, the additions of property, plant and equipment of the Group, representing mainly various mining structures, amounted to USD47,297,000 (six months ended 30 June 2018: USD48,023,000). Items of property, plant and equipment with a net book value of USD1,850,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: USD241,000).

As at 30 June 2019, none of the Group's borrowings were secured by any assets (31 December 2018: the Group's borrowings were secured by coal handling and preparation plant-modules I and II, power plant and certain water supply infrastructure assets with a net book value of USD172,530,000, USD49,656,000, and USD3,626,000, respectively).

Notes to the Unaudited Interim Financial Report

13 CONSTRUCTION IN PROGRESS

The construction in progress is mainly related to machinery and equipment.

14 INTANGIBLE ASSETS

Intangible assets represent the mining right acquired during the acquisition of Baruun Naran mine.

15 OTHER NON-CURRENT ASSETS

	At 30 June 2019 USD' 000	At 31 December 2018 USD' 000 <i>(audited)</i>
Prepayments in connection with construction work, equipment purchases and others	54,151	69,257
Other financial asset (Note)	1,492	1,492
	55,643	70,749

Note: The Group has an investment in International Medical Centre LLC and has 5.02% equity interest.

16 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	At 30 June 2019 USD' 000	At 31 December 2018 USD' 000 <i>(audited)</i>
Coal	77,113	94,755
Less: provision on coal inventories	(10,437)	(10,437)
	66,676	84,318
Materials and supplies	18,645	15,662
	85,321	99,980

Notes to the Unaudited Interim Financial Report

16 INVENTORIES (CONTINUED)

- (b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2019 USD' 000	2018 USD' 000
Carrying amount of inventories sold	195,708	164,109

As at 30 June 2019, none of the Group's borrowings were secured by the Group's coal inventory (31 December 2018: USD64,484,000).

17 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 2019 USD' 000	At 31 December 2018 USD' 000 (audited)
	Within 3 months	8,416
3 to 12 months	–	390
Over 12 months	–	–
Trade receivables net of allowance for doubtful debts	8,416	5,893
Amounts due from related parties	1	2
Other debtors	830	826
Receivables	9,247	6,721
Prepayments and deposits (Note (i))	50,334	55,518
VAT and other tax receivables (Note (ii))	34,943	39,254
	94,524	101,493

Notes:

- (i) At 30 June 2019 and 31 December 2018, prepayments and deposits mainly represent the prepayments made to the Group's mining contractor.
- (ii) VAT and other tax receivables include amounts that have been accumulated to date in certain subsidiaries and were due from the Tax Authority of Mongolia. Based on current available information, the Group anticipates full recoverability of such amounts.

Notes to the Unaudited Interim Financial Report

18 CASH AND CASH EQUIVALENTS

	At 30 June 2019 USD' 000	At 31 December 2018 USD' 000 <i>(audited)</i>
Cash in hand	7	5
Cash at banks	35,976	33,030
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	35,983	33,035

As at 30 June 2019, none of the Group's borrowings were secured by the Group's cash (31 December 2018: USD10,758,000 of cash at banks).

19 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 2019 USD' 000	At 31 December 2018 USD' 000 <i>(audited)</i>
Within 3 months	82,883	94,236
3 to 6 months	30,269	40,861
6 to 12 months	12,696	431
Over 12 months	1,789	6,273
Total creditors payable	127,637	141,801
Payables for purchase of equipment	2,521	2,509
Interest payables	8,885	8,885
Other taxes payables	36,863	29,379
Others	6,162	6,813
Amounts due to related parties	5,658	6,085
Financial liabilities measured at amortised cost	187,726	195,472

Notes to the Unaudited Interim Financial Report

20 BORROWINGS

(a) The Group's long-term interest-bearing borrowings comprise:

	At 30 June 2019 USD' 000	At 31 December 2018 USD' 000 <i>(audited)</i>
Senior Loan	–	25,065
Less: Current portion of long-term borrowings	–	(25,065)
	–	–

On 4 May 2017, the Group issued the Senior Loan with a principal amount of USD31,200,000 and with a fair value of USD30,960,000. The Senior Loan bore interest, ranging from 5% to 8% per annum based on the benchmark coal price index, payable semi-annually. The Senior Loan was repayable in quarterly instalment of USD7,500,000 starting from 31 December 2018 with the remaining principal repayable upon maturity in September 2019.

