MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

Mongolian Mining Corporation ("**MMC**" or the "**Company**") and its subsidiaries (the "**Group**") generated a total revenue of approximately United States Dollar ("**USD**") 546.2 million during the year ended 31 December 2022, representing an increase of 196.8% compared to USD184.1 million of total revenue generated during the year ended 31 December 2021. The Group sold approximately 0.9 million tonnes ("**Mt**") of coal products during the first half of 2022 and sold approximately 4.7 Mt of coal products during the year ended 31 December 2022.

The Group's earnings before interest, taxes, depreciation and amortisation adjusted by other non-cash items ("**adjusted EBITDA**") for the year ended 31 December 2022 was approximately USD132.3 million, representing an increase of 247.2% compared to the adjusted EBITDA of approximately USD38.1 million recorded for the year ended 31 December 2021.

The Group's net profit attributable to the equity shareholders of the Company for the year ended 31 December 2022 was USD59.2 million, compared to USD55.2 million of net loss attributable to the equity shareholders of the Company recorded for the year ended 31 December 2021. Major contributing factor of the Group's net profit position was the higher sales volume achieved during the second half of the reporting year.

The basic and diluted earnings per share attributable to the equity shareholders of the Company amounted to USD5.68 cents for the reporting year, compared to the basic and diluted loss per share of USD5.35 cents in 2021.

The board (the "**Board**") of directors (the "**Directors**") of the Company does not recommend the payment of dividend for the year ended 31 December 2022 (dividend for the year ended 31 December 2021: nil).

The Board is announcing the audited annual results of the Group for the year ended 31 December 2022 together with the comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Note	**2022** **USD'000**	2021 *USD'000*
Revenue	*4*	**546,248**	184,069
Cost of revenue	*5*	**(451,131)**	(161,490)
Gross profit		**95,117**	22,579
Other costs		**(1,328)**	(3,422)
Other net income		**5,509**	3,382
Selling and distribution costs	*6(c)*	**(2,434)**	(9,625)
General and administrative expenses		**(24,775)**	(24,242)
Profit/(loss) from operations		**72,089**	(11,328)
Finance income	*6(a)*	**6,286**	54
Finance costs	*6(a)*	**(47,081)**	(48,980)
Net finance costs	*6(a)*	**(40,795)**	(48,926)
Gain from repurchase of Senior Notes due 2024	*7*	**23,144**	–
Share of profits/(losses) of associates		**286**	(196)
Share of losses of joint ventures		**(16)**	(1)
Profit/(loss) before taxation	*6*	**54,708**	(60,451)
Income tax	*8*	**4,183**	5,013
Profit/(loss) for the year		**58,891**	(55,438)
Attributable to:			
Equity shareholders of the Company		**59,177**	(55,238)
Non-controlling interests		**(286)**	(200)
Profit/(loss) for the year		**58,891**	(55,438)
Basic earnings/(loss) per share	*9(a)*	**5.68 cents**	(5.35) cents
Diluted earnings/(loss) per share	*9(b)*	**5.68 cents**	(5.35) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	**2022** **USD'000**	2021 *USD'000*
Profit/(loss) for the year		**58,891**	(55,438)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of plants, buildings, and machinery and equipment	*11,12*	**–**	62,895
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on re-translation		**(21,726)**	184
Other comprehensive income for the year		**(21,726)**	63,079
Total comprehensive income for the year		**37,165**	7,641
Attributable to:			
Equity shareholders of the Company		**38,306**	7,841
Non-controlling interests		**(1,141)**	(200)
Total comprehensive income for the year		**37,165**	7,641

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 *USD'000*	2021 *USD'000*
Non-current assets			
Property, plant and equipment, net	*11*	**919,688**	968,681
Construction in progress	*12*	**47,387**	46,828
Other right-of-use assets		**49**	50
Intangible assets	*13*	**498,035**	500,086
Interests in associates		**7,657**	949
Interest in joint venture		**4**	23
Other non-current assets		**59,537**	55,634
Deferred tax assets		**28,505**	21,767
Total non-current assets		**1,560,862**	1,594,018
Current assets			
Inventories		**102,794**	159,663
Trade and other receivables	*14*	**92,157**	99,520
Cash and cash equivalents		**64,695**	25,937
Total current assets		**259,646**	285,120
Current liabilities			
Trade and other payables	*16*	**136,369**	175,598
Contract liabilities		**182,246**	141,498
Senior Notes	*15*	**–**	17,885
Lease liabilities		**56**	72
Current taxation		**9,617**	65
Total current liabilities		**328,288**	335,118
Net current liabilities		**(68,642)**	(49,998)
Total assets less current liabilities		**1,492,220**	1,544,020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
at 31 December 2022

	Note	**2022** *USD'000*	2021 *USD'000*
Non-current liabilities			
Senior Notes	*15*	**373,756**	434,716
Provisions		**16,737**	30,928
Deferred tax liabilities		**174,650**	181,798
Total non-current liabilities		**565,143**	647,442
NET ASSETS		**927,077**	896,578
CAPITAL AND RESERVES			
Share capital	*17(b)*	**104,248**	103,158
Reserves		**768,308**	726,665
Total equity attributable to equity shareholders of the Company		**872,556**	829,823
Perpetual notes	*17(c)*	**55,476**	66,569
Non-controlling interests		**(955)**	186
TOTAL EQUITY		**927,077**	896,578

NOTES

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 18 May 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 October 2010. The Group is principally engaged in the mining, processing, transportation and sale of coal.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), promulgated by the International Accounting Standards Board ("**IASB**"). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and related interpretations. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(a) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Group and the Group's interests in two associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

– Investments in debt and equity securities;

– Buildings and plants as well as machinery and equipment; and

– Derivative financial instruments.

Non-current assets and disposals groups held for sale are stated at the lower of carrying amount and fair value less costs.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The novel coronavirus ("**COVID-19**") outbreak has adversely impacted the operating environment and business performance of the Group during the first half of the year ended 31 December 2022. The coal sales volume has been impacted by temporary border crossing limitations and volatility caused by the COVID-19 during the first half of 2022. During the second half of 2022, the border throughput started to improve and reached pre-COVID-19 level towards the end of 2022. The Group had net current liabilities of USD68,642,000 as at 31 December 2022. The Group had put in place contingency measures for cash conservation and efficiency purposes such as temporary adjustment to levels of production and obtained standby facilities from local banks in Mongolia totalling USD38,700,000 as of the reporting date. Based on the cash flow forecast of the Group for the next twelve months ending 31 December 2023 prepared by the management, the Directors expect to maintain adequate financial resources to cover its operating costs and meet its financing commitments, as and when they fall due for the twelve months period subsequent to 31 December 2022.

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 Mongolian Togrog ("**MNT**").

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(b) Changes in accounting policies

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

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Fair value of buildings and plants, machinery and equipment classified as property, plant and equipment and construction in progress

The Group has changed its accounting policy for its buildings and plants, machinery and equipment, and such class of items under construction status from cost model to valuation model with effect from 31 December 2016. Buildings and plants, machinery and equipment classified as property, plant and equipment and construction in progress were revalued by an external appraiser as at 31 December 2016 and 2021, respectively (see Notes 11 and 12). Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. Judgement is required in relation to the selection of assumptions in arriving at the fair values and the determination of the frequency of performing a revaluation with sufficient regularity.

(ii) Reserves

The Group estimates and reports Mineral Resources and Ore Reserves, commonly referred to as Coal Resources and Coal Reserves in the coal mining industry, meeting requirements of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**"), and subsequently the Australian Guidelines for the Estimation and Classification of Coal Resources (2014) to which are referred.

The JORC Code is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves. The JORC Code provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in public reports.

Responsibility for demonstrating the required transparency and materiality in the estimation of Coal Resources and/or Coal Reserves required by the JORC Code lies with the "Competent Person". A Competent Person is a minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy (the "**AusIMM**"), or of the Australian Institute of Geoscientists (the "**AIG**"), or of a Recognised Professional Organisation, as included in a list available on the JORC website. These organisations have enforceable codes of ethics, including disciplinary processes with powers to suspend or expel a member. A Competent Person must have a minimum of five years' relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking.

A "Coal Reserve" is the economically mineable part of a Measured and/or Indicated Coal Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

A "Probable Coal Reserve" is the economically mineable part of an Indicated, and in some circumstances, a Measured Coal Resource. The confidence in the Modifying Factors applying to a Probable Coal Reserve is lower than that applying to a Proved Coal Reserve. A "Proved Coal Reserve" is the economically mineable part of a Measured Mineral Resource. A Proved Coal Reserve implies a high degree of confidence in the Modifying Factors.

"Modifying Factors" are considerations used to convert Coal Resources to Coal Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. Modifying Factors may change from one estimation to the next, where the materiality of such changes is demonstrable. Such changes may be as result of variation to any of the mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social, governmental or other factors.

Because the Modifying Factors used to estimate Coal Reserves may change from one estimate to the next, estimates of Coal Reserves may change from one period to another. Changes in reported Coal Reserves thus may affect the Group's financial results and financial position in a number of ways, including the following:

– Asset recoverable amounts may be affected due to changes in estimated future cash flows.

– Depreciation, depletion and amortisation charged to the statement of profit or loss may change where such charges are determined on the units of production basis, or where the useful economic lives of assets change.

– Overburden removal costs recorded on the statement of financial position or charged to the statement of profit or loss may change due to changes in stripping ratios or the units of production basis of depreciation.

– Reclamation and mine closure provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

– The carrying amount of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

(iii) Useful lives of property, plants and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Impairment of mining related assets

The Group identifies if there is any indication of impairment of mining related assets at each end of the reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would result in increase or decrease in the provision of the impairment loss and affect the Group's net asset value.

An increase or decrease in the above impairment loss would affect the net profit in future years.

(v) Obligation for reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

(vi) Derivative financial instruments

In determining the fair value of the derivative financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(vii) Capitalised stripping costs

The process of removing overburden and other mine waste materials to access mineral deposits is referred to as stripping. Stripping costs (waste removal costs) are incurred during the development and production phases at open-pit mining and they are accounted for separately for each component of an ore body unless the stripping activity provides improved access to the whole of the ore body. A component is a specific section within an ore body that is made more accessible by the stripping activity. The identification of components is dependent on the mine plan. Judgement is required to identify and define these components and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and production stripping activity. These are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity assets.

Development stripping costs are capitalised as a stripping activity asset, in construction in progress and forming part of the cost of constructing the mine, when:

– It is probable that future economic benefits associated with the asset will flow to the entity; and

– The costs can be measured reliably.

Capitalisation of development stripping costs ceases and these costs are transferred to mine properties in property, plant and equipment when the ore body or component of ore body is ready for its intended use.

Production stripping can give rise to two benefits being the extraction of ore in the current period and improved access to the ore body or component of ore body in future periods. To the extent that the benefit is the extraction of ore, the stripping costs are recognised as an inventory cost. To the extent the benefit is improved access to the ore body or component of ore body in future periods, the stripping costs are capitalised as mine properties in property, plant and equipment, if the following criteria are met:

– It is probable that the future economic benefit (improved access to ore) will flow to the Group;

– The ore body or component of ore body for which access has been improved can be identified; and

– The costs relating to the stripping activity can be measured reliably.

Production stripping costs are allocated between the inventory produced and the mine properties capitalised using a life-of-component waste to ore strip ratio. When the current strip ratio is greater than the life-of-component ratio, a portion of the stripping costs is capitalised to the existing mine properties.

The development and production stripping assets are depreciated using the units of production method based on the proven and probable mineral reserves of the relevant ore body or component of ore body.

(viii) Taxation

The Group is subject to various taxes and levies in the jurisdictions where it has operations. The Group makes payments and determines the provision for tax and levy liabilities primarily based on the computations as prepared by the Group. Nevertheless, judgement is required in determining the provision for taxes and levies as there are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business, there are possible cases of disagreements with the relevant authorities on treatment of certain items included in the computations and certain non-routine transactions. The Group uses its best judgement to determine the probability although it is typically very difficult to determine the timing and ultimate outcome of each case. If the Group considers it probable that these judgements will result in different positions, the most likely amounts of the outcome will be estimated and adjustments to the liabilities will be made in the period in which such determination is made. Due to the inherent uncertainties related to the eventual outcome of each case, it is probable that certain matters may be resolved for amounts materially different from any estimated provisions or previous disclosures.

(b) Sources of estimation uncertainty

Other than requiring critical accounting judgements, assumptions concerning the future and other major sources of estimation uncertainty at the end of the reporting period are required in relation to certain Group's accounting policies. Respective information and assumptions and their risk factors are disclosed accordingly in Notes 3(a)(i), (iii), (iv), (v), (vi) and (vii).

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 in revenue during the year is as follows:

	2022	2021
	USD'000	*USD'000*
Washed hard-coking coal ("**HCC**")	**508,355**	174,175
Washed semi-soft coking coal ("**SSCC**")	**27,342**	6,357
Middlings	**9,922**	3,019
Raw thermal coal	**629**	518
	546,248	184,069

During the year ended 31 December 2022, the Group had two customers that individually exceeded 10% of the Group's revenue from sales of goods and rendering of services, being USD81,177,000 and USD79,645,000. During the year ended 31 December 2021, the Group had two customers that individually exceeded 10% of the Group's revenue from sales of goods and rendering of services, being USD30,191,000 and USD23,320,000.

Revenue during the year ended 31 December 2022 includes approximately USD43,535,000 (2021: USD75,516,000) which arose from sales of coal products to customers through agent sales arrangements for diversifying and expanding the Group's sales channels.

5 COST OF REVENUE

	2022	2021
	USD'000	*USD'000*
Mining costs	**147,846**	42,475
Processing costs	**43,734**	11,950
Transportation costs	**100,942**	43,138
Others *(Note (i))*	**134,164**	43,906
Cost of revenue during mine operations	**426,686**	141,469
Cost of revenue during idled mine period *(Note (ii))*	**24,445**	20,021
Cost of revenue	**451,131**	161,490

Notes:

(i) Others mainly include royalty tax on the coal sold.

(ii) For the years ended 31 December 2022 and 2021, cost of revenue during idled mine period mainly includes depreciation expense related to idled plant and equipment, staff costs and mining contractor costs.

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Net finance costs:

	2022 *USD'000*	2021 *USD'000*
Interest income	**(145)**	(54)
Net change in fair value of derivative component of senior notes	**(2,661)**	–
Gain on derecognition of derivative component of Senior Notes due 2022	**(507)**	–
Foreign exchange gain, net	**(2,973)**	–
Finance income	**(6,286)**	(54)
Interest on liability component of senior notes *(Note 15)*	**45,430**	46,170
Interest on lease liabilities	**6**	5
Transaction cost	**52**	66
Unwinding interest on accrued reclamation obligations	**1,593**	492
Net interest expense	**47,081**	46,733
Net change in fair value of derivative component of senior notes	**–**	608
Foreign exchange loss, net	**–**	1,639
Finance costs	**47,081**	48,980
Net finance costs	**40,795**	48,926

No borrowing costs have been capitalised for the years ended 31 December 2022 and 2021.

(b) Staff costs:

	2022 *USD'000*	2021 *USD'000*
Salaries, wages, bonuses and benefits	**26,494**	20,353
Retirement scheme contributions	**3,722**	2,894
Equity-settled share-based payment expenses	**–**	34
	30,216	23,281

Pursuant to the relevant labour rules and regulations in Mongolia, the Group participates in defined contribution retirement benefit schemes (the "**Schemes**") organised by the Government of Mongolia whereby the Group is required to make contributions to the Schemes at a rate of 8.5% of the eligible employees' salaries. Contributions to the Schemes vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

(c) Other items:

	2022	2021
	USD'000	*USD'000*
Selling and distribution costs *(Note (i))*	**2,434**	9,625
Depreciation and amortisation	**61,708**	49,704
Net gain on disposals of property, plant and equipment	**(6)**	(29)
Auditors' remuneration		
– audit services	**639**	639
– tax and other services	**7**	30
	646	669
Cost of inventories *(Note (ii))*	**426,686**	141,469

Notes:

(i) Selling and distribution costs represent fees and charges incurred for importing coal into the People's Republic of China ("**PRC**"), logistics and transportation costs, governmental fees and charges and fixed agent fees associated with sales activities in inland PRC.