The Senior Loan has been accounted for as a hybrid financial instrument containing a derivative component and a liability component. The derivative component of interest rate linked to the benchmark coal price index was initially recognised at its fair value of USD1,754,000. On 12 April 2019, the Group fully prepaid the Senior Loan.

(b) The Group's short-term interest-bearing borrowings comprise:

	At 30 June 2019 USD' 000	At 31 December 2018 USD' 000 <i>(audited)</i>
Current portion of long-term borrowings		
– Senior Loan	–	25,065

Notes to the Unaudited Interim Financial Report

21 SENIOR NOTES

	At 30 June 2019 USD' 000	At 31 December 2018 USD' 000 (audited)
Senior Notes due 2022 (Note (i))	17,111	451,711
Senior Notes due 2024 (Note (ii))	430,071	–
	447,182	451,711

Notes:

- (i) On 4 May 2017, the Group issued the Senior Notes due 2022 with a principal amount of USD412,465,892 and with a fair value of USD425,267,000. The Senior Notes due 2022 bear interest, ranging from 5% to 8% per annum based on the benchmark coal price index, payable semi-annually. On 15 April 2019, the Group redeemed 96.46% portion of the Senior Notes due 2022 with a principal amount of USD397,847,706 through the debt refinancing (Note 8). The outstanding principal amount of the Senior Notes due 2022 is USD14,618,186 as at 30 June 2019.

The Senior Notes due 2022 have been accounted for as a hybrid financial instrument containing derivative components and a liability component. The derivative component of interest rate linked to the benchmark coal price index was initially recognised at its fair value of USD9,481,667 and the derivative component of cash sweep premium was initially recognised at its fair value of USD37,789,333. The fair value of the derivative component of interest rate linked to the benchmark coal price index, the derivative component of cash sweep premium and the derivative component of early redemption option as at 30 June 2019 was USD1,355,000, USD1,927,000 and nil respectively. The liability component was initially recognised at its fair value of USD377,996,000 and will be accounted on amortised cost subsequently. As at 15 April 2019, the outstanding carrying amount of the liability component was USD13,784,551 and will continue to be accounted on amortised cost subsequently.

Fair value of the Senior Notes due 2022 was estimated by the Directors based on the discounted cash flow method.

Upon the completion of the debt refinancing (Note 8), the pledges over debt reserve account, certain assets (Note 12) and share capital of Mongolian Coal Corporation Limited, Mongolian Coal Corporation S.à.r.l., Enrestechology LLC, Ukhaa Khudag Water Supply LLC and United Power LLC were released.

- (ii) On 15 April 2019, the Group issued the Senior Notes due 2024 with a principal amount of USD440,000,000 which were listed on the Singapore Exchange Securities Trading Limited. The Senior Notes due 2024 bear interest at 9.25% per annum fixed rate, payable semi-annually, and due on 15 April 2024.

The Senior Notes due 2024 have been 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 2019 was nil. The liability component was initially recognised at amortised cost of USD429,795,446, after taking into account attributable transaction costs of USD10,204,554 and will be accounted on amortised cost subsequently.

Fair value of the derivative component was estimated by the Directors with reference to a valuation report issued by an external valuer based on the Binomial model.

Notes to the Unaudited Interim Financial Report

22 PROVISIONS

	At 30 June 2019 USD' 000	At 31 December 2018 USD' 000 (audited)
Accrued reclamation obligations	15,277	13,059
Others	1,500	1,500
	16,777	14,559
Less: current portion	(1,500)	(1,500)
	15,277	13,059

The accrual for reclamation costs has been determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the reclamation on the land from current mining activities becomes apparent in future periods. At the balance sheet date, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations, where necessary. The Group's management believes that the accrued reclamation obligations at 30 June 2019 are adequate and appropriate. The accrual is based on estimates and therefore, the ultimate liability may exceed or be less than such estimates. The movement of the accrued reclamation cost is as follows:

	2019 USD' 000	2018 USD' 000 (audited)
At 1 January	13,059	14,327
Increase/(decrease) for reassessment of estimated costs	1,874	(1,849)
Accretion expense (Note 7(a))	344	581
At 30 June/31 December	15,277	13,059

Notes to the Unaudited Interim Financial Report

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The board of Directors of the Company does not recommend declaration and payment of interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

(b) Equity settled share-based transactions

There were no share options granted to employees of the Company under the Company's employee share option scheme during the six months ended 30 June 2019 (No share options were granted during the six months ended 30 June 2018).