(ii) Cost of inventories includes USD106,300,000 (2021: USD48,711,000) relating to personnel expenses, and depreciation and amortisation which are also included in the respective amounts disclosed separately above for each of these types of expenses. Cost of inventories also includes transportation and stockpile losses amounted to USD479,000 (2021: USD2,269,000).

7 GAIN FROM REPURCHASE OF SENIOR NOTES DUE 2024

The Group repurchased a total of USD63,591,000 principal amount from senior notes with initial principal amount of USD440,000,000 maturing on 15 April 2024 ("**Senior Notes due 2024**") through open market purchase and tender offer during the year ended 31 December 2022. The excess of derecognised carrying amount of the Senior Notes due 2024 over the consideration to settle the financial liabilities, amounting to approximately USD23,144,000, has been recognised as a gain from repurchase of Senior Notes due 2024 and credited to profit or loss during the year ended 31 December 2022.

8 INCOME TAX

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

	2022	2021
	USD'000	*USD'000*
Current tax		
Provision for the year	**11,194**	132
Over-provision in respect of prior years	**(115)**	–
Deferred tax		
Origination and reversal of temporary difference	**(15,262)**	(5,145)
	(4,183)	(5,013)

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

	2022 **USD'000**	2021 USD'000
Profit/(loss) before taxation	**54,708**	(60,451)
Notional tax on profit/(loss) before taxation	**14,335**	(12,141)
Tax effect of non-deductible items *(Note (iii))*	**1,743**	6,732
Tax effect of non-taxable items *(Note (iii))*	**(20,678)**	(334)
Prior year tax loss utilised	**(163)**	–
Tax losses not recognised	**695**	730
Over-provision in respect of prior years	**(115)**	–
Actual tax expenses	**(4,183)**	(5,013)

Notes:

(i) Pursuant to the income tax rules and regulations of Mongolia, the subsidiaries of the Group located in Mongolia are liable to Mongolian Corporate Income Tax at a rate of 10% of the first MNT6 billion taxable income, and 25% of the remaining taxable income for the years ended 31 December 2022 and 2021. According to the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are subject to statutory income tax rate of 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The Group is not subject to Hong Kong, Luxembourg, and Singapore profits tax as it has no assessable income arising in or derived from Hong Kong, Luxembourg and Singapore during the years ended 31 December 2022 and 2021.

(iii) Non-deductible and non-taxable items mainly include net unrealised exchange gain or loss, other non-deductible expenses and non-taxable income pursuant to the income tax rules and regulations of Mongolia and other related tax source regions during the years ended 31 December 2022 and 2021.

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic profit per share is based on the profit attributable to ordinary equity shareholders of the Company of USD59,177,000 (loss attributable to ordinary equity shareholders of the Company of 2021: USD55,238,000) and the weighted average of 1,042,476,786 ordinary shares (2021: 1,031,576,786 ordinary shares) in issue during the year.

(b) Diluted earnings/(loss) per share

For the years ended 31 December 2022 and 2021, basic and diluted earnings/(loss) per share are the same.

No potential dilutive shares existed as at 31 December 2022. The equity-settled share-based payment transactions are anti-dilutive and therefore not included in calculating diluted earnings/(loss) per share for the year ended 31 December 2021.

10 SEGMENT REPORTING

The Group has one business segment, the mining, processing, transportation and sale of coal products. The majority assets and liabilities are located in Mongolia and the majority of its customers are located in China. 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 sales of coal products. Accordingly, no additional business and geographical segment information is presented.

11 PROPERTY, PLANT AND EQUIPMENT, NET

Mining properties as at 31 December 2022 include stripping activity assets with the carrying amount of USD447,797,000 (2021: USD424,554,000) and application fee for the mining rights of USD934,000 (2021: USD898,000) in relation to the Group's mine deposits.

Fair value measurement of property, plant and machinery

(i) Fair value hierarchy

The following table presents the fair value of the Group's property, plant and machinery 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

	Fair value as at 31 December	**Fair value measurements as at 31 December 2022 categorised into**		
	2022	**Level 1**	**Level 2**	**Level 3**
	USD'000	***USD'000***	***USD'000***	***USD'000***
Recurring fair value measurement				
Buildings and plants	**337,637**	**–**	**–**	**337,637**
Machinery and equipment	**107,731**	**–**	**–**	**107,731**
Buildings and plants, machinery and equipment under construction *(Note 12)*	**47,387**	**–**	**–**	**47,387**
Total	**492,755**	**–**	**–**	**492,755**

	Fair value as at 31 December	Fair value measurements as at 31 December 2021 categorised into		
	2021	Level 1	Level 2	Level 3
	USD'000	*USD'000*	*USD'000*	*USD'000*
Recurring fair value measurement				
Buildings and plants	369,495	–	–	369,495
Machinery and equipment	129,696	–	–	129,696
Buildings and plants, machinery and equipment under construction *(Note 12)*	46,828	–	–	46,828
Total	546,019	–	–	546,019

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. 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.

As at 31 December 2021, buildings and plants as well as machinery and equipment were revalued and such valuation was carried out by a firm of external appraisers, Duff and Phelps Corporation, who has among their staff fellows of the American Society of Appraisers, Royal Institute of Charted Surveyors, Chartered Certified Accountant, Chartered Financial Analyst and Financial Risk Manager with recent experience in the mining property valuation worldwide including valuation of coal mines. The Group's property manager and the chief financial officer had discussion with the appraisers on the valuation assumptions and valuation results when the valuation was performed. At each following interim and annual reporting date, the management reviewed the key indicators adopted in the revaluation assessment as at 31 December 2021 and concluded there was no significant change.

The subject properties are purpose-built industrial facilities including buildings and plants, machinery and equipment and construction in progress located in South Gobi of Mongolia. They are operated according to their highest and best use for coal mining and processing. There is no other alternative use of the subject properties. Upon consideration of all relevant facts, it was concluded that the properties subject to valuations are specialised properties.

Depreciated replacement cost is defined by International Valuation Standards ("**IVS**") as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation". Depreciated replacement cost application for major assets classes is briefly described below:

– Buildings and plants, and such items under construction status:

  - Reproduction cost new ("**RCN**") estimations for the buildings and structures were calculated using indexing method;

  - Indices were applied to the historical cost. The indices were obtained from recognised sources such as: FM Global, Unitary Construction costs, etc.;

  - Physical depreciation was applied using straight line method based on the economic useful life of production, auxiliary, administrative facilities, land improvements, and transfer devices;

  - No any functional obsolescence was revealed.

– Machinery and equipment:

  - Machinery RCN was estimated based on the actual machinery quotations received from the purchase department of the Company. These estimates were adjusted with installation expenses, engineering expenses and interest during construction. Estimated RCN was compared to indexed historical cost and considered to be relevant. Additionally, unitary reproduction cost (USD/kg of equipment weight) of major and most expensive equipment appraised such as crushers, screens, spirals and flotation cells were compared with unitary cost range of similar equipment recently purchased by other mining companies and considered to be in line with these data. Overall Coal Handling and Preparation Plant ("**CHPP**") modules' estimated unitary RCN (USD/ton of processing capacity) is in the middle of the range of recently constructed coal processing plants;

  - Engineering and general administrative expenses for several analysed coal mines range between 7-8% of RCN; and

  - Interest During Construction estimated to be equal to 7.8% of RCN based on the actual interest paid during CHPP construction.

(ii) Information about Level 3 fair value measurements

IVS requires that for a private sector entity with specialised assets, a valuation assessed by depreciated replacement cost must be subject to a test of profitability in relation to the whole of the assets held by the entity or the cash generating unit ("**CGU**"). For the purpose of the profitability test, the Company was considered as a single CGU.

In testing profitability, the impact that current economic conditions may potentially have on the Group's operations, financial performance, expectations of financial performance of or financial conditions is considered. Such impact was assessed with the use of financial models, which make use of projections of operating activities and financial performance of the Group provided by the management. No economic obsolescence for the Group was indicated by the profitability test.

(iii) Depreciated cost of properties held for own use carried at fair value

Had the revalued properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been:

	2022	2021
	USD'000	*USD'000*
Buildings and plants	**119,085**	141,397
Machinery and equipment	**13,236**	24,439
Buildings and plants, machinery and equipment under construction *(Note 12)*	**23,670**	20,692
	155,991	186,528

Impairment of mining related assets

Given the fact that the carrying amount of the Group's net assets exceeded the Group's market capitalisation as at 31 December 2022, according to IAS 36, *Impairment of assets*, the management has performed impairment assessment on the carrying amount of the Group's property, plant and equipment, construction in progress and intangible assets related to the Ukhaa Khudag ("**UHG**") mine and Baruun Naran ("**BN**") mine operations (collectively referred to as "**UHG and BN Assets**"). For the purpose of this, the UHG and BN Assets are treated as a CGU.

The recoverable amount of the CGU was based on value in use, determined by discounting the future cash flows to be generated from the continuing use of the UHG and BN Assets. The key assumptions used in the estimation of value in use were as follows:

– Recoverable reserves and resources

Economically recoverable reserves and resources represent management's expectations at the time of completing the impairment testing, based on reserves and resource statements and exploration and evaluation work undertaken by appropriately qualified persons.

– Growth rate

The growth rate is estimated based on coal product price consensus and life-of-mine ("**LOM**") production plan.

– Coal prices

The coal price assumptions are management's best estimate of the future price of coal in China. Coal price assumptions for the next five years are built on past experience of the industry and consistent with external sources. These prices are adjusted to arrive at appropriately consistent price assumptions for the different qualities and type of coal.

Preparation basis used for the coal price assumptions for the next five years estimated at the year end of 2022 is consistent with that at the year end of 2021, which was also updated with reference to the latest market forecast. The coal price estimation over a period longer than five years contains no growth rate, except for annual inflation rate.

– Sales quantity/production profile

Sales quantity is in line with production profile. Estimated production volumes are based on detailed LOM plans and take into account development plans for the mines agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as the recoverable quantities, the production profile, the cost of the development of the infrastructure necessary to extract the reserves, the production costs, and the contractual duration of mining rights and the selling price of the coal extracted. The production profiles used were consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of proved and probable reserves.

– Operating costs

Operating cost assumptions are based on management's best estimation of the costs to be incurred at the date of impairment testing. Costs are determined after considering current operating costs, future cost expectations, as well as the nature and location of the operation. The estimation also takes future mining contractor arrangements into consideration; and the Directors are of the opinion that such mining contractor arrangements are in line with the Group's business plan.

– Capital expenditure

Future capital expenditure is based on management's best estimate of required future capital requirements. It has been determined by taking into account all committed and anticipated capital expenditure adjusted for future cost estimates.

– Discount rate

This discount rate is derived from the Group's weighted average cost of capital ("**WACC**"), with appropriate adjustments made to reflect the risks specific to the CGU. The WACC takes into account both debt and equity, weighted based on the Group and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of the Group that reflects the credit rating of the Group.

Post-tax discount rate of 17% and pre-tax discount rate of 23% were applied to the future cash flows projection at the year end of 2022 (2021: post-tax discount rate of 17% and pre-tax discount rate of 22%). The Directors believe that the discount rates were matching with the latest cash flow projection modelling.

Based on above-mentioned impairment assessment, the carrying amount of the CGU has not exceeded its recoverable amount as at 31 December 2022, and has not resulted in the identification of an impairment loss for the year ended 31 December 2022. The Directors are of the opinion that the impairment provision is adequate as at 31 December 2022 and no additional or reversal of impairment provision is needed in respect of the Group's non-financial assets in this regard.

The Directors believe that the estimates and assumptions incorporated in the impairment assessment are reasonable; however, the estimates and assumptions are subject to significant uncertainties and judgements. The Directors consider that a reasonable changes in assumptions will not result in an impairment of mining related assets.

12 CONSTRUCTION IN PROGRESS

	2022	2021
	USD'000	*USD'000*
At 1 January	**46,828**	43,961
Additions	**2,052**	9
Transfer to property, plant and equipment *(Note 11)*	**(51)**	(1,105)
Revaluation gain	**–**	7,088
Disposal	**–**	(3,126)
Exchange adjustments	**(1,442)**	1
At 31 December	**47,387**	46,828

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

13 INTANGIBLE ASSETS

	Acquired mining right ***(Note (i))***	**Software**	**GS Terminal** ***(Note (ii))***	**Total**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Cost:				
At 1 January 2021	701,557	3,676	–	705,233
Addition	–	–	3,031	3,031
At 31 December 2021	701,557	3,676	3,031	708,264
Addition	–	–	143	143
At 31 December 2022	701,557	3,676	3,174	708,407
Accumulated amortisation and impairment loss:				
At 1 January 2021	204,073	2,206	–	206,279
Amortisation charge for the year	1,467	368	64	1,899
At 31 December 2021	205,540	2,574	64	208,178
Amortisation charge for the year	765	368	1,061	2,194
At 31 December 2022	206,305	2,942	1,125	210,372
Carrying amount:				
At 31 December 2022	495,252	734	2,049	498,035
At 31 December 2021	496,017	1,102	2,967	500,086

Notes:

(i) Acquired mining right represents the mining right acquired during the acquisition of BN mine.

(ii) GS Terminal represents the permission to operate at the customs bonded terminal for 3 years.

14 TRADE AND OTHER RECEIVABLES

	2022	2021
	USD'000	*USD'000*
Trade receivables *(Note (a))*	**4,432**	14,038
Other receivables *(Note (c))*	**87,725**	85,482
	92,157	99,520
Less: allowance for credit losses *(Note (b))*	**–**	–
	92,157	99,520

Notes:

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	2022	2021
	USD'000	*USD'000*
Within 90 days	**4,245**	14,020
90 to 180 days	**187**	–
180 to 270 days	**–**	18
	4,432	14,038

(b) Loss allowance for trade receivables

Credit losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the credit losses are written off against trade receivables directly.

As at 31 December 2022, the Group evaluated the loss allowance for ECL and no loss allowance of trade receivables (2021: nil) was made based on the assessment.

(c) Other receivables

	2022	2021
	USD'000	*USD'000*
Amounts due from related parties *(Note (i))*	**3**	1
Prepayments and deposits *(Note (ii))*	**53,809**	49,220
Value added tax ("**VAT**") and other tax receivables *(Note (iii))*	**33,150**	24,236
Others	**763**	12,025
	87,725	85,482

Notes:

(i) Amounts due from related parties are unsecured, interest-free and have no fixed repayment terms.

(ii) At 31 December 2022 and 2021, prepayments and deposits mainly represent the prepayments made to the Group's mining contractor.

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

All other receivables were aged within one year and expected to be recovered or expensed off within one year.

15 SENIOR NOTES

	2022	2021
	USD'000	*USD'000*
Senior Notes due 2022 *(Note (i))*	**–**	17,885
Senior Notes due 2024 *(Note (ii))*	**373,756**	434,716
	373,756	452,601

Notes:

(i) The Senior Notes due 2022 bore interest, ranging from 5% to 8% per annum based on the benchmark coal price index, payable semi-annually, and was due on 30 September 2022 ("**Senior Notes due 2022**"). The Senior Notes due 2022 was fully repaid on 30 September 2022 and the outstanding principal amount was nil as at 31 December 2022 (31 December 2021: USD14,912,000).

(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 31 December 2022 was nil (31 December 2021: nil). The liability component was initially recognised at fair value of USD429,795,446, after taking into account attributable transaction costs of USD10,204,554 and is accounted on amortised cost subsequently. In October and December 2022, the Group repurchased an aggregate principal amount of USD63,591,000 from Senior Notes due 2024 (See Note 7). As at 31 December 2022, the carrying amount of the liability component was USD373,756,000 (31 December 2021: USD434,716,000). The outstanding principal amount of the Senior Notes due 2024 was USD376,409,000 as at 31 December 2022 (31 December 2021: USD440,000,000).