No options were exercised during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

(c) Perpetual notes

The Company issued perpetual notes which were listed on the Singapore Exchange Securities Trading Limited on 4 May 2017, with a principal amount of USD195,000,000 and with a fair value of USD75,897,000. On 15 April 2019, the Company redeemed principal amount of USD23,972,000 with a fair value of USD9,328,000 through the debt refinancing (Note 8). As at 15 April 2019, the outstanding principal amount of perpetual notes was USD171,028,000 with a fair value of USD66,569,000.

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.

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.

Notes to the Unaudited Interim Financial Report

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns for shareholders that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. There is no material effect on the Group's total debt and debt-to-capital ratio.

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including the redemption option embedded in the senior notes, and derivative components of the Senior Notes due 2022. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team with assistance of a third party at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Fair value measurements as at 15 April 2019 categorised into			
	Fair value at 15 April 2019 USD' 000	Level 1 USD' 000	Level 2 USD' 000	Level 3 USD' 000
Recurring fair value measurement				
Financial asset				
– Redemption option embedded in Senior Notes due 2024	-	-	-	-

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

	Fair value at 30 June 2019 USD' 000	Fair value measurements as at 30 June 2019 categorised into		
		Level 1 USD' 000	Level 2 USD' 000	Level 3 USD' 000
Recurring fair value measurement				
Financial asset				
– Redemption option embedded in Senior Notes due 2024	-	-	-	-
Financial liabilities				
– Derivative components of Senior Notes due 2022	3,282	-	-	3,282

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Weighted average
Derivative components of Senior Notes due 2022	Discounted cash flow method	Bond yield Coal price index	7.39% USD150.0 to USD173.5
Redemption option embedded in Senior Notes due 2024	Binomial model	Expected volatility	30%

The fair value of derivative components of the Senior Notes due 2022 is determined using discounted cash flow method and the significant unobservable input used in the fair value measurement is bond yield and coal price index. The fair value measurement is negatively correlated to the bond yield. As at 30 June 2019, it is estimated that with all other variables held constant, an increase/decrease in bond yield by 100bps would have decreased/increased the Group's net finance costs by USD21,000/USD22,000 respectively. The fair value measurement is correlated to the coal price index. As at 30 June 2019, it is estimated that with all other variables held constant, an increase/decrease in coal price index by 1% would have increased the Group's net finance costs by nil respectively.

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair value of redemption option embedded in Senior Notes due 2024 is determined using binomial model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2019, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 1% would have decreased/increased the Group's net finance costs by nil.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2019 USD' 000	At 31 December 2018 USD' 000 <i>(audited)</i>
Derivative components of Senior Notes due 2022:		
At 1 January	64,394	54,926
Redemption of Senior Notes due 2022	(62,112)	–
Changes in fair value recognised in profit or loss during the period/year	1,000	9,468
At 30 June/31 December	3,282	64,394
Total (gains)/losses for the period included in profit or loss for liabilities held at the end of the reporting period/year	(61,112)	9,468

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

	At 30 June 2019 USD' 000	At 31 December 2018 USD' 000 <i>(audited)</i>
Derivative component of Senior Loan:		
At 1 January	1,761	1,934
Redemption of Senior Loan	(1,761)	–
Changes in fair value recognised in profit or loss during the period/year	–	(173)
At 30 June/31 December	–	1,761
Total gains for the period included in profit or loss for liabilities held at the end of the reporting period/year	(1,761)	(173)
		At 15 April/ 30 June 2019 USD' 000
Redemption option embedded in Senior Notes due 2024:		
At 15 April 2019		–
Changes in fair value recognised in profit or loss during the period		–
At 30 June 2019		–
Total (gains)/losses for the period included in profit or loss for liabilities held at the end of the reporting period		–

The net unrealised gains or losses resulting from the remeasurement of the derivative components of the Senior Notes due 2022, the derivative component of the Senior Loan and the redemption option embedded in the Senior Notes due 2024 are recognised in net finance costs in the consolidated statement of profit or loss.