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

16 TRADE AND OTHER PAYABLES

	2022	2021
	USD'000	*USD'000*
Trade payables *(Note (i))*	**103,987**	141,395
Amounts due to related parties *(Note (ii))*	**3,986**	3,870
Payables for purchase of equipment	**2,013**	4,504
Interest payable *(Note (iii))*	**7,350**	8,890
Other taxes payables	**11,015**	13,276
Others *(Note (iv))*	**8,018**	3,663
	136,369	175,598

Notes:

(i) As of the end of the reporting period, the ageing analysis of trade creditors based on the invoice date is as follows:

	2022	2021
	USD'000	*USD'000*
Within 90 days	**71,264**	48,505
90 to 180 days	**–**	5,812
180 to 365 days	**–**	31,323
Over 365 days	**32,723**	55,755
	103,987	141,395

(ii) Amounts due to related parties represent contractual service fee payable and payables for equipment and construction work, which are unsecured, interest-free and have no fixed terms of repayments.

(iii) As at 31 December 2022, interest payables was related to Senior Notes due 2024 amounting to USD7,350,000 (interest payables for Senior Notes due 2022 and 2024 as at 31 December 2021: USD8,890,000).

(iv) Others represent accrued expenses, payables for staff related costs and other deposits.

All of the other payables are expected to be settled or recognised in profit or loss within one year or are repayable on demand.

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2022 (dividend in respect of the year ended 31 December 2021: nil).

(b) Share capital

	2022 Number of shares'000	**2022** USD'000	2021 Number of shares'000	2021 USD'000
Ordinary shares, authorised				
At 1 January and 31 December	**1,500,000**	**150,000**	1,500,000	150,000

	2022 Number of shares'000	**2022** USD'000	2021 Number of shares'000	2021 USD'000
Ordinary shares, issued and fully paid				
At 1 January	**1,031,577**	**103,158**	1,029,177	102,918
Impact of share option exercise	**10,900**	**1,090**	2,400	240
At 31 December	**1,042,477**	**104,248**	1,031,577	103,158

10,900,000 share options were exercised during the year ended 31 December 2022 (2021: 2,400,000).

(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. Fair value of the perpetual notes was valued by the management with reference to a valuation report issued by an independent valuer based on the discounted cash flow method. On 15 April 2019, the Company redeemed a principal amount of USD23,972,000 with a carrying amount of USD9,328,000 through debt refinancing. After the debt refinancing, the outstanding principal amount of perpetual notes was USD171,028,000 with a carrying amount of USD66,569,000. Pursuant to the Company's announcements dated 12 July 2022 and 23 November 2022, the Company repurchased a principal amount of USD22,120,000 and USD6,380,000, respectively, with a carrying amount of USD8,610,000 and USD2,483,000. As at 31 December 2022, the outstanding principal amount of the perpetual notes was USD142,528,000 with a carrying amount of USD55,476,000.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

COVID-19 Pandemic and State Response

The Parliament of Mongolia ("**Parliament**"), the Government of Mongolia ("**GoM**") and the State Emergency Commission continued to take legislative, economic, and preventive measures in response to COVID-19 pandemic. The effective period of the Law on Prevention from and Fight against Coronavirus (COVID-19) Pandemic and Mitigating its Social and Economic Impact expired on 31 December 2022.

As at the date of this announcement, the color-coded alert level of "yellow" remains in effect, under which all types of public activities are permitted while the state of enhanced readiness regime continues to apply at major border checkpoints including Gashuunsukhait ("**GS**"), the Mongolian side of the Gashuunsukhait-Ganqimaoudu ("**GS-GM**") border checkpoint, to prevent spread of COVID-19 and disruption to exports and imports.

INDUSTRY OVERVIEW

Chinese Steel, Coke and Coking Coal Sectors' Performance

Crude steel production in China decreased by 2.1% from the previous year to 1,013.0 Mt in 2022, as reported by the World Steel Association.

Chinese domestic crude steel consumption decreased by 2.6% to 948.2 Mt in the reporting year compared to 973.1 Mt recorded in 2021 based on estimates made by Fenwei Digital Information Technology Co., Ltd ("**Fenwei**"). Chinese steel export increased by 0.6% from the previous year to 67.3 Mt in 2022.

According to the National Bureau of Statistics of China, China's coke production was 473.4 Mt in 2022, representing an increase of 1.9% compared to 464.5 Mt reported in 2021. Fenwei estimates show that coke consumption decreased by 0.3% to 457.2 Mt compared to 458.6 Mt reported in 2021. During the reporting year, coke exports from China reached 8.9 Mt, representing an increase of 38.8% compared to the previous year.

According to Fenwei, China's coking coal consumption was 556.2 Mt in 2022, an increase by 2.0% from the previous year. Domestic coking coal production reached 493.5 Mt, representing an increase of 0.7% as compared to that reported in 2021.

Chinese Coking Coal Imports and Mongolian Coal Exports Dynamics

According to the General Administration of Customs of China, coking coal imports to China increased to 63.8 Mt in 2022, representing an increase of 16.6% compared to 54.7 Mt imported in 2021. In 2022, coking coal imports to China from Mongolia surged by 82.9% compared to the previous year. As such, Mongolia remained as the main source for coking coal imports to China with 40.1% market share in 2022.

Table 1. China's annual coking coal import volume (Mt) (Notes):

Countries	2022	Market Share	2021	Change
Mongolia	**25.6**	**40.1%**	14.0	+82.9%
Russia	**21.0**	**32.9%**	10.7	+96.3%
Canada	**7.9**	**12.4%**	9.3	-15.1%
USA	**4.4**	**6.9%**	10.2	-56.9%
Australia	**2.2**	**3.4%**	6.2	-64.5%
Others	**2.8**	**4.4%**	4.2	-33.3%
Total	**63.8**	**100.0%**	54.7	+16.6%

Source: Fenwei

Notes:

(i) Imports from Mongolia include raw unprocessed, dry and wet processed coking coal.

(ii) Due to rounding, discrepancy may exist between summary of volumes of individual countries with total volume, year-on-year percentage changes and market share.

OPERATING ENVIRONMENT

Regulations related to the mineral sector

On 11 November 2022, the Parliament approved amendments to the Minerals Law and the Law on Budget along with the adoption of the Law on State Budget for 2023.

According to the amendment to the Law on Budget, donation and assistance provided by mining license holders to local administrative bodies under the local cooperation agreement entered pursuant to the Law on Minerals shall be a part of the local development fund, a fund for financing projects to promote local development. In addition, pursuant to the amendment to the Minerals Law, local cooperation agreements are to be disclosed publicly by the local administrative body for transparency purposes. The local administrative bodies are prohibited from requesting for any donation and assistance not included within the local cooperation agreement from mining license holders. The Group has complied with all requirements stated above and publicly discloses its local cooperation agreement through the webpage of the Mongolian Extractive Industry and Transparency Initiative.

On 18 October 2022, the Head of the Mineral Resources and Petroleum Authority for Mongolia issued Order No. A/121 and approved the "Guideline on Submission, Delivery and Acceptance of Plan, Report and Information on Exploration and Mining Work and Operation for Processing Plants". The order requires mining license holders to submit and deliver their annual plans, reports and information through an electronic system as specified within the guideline.

Regulations related to coal exports

On 4 July 2022, the Head of the Agency for Standardization and Metrology issued Order No. C/28 and approved MNS 6457:2022 "Coal and Coal Product Classification", the national standard defining different types of coal based on their quality specifications, replacing its previous version adopted in 2014. Six types of coal classification were added to the processed coal group. There have been no material changes made to the classification types and quality requirements related to the coal products produced by the Group.

On 8 August 2022, the Ministry of Road and Transport Development of Mongolia, the Ministry of Finance of Mongolia and the National Development and Reform Commission of the PRC finalised a memorandum of understanding on the connection of the GS-GM border points by railway and signed a long-term coal supply agreement with China. The commissioning ceremony of the Tavantolgoi-Gashuunsukhait ("**TT-GS**") railway was held on 9 September 2022. Tavantolgoi Railway LLC reported that its TT-GS railway is 233.6 km long and is equipped with two central stations and six crossings, with capacity to transport 30-50 Mt of goods on an annual basis.

On 30 August 2022, the Parliament adopted the Amendment to the Law on Composition of the Government under which a new Minister position for Border Points and Head of the National Committee on Border Point Revival was created. On 14 September 2022, the GoM issued Resolution No. 342 and approved the number of positions and charter of the National Committee on Border Point Revival.

On 5 October 2022, the GoM issued Resolution No. 362 regarding measures to be taken to increase foreign exchange reserves in view of ensuring transparency and efficiency of mineral trade. In addition to measures to be taken in relation to stated owned entities, the GoM resolved to (i) shift sales terms of coal exports from ex-works ("**EXW**") mine term to delivery-at-place ("**DAP**") border point terms as general measures applicable to coal exporting entities; (ii) transfer granting rights of border crossing transportation multi-permits of type-C ("**C permit**") to coal mining entities; and (iii) establish the legal framework for a commodities exchange.

On 14 December 2022, the GoM issued Resolution No. 466 and adopted a "Temporary Procedure on Open Electronic Trading of Coal to be Exported" to be effective until 30 June 2023, when the Law on Mining Commodity Exchange comes into effect. Under the procedure, coal to be exported via containerised coal shipment terminal at the GS border point (on 1 March 2023, the delivery term was extended to also include DAP Ganqimaodu ("**GM**") coal stock yard) can be traded by an electronic auction through the Mongolian Stock Exchange whereby up to 25 batches can be traded in a single auction, with each batch consisting of 6,400 tonnes of coal. On 12 January 2023, in its efforts to support the initiative, Energy Resources LLC ("**ER**"), the main operating subsidiary of the Group, successfully sold 12,800 tonnes of coal through the platform as part of its trial-run. Starting from 15 February 2023, trades will be organised on a regular basis involving coal exporting state owned entities, Erdenes Tavantolgoi JSC ("**ETT**") and Tavantolgoi JSC.

On 23 December 2022, the Parliament adopted the Law on Mining Commodity Exchange under which state owned entities are required to sell its products through a commodity exchange, whereas private entities can sell their mineral products on a voluntary basis. Such law will come into force starting from 30 June 2023.

On 30 December 2022, the Head of the Border Authority of Mongolia issued Order No. A/34 and adopted a "Temporary Procedure on Regulating Transportation at Gashuunsukhait Border Point". The procedure was approved with regards to opening ordinary operation of the land ports from PRC from 8 January 2023 by lifting strict zero-Covid policy requirements, such as isolation of export-import truck drivers in segregated teams and having strict COVID-19 infection testing control; as well as transfer of right of issuance of C permits to coal mining entities.

In January 2023, a total of 7,800 C permits were allotted to ETT, ER and Tavantolgoi JSC for coal export transportation. The Group believes that such arrangement will have a positive impact on maintaining transparent and stable coal exporting operations as transporters receiving C permits from the Group will be required to transport only the Group's coal.

Regulations related to taxation

Under the GoM Resolution No. 362, dated 5 October 2022, the GoM introduced an electronic payment receipt system covering all production stages of mineral extraction, processing, and transportation to trace origin of products by registering all related contracts in the unified tax system within the fourth quarter of 2022. Unregistered products shall be restricted to be exported starting from 1 January 2023.

In this regard, based on the effective VAT electronic system, starting from 1 January 2023, all sales agreements, including export and local sales agreements, are registered within such system and control over exporting activities, including issuance of custom declaration and royalty payment are unified under the system. The Group has fully complied with all the requirements.

On 28 December 2022, the GoM issued Resolution No. 496 and extended the effective period of the special import tax rate of "0" percent (%) on diesel fuel imported via all border ports for a period from 31 December 2022 to 31 July 2023.

Regulations related to labour relations

On 11 November 2022, the Parliament amended the Law on Minerals and requirement to employ at least 5% of the total workforce from citizens of soum and district where the mining activities are carried out. The Group has fully complied with such requirement as approximately 29% of its current employees consists of Tsogttsetsii and Khankhongor soums residents of Umnugobi province in which the Group undertakes its coal mining, processing, and transportation activities.

BUSINESS OVERVIEW

Coal Resources and Exploration Activities

Ukhaa Khudag (UHG) deposit

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

The most recent Coal Resource estimate has been made in accordance with the 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 2022 was made only on the basis of revised surface topography, to account for depletion as a result of mining activity between 1 January 2022 to 31 December 2022 and no further exploration data was incorporated.

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

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

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

- 43,656 individual analytical samples collected and analysed;

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

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

JORC compliant Coal Resource estimate figures reported are based upon an in-situ density, at an as-received moisture basis, are summarised in Table 2.

Internal peer audit of these latest structural and coal quality models was conducted by Mr. Lkhagva-Ochir Said, employed by the Group as Executive General Manager of Mining and Processing. This peer audit confirmed 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).

Appendix I of the Group's 2021 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 2. UHG mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2022 (Notes):

Total Coal Resource	**Resource Category (Mt)**				
Depth limit from topographic surface	**Measured**	**Indicated**	**Inferred**	**Total (M+I)**	**Total (M+I+I)**
Subcrop to Base Horizon of Weathering Elevation ("**BHWE**")	7	1	3	8	11
BHWE to 100m	62	4	13	66	79
From 100m to 200m	94	9	20	103	123
From 200m to 300m	133	6	14	130	153
From 300m to 400m	88	3	4	91	95
Below 400m	85	7	14	92	106
Sub-Total above 300m	296	20	50	316	366
Sub-Total below 300m	173	10	18	183	201
Total	**469**	**30**	**68**	**499**	**567**
Total (Rounded)	**470**	**30**	**70**	**500**	**570**

Notes:

(i) Technical information in the UHG Coal Resource estimation report has been compiled by Mr. Byambaa Barkhas, the Group's Chief Geologist of Geology and Geotechnical sub-section. Mr. Barkhas is a member of the AusIMM (Member #318198) and has over 13 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Mr. Barkhas consents to the inclusion in the release of the matters based on this information in the form and context in which it appears in this announcement. The estimates of the Coal Resource set out in Table 2 presented in this announcement are considered to be a true reflection of the UHG Coal Resource as at 31 December 2022, and have been carried out in accordance with the principles and guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).

(ii) Mr. Lkhagva-Ochir Said is employed by the Group as Executive General Manager for Mining and Processing. Mr. Said is a member of the AusIMM (Member #316005) and has over 15 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).

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

Baruun Naran (BN) deposit

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

In 2021, the Group's geological team updated the JORC (2012) Coal Resource estimations as at 31 December 2021 for the BN and THG mining licenses. The last update stated for BN and THG as at 31 December 2022 was made only the basis of revised surface topography, to account for depletion as a result of mining activity between 1 October 2022 to 31 December 2022, and no further exploration data was incorporated.

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

The Coal Resource stated as at 31 December 2022 incorporated additional exploration data gained from the exploration drilling program conducted in 2018. The following information provided the basis for updating the structural and coal quality geological models underpinning the updated Coal Resource statement as at 31 December 2021:

- total of 135 exploration boreholes at BN, with a total of 36,875m drilled, of which 16,102m were HQ-3, 9,640m were PQ-3 (83.0 mm core, 122.6mm hole diameter) and 11,133m 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 were PQ-3 and 460m were 122mm open boreholes;

- total of 12,502 (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. Lkhagva-Ochir Said, the Group's Executive General Manager of Mining and Processing. 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 as at 31 December 2022 for BN and THG mining license areas are shown in Table 3 and Table 4. The figures in these tables represent calculation based upon in situ density at an assumed 5% moisture basis.

Table 3. BN mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2022 (Notes):

Total Coal Resource Depth limit from topographic surface	**Resource Category (Mt)**				
	Measured	**Indicated**	**Inferred**	**Total (M+I)**	**Total (M+I+I)**
Subcrop to BHWE	7	1	1	8	9
BHWE to 100m	61	9	5	70	75
From 100m to 200m	88	12	8	100	108
From 200m to 300m	89	13	8	102	110
From 300m to 400m	87	16	9	103	112
Sub-Total above 300m	245	35	22	280	302
Sub-Total below 300m	87	16	9	103	112
Total	**332**	**51**	**31**	**383**	**414**
Total (Rounded)	**330**	**50**	**30**	**380**	**410**

Table 4. THG mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2022 (Notes):

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

Notes:

(i) *Technical information in the BN deposit Coal Resource estimation report has been compiled by Mr. Byambaa Barkhas, the Group's Chief Geologist of Geology and Geotechnical sub-section. Mr. Barkhas is a member of the AusIMM (Member #318198) and has over 13 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Mr. Barkhas consents to the inclusion in the release of the matters based on this information in the form and context in which it appears in this announcement. The estimates of the Coal Resource set out in Table 3 and Table 4 presented in this announcement are considered to be a true reflection of the BN deposit Coal Resource as at 31 December 2022, and have been carried out in accordance with the principles and guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).*

(ii) *Mr. Lkhagva-Ochir Said is employed by the Group as Executive General Manager for Mining and Processing. Mr. Said is a member of the AusIMM (Member #316005) and has over 15 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 2023 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 2022 to 1 January 2023.