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 30 June 2019 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2019	
	Carrying amount USD' 000	Fair value USD' 000
Liability component of Senior Notes due 2022	13,829	13,854
Liability component of Senior Notes due 2024	430,071	458,307

25 MATERIAL RELATED PARTY TRANSACTIONS

Ancillary services represent expenditures for support services such as power and heat generation, security service, vehicle inspection, cleaning and canteen expense. The amount of ancillary service and related charge incurred in the six months ended 30 June 2019 is USD7,204,000 (six months ended 30 June 2018: USD5,358,000).

26 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments outstanding not provided for in the interim financial report

Capital commitments outstanding at respective balance sheet dates not provided for in the interim financial report were as follows:

	At 30 June 2019 USD' 000	At 31 December 2018 USD' 000 (audited)
Contracted for	1,655	3,880
Authorised but not contracted for	–	3,255
At 30 June/31 December	1,655	7,135

Notes to the Unaudited Interim Financial Report

26 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, except for the accrued reclamation obligations as disclosed in Note 22 and amounts incurred pursuant to the environment compliance protection and precautionary measures in Mongolia, the Group has not incurred any other significant expenditure for environmental remediation, is currently not involved in any other environmental remediation, and has not accrued any other amounts for environmental remediation relating to its operations. Under existing legislation, the Directors believe that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. The outcome of environmental liabilities under future environmental legislations cannot be estimated reasonably at present and which could be material.

(c) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties USD'000	Others USD'000 <i>(audited)</i>
Within 1 year	276	284
After 1 year but within 5 years	147	–
After 5 years	–	–
	423	284

The Group is the lessee in respect of a few properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2.

Notes to the Unaudited Interim Financial Report

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

At the EGM held on 22 August 2019, shareholders approved the Group to implement the share consolidation on the basis that every ten issued and unissued existing shares will be consolidated into one consolidated share.

As at the end of the reporting period, the authorised share capital of the Group is USD150,000,000.00 comprising 15,000,000,000 existing shares of par value of USD0.01 each, of which 10,291,767,865 existing shares have been issued and are fully paid or credited as fully paid. Upon the share consolidation becoming effective and assuming that no further existing share is issued or repurchased from the 30 June 2019 until the 26 August 2019, the authorised share capital of the Group will become USD150,000,000.00 divided into 1,500,000,000 consolidated shares of par value of USD0.10 each and, of which not less than 1,029,176,786 consolidated shares will be in issue.

No adjustment has been made in these financial statements in this regard (see Note 11).

28 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

GLOSSARY AND TECHNICAL TERMS

“Adoption date”	13 October 2010, the date the Share Option Scheme became unconditional and effective
“AGM”	Annual general meeting
“ASP”	Average selling price
“bcm”	Bank cubic metres
“BHWE”	Base Horizon of Weathering Elevation
“BN”	Baruun Naran
“BN deposit”	BN coal deposit located in the Tavan Tolgoi formation
“BN mine”	The area of the BN deposit that can be mined by open pit mining methods
“Board”	The Board of Directors of the Company
“C&F”	Cost-and-Freight
“CG Code”	The Corporate Governance Code contained in Appendix 14 to the Listing Rules
“China” or “PRC”	The People’s Republic of China
“CHPP”	Coal handling and preparation plant
“coke”	Bituminous coal from which the volatile components have been removed
“coking coal”	Coal used in the process of manufacturing steel. It is also known as metallurgical coal
“Company”, “our Company”, “we”, “us”, “our”, “Mongolian Mining Corporation” or “MMC”	Mongolian Mining Corporation, a company incorporated in the Cayman Islands with limited liability on 18 May 2010, the shares of which are listed on the Main Board of the Stock Exchange
“CSR”	Corporate Social Responsibility
“DAP”	Delivery-at-Place