Pit optimisation software was used to generate a series of nested pit shells corresponding to varying revenue factors, simulating incrementally different economic scenarios as impacted by mining cost or coal price variance. 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 by the Group's processing team for inclusion in the previous JORC (2012) Coal Reserve estimate, to individual coal seams based upon propensity for processing into coking and/or thermal products, with update made to reassign portion of Seam 0B and 0AU from thermal to coking coal production, based upon results observed during production trials in 2017;

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

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

The Run-of-Mine ("**ROM**") raw coal tonnages resulting from the updated statement of the JORC (2012) Coal Reserve estimate for the UHG deposit as at 1 January 2023 based upon an as-received basis total moisture with 3.64% for coking and 2.68% for thermal coal types, are shown in Table 5.

Table 5. UHG mining license JORC (2012) Coal Reserve estimate, as at 1 January 2023 (Notes):

ROM Coal Reserve	**Reserve Category (Mt)**		
Coal Type	**Proved**	**Probable**	**Total**
Coking	336	10	346
Thermal	19	–	19
Total	**355**	**10**	**365**

Notes:

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

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

Baruun Naran (BN) deposit

Coal Reserve statement for the BN deposit was prepared by Glogex with the resulting statement dated 1 January 2023. The LOM mining plan prepared to underpin the current JORC (2012) Coal Reserve estimate for the BN deposit was based upon open cut, multi seam, truck and excavator mining methods. Pit optimisation software was used to generate a series of nested pit shells corresponding to varying revenue factors, simulating incrementally different economic scenarios as impacted by operating cost and coal revenue variance. The last reserve statement was made on the basis of revised surface topography, to account for depletion as a result of mining activity between 1 October 2022 to 1 January 2023.

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

- limitation of open pit depth to 360m from surface, and overall slope angle restrictions, based upon geotechnical advice received from Mr. John Latilla of AMC;

- categorisation of coal seams for scheduling purposes on basis of propensity for coking or thermal coal production, based upon recommendations made by Mr. John Trygstad of Norwest Corporation;

- cost input assumptions based on stripping and blasting estimates derived from the current mining contractors; and

- revenue input assumptions derived from an updated market study of the principal coking and thermal coal markets in China, completed by Fenwei.

The JORC (2012) Coal Reserve estimate for the BN deposit prepared on basis of the above is summarised in Table 6, with tonnage estimation based on an as-received basis total moisture with 1.8% for coking coal and 2.62% for thermal coal types.

Table 6. BN mining license JORC (2012) Coal Reserve estimate, as at 1 January 2023 (Notes):

ROM Coal Reserve	**Reserve Category (Mt)**		
Coal Type	**Proved**	**Probable**	**Total**
Coking	246	23	269
Thermal	10	1	11
Total	**256**	**24**	**280**

Notes:

(i) *The estimate of Coal Reserve presented in Table 6 has been carried out in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Technical information in the BN Coal Reserve estimation report has been compiled by Mr. Naranbaatar Lundeg, who is a member of the AusIMM (Member #326646). He is the General Director and Executive Consultant of Glogex. He holds a bachelor's degree of mining industrial management and a master's 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 21 years. During this time, he has either managed or contributed significantly to numerous mining studies related to the estimation, pit optimisation, mine planning, assessment, evaluation and economic extraction of coal in Mongolia. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify him as a Competent Person as defined under the JORC Code (2012). Mr. Lundeg consents to the inclusion in the release of the matters based on this information in the form and context in which it appears in this announcement.*

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

Production and Transportation

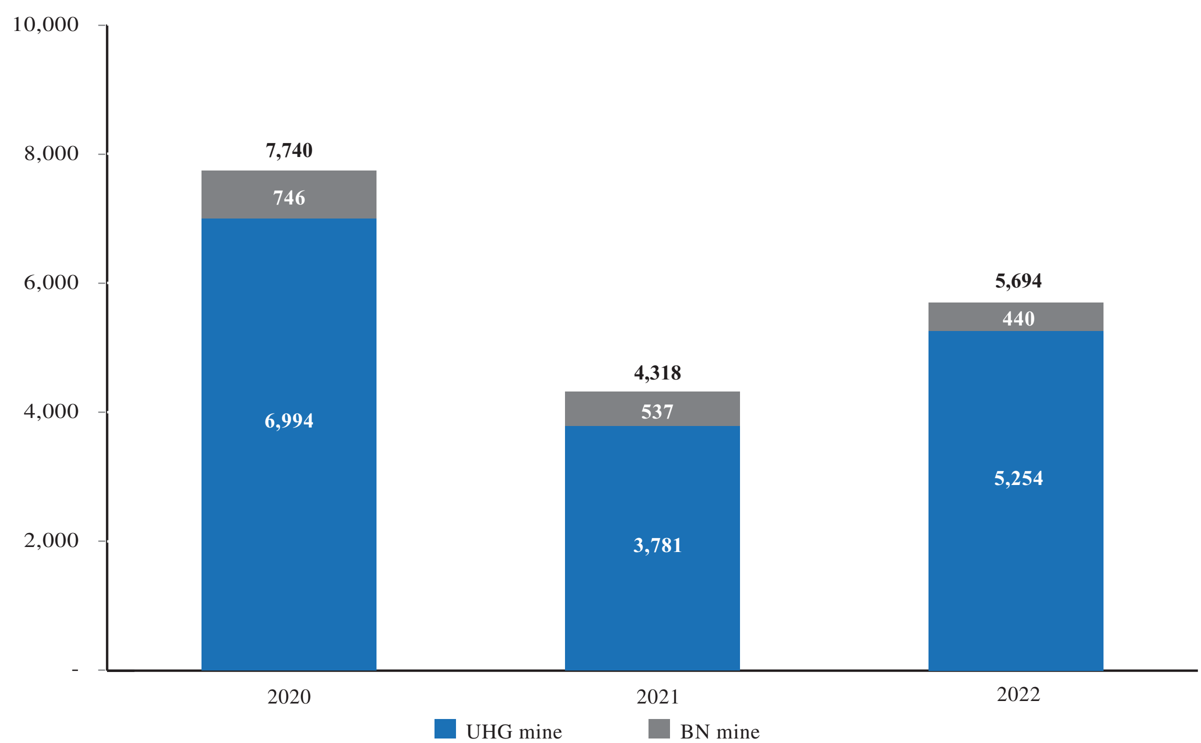
Coal Mining

The Group's total ROM coal production was 5.7 Mt in 2022, of which 5.3 Mt and 0.4 Mt of ROM coal was produced from UHG mine and BN mine, respectively.

A total of 27.9 million bank cubic metres ("**bcm**") of prime overburden was removed, resulting in an actual stripping ratio of 5.3 bcm per ROM tonne for the reporting year at UHG mine. At BN mine, a total of 3.6 million bcm of prime overburden was removed, resulting in an actual stripping ratio of 8.1 bcm per ROM coal tonne for the reporting year. The BN mine was suspended throughout most of the year and started operations from October 2022, attributable to improved conditions for cross-border logistics from the second half of 2022.

The Group's combined annual mine production from UHG and BN mines for the last three years is shown in Figure 1.

Figure 1. The Group's annual ROM coal production volumes (in thousand tonnes) for 2020-2022:

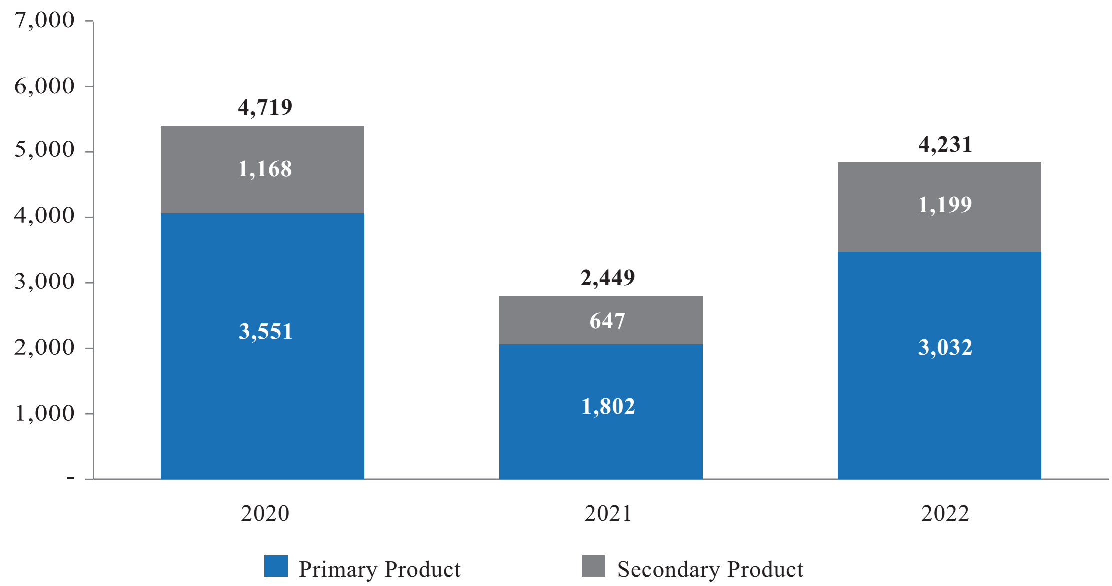


Coal Processing

The Group has processed a total of 6.6 Mt ROM coking coal in 2022, of which 6.0 Mt and 0.6 Mt was sourced from UHG and BN mines, respectively. The coal handling and preparation plant ("**CHPP**") has produced 3.0 Mt of washed coking coal as a primary product at 46% yield, and 1.2 Mt of washed thermal coal ("**middlings**") as a secondary product at 18% yield.

The Group's washed coal production in 2022 was adjusted to coal transportation and sales profile impacted by the COVID-19 related restrictions for the cross-border logistics during the first half of 2022. The comparative figures for the Group's processed coal production for the last three years are shown in Figure 2.

Figure 2. The Group's annual processed coal production volumes (in thousand tonnes) for 2020-2022:



Logistics Infrastructure

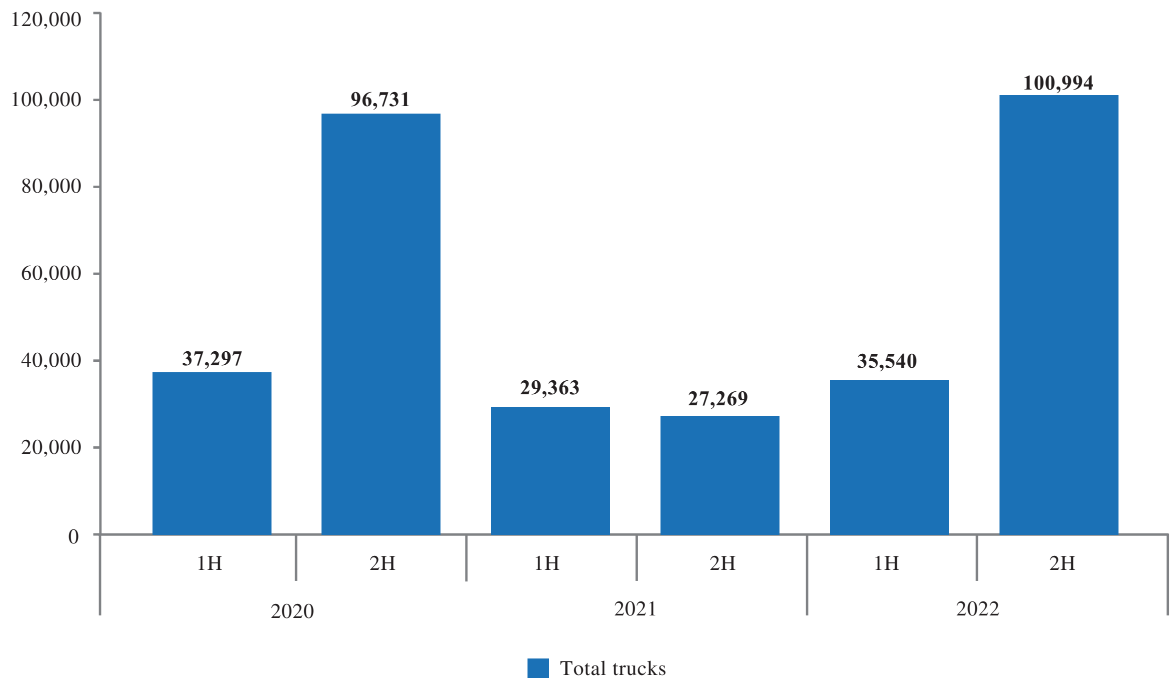
Tavantolgoi Railway LLC is undertaking the construction of the loop connecting the TT-GS railway to the UHG with commissioning expected in the first half of 2023. Simultaneously, the Group has built and completed a designated stockyard at UHG. This stockyard has capacity of containing 52 thousand tonnes ("**Kt**") of coal products made available for loading to wagons for shipment by railway.

Transportation and Logistics

During the first half of 2022, coal transportation and logistics operations via GS-GM were heavily impacted by limitations imposed by the Chinese authorities due to COVID-19. The throughput saw significant improvement from the second half of 2022 with cross-border traffic reverting back to pre-COVID levels during the fourth quarter of 2022.

According to the data compiled by the Group and its customers, 136,534 coal-loaded trucks passed from Mongolia to China via GS-GM border in 2022, which represents an increase of 141% compared to 56,632 coal-loaded trucks passed in 2021.

Figure 3. Total number of coal-loaded trucks crossing via GS-GM for 2020-2022:



The Group shipped its coal products for exports to China utilising trans-shipping facility at Tsagaan Khad ("**TKH**") and GS Terminal ("**GST**"). Coal was transported from UHG to TKH exclusively by the Group's own trucking fleet. Coal was stockpiled at TKH and after export clearance by Mongolian Customs, it was shipped further by trucks from TKH to GM. Concurrently, containerised coal was transported from TKH to GST by the Group's own trucking fleet and then shipped from GST to GM stockyards by third party contractors upon export clearance made by Mongolian Customs.

The Group's coal exports via various ports from Mongolia to China was 4.2 Mt in 2022, of which 3.5 Mt was transported via GS-GM (2.1 Mt shipped from TKH and 1.4 Mt shipped from GST), while the remaining coal was sold under EXW UHG terms whereby the purchasers were responsible for managing further transportation and logistics.

Occupational Health, Safety and Environment

During the reporting year, approximately 6.9 million man-hours were recorded as worked by employees, contractors, and sub-contractors of the Group. In 2022, three occurrences of Lost Time Injury ("**LTI**") was recorded, resulting in a lost time injury frequency rate of 0.43 LTIs per million man-hours worked equivalent being recorded as compared to 0.00 LTIs per million man-hours worked equivalent being recorded during 2021.

The Group is committed to creating and maintaining a culture of "Vision Zero" in which fatalities and incidents shall be fully preventable.

The Group identified and remedied 17 situations that may pose risks classified as class 1, risks that could result in fatality or permanent disabling injury, throughout our operational areas. Additional training and safety inductions were conducted as part of the countermeasure for the situations identified for all employees and contractors.

Risk assessment and safety analysis were conducted during the reporting year to minimise or eliminate work-related hazards and to enhance awareness of daily safety routines among the Group's employees. Routine working condition inspections and checks were performed, including monitoring heat, noise, lighting, vibration, dust and toxic gases. During the reporting year, the Group engaged a third-party to perform Occupational Health Risk Assessment and Workplace Condition Monitoring.

The Group continued to deliver Occupational Health, Safety and Environment specific training to employees, contractors, sub-contractors and visitors, with 12,434 training sessions to individuals, totaling 61,847 man-hours in 2022.

In 2022, Umnugobi aimag's Specialised Inspection Agency conducted their periodical review for the Group's operations and issued