Glossary and Technical Terms

“Director(s)”	Director(s) of the Company
“EBITDA”	Earnings before interest, taxes, depreciation and amortisation
“Fexos”	Fexos Limited
“FOT”	Free-on-Transport
“Ganqimaodu” or “GM”	The China side of the China-Mongolia border crossing
“Gashuunsukhait” or “GS”	The Mongolia side of the China-Mongolia border crossing
“GoM”	Government of Mongolia
“Group”, “our Group”	The Company together with its subsidiaries
“HCC”	Hard coking coal
“HKD”	Hong Kong Dollar
“IASB”	International Accounting Standards Board
“IASs”	International Accounting Standards
“IFRSs”	International Financial Reporting Standards
“JORC”	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
“KAM”	Kerry Asset Management Limited
“KGL”	Kerry Group Limited
“KHL”	Kerry Holdings Limited
“km”	Kilometres
“KMM”	Kerry Mining (Mongolia) Limited
“KMUHG”	Kerry Mining (UHG) Limited
“KPI”	Key performance indicator
“kt”	Thousand tonnes



Glossary and Technical Terms

“Listing Date”	13 October 2010, the date the shares were listed on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LOM”	Life-of-Mine
“LTIFR”	Lost Time Injury Frequency Rate
“LTIs”	Lost Time Injuries
“middlings”	Thermal coal by-product of washed coking coal production
“mineral resource”	A concentration or occurrence of material of intrinsic economic interest in or on the earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories
“MNT”	Togrog or tugrik, the lawful currency of Mongolia
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mt”	Million tonnes
“NBS”	National Bureau of Statistics of China
“Norwest”	Norwest Corporation
“Offer Date”	12 October 2011, 28 November 2012, 10 June 2015 and 8 May 2017, the dates of offer of a total of 37,500,000, 22,750,000, 154,750,000 and 140,000,000 Share Options, respectively, to its Director and certain employees under the Share Option Scheme adopted by the Company

Glossary and Technical Terms

“open-pit”	The main type of mine designed to extract minerals close to the surface; also known as “open cut”
“ore”	A naturally occurring solid material from which a metal or valuable mineral can be extracted profitably
“Parliament”	Parliament of Mongolia
“raw coal”	Generally means coal that has not been washed and processed
“RMB”	Renminbi
“ROM”	Run-of-mine, the as-mined material during room and pillar mining operations as it leaves the mine site (mined glauconite ore and out-of-seam dilution material)
“seam”	A stratum or bed of coal or other mineral; generally applied to large deposits of coal
“SEHK” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“share(s)”	Ordinary share(s) of USD0.01 each in the share capital of the Company
“Share Options” or “Options”	The share options which were granted under the Share Option Scheme to eligible participants to subscribe for shares of the Company
“Share Option Scheme”	A share option scheme which was adopted by the Company on 17 September 2010
“Share Purchase Agreement”	Share purchase agreement entered by the Company and its subsidiary Mongolian Coal Corporation Limited with Quincunx (BVI) Ltd and Kerry Mining (Mongolia) Limited in relation to the acquisition of the entire issued share capital of QGX Coal Ltd
“SMEs”	Small and medium enterprises
“soum”	The second level of Mongolian administrative subdivisions (essentially equivalent to a sub-province)
“SSCC”	Semi-soft coking coal



Glossary and Technical Terms

“strip ratio” or “stripping ratio”	The ratio of the amount of waste removed (in bank cubic metres) to the amount of coal or minerals (in tonnes) extracted by open-pit mining methods
“Tavan Tolgoi”	The coal formation located in South Gobi, Mongolia which includes our UHG and BN deposits
“thermal coal”	Also referred to as “steam coal” or “steaming coal”, thermal coal is used in combustion processes by power producers and industrial users to produce steam for power and heat. Thermal coal tends not to have the carbonisation properties possessed by coking coals and generally has lower heat value and higher volatility than coking coal
“THG”	Tsaikhar Khudag
“TKH”	Tsagaan Khad
“tonne”	Metric tonne, being equal to 1,000 kilograms
“TRIFR”	Total Recordable Injury Frequency Rate
“Tsogttsetsii” or “Tsogttsetsii soum”	Tsogttsetsii soum is the location where Tavan Tolgoi sits
“UHG”	Ukhaa Khudag
“UHG deposit”	Ukhaa Khudag deposit located in the Tavan Tolgoi coalfield which includes both aboveground (<300m) and underground (>300m) deposits
“UHG mine”	The aboveground (<300m) portion of our UHG deposit
“USD”	United States Dollar
“VAT”	Value added tax
“washed coal”	Coals that have been washed and processed to reduce its ash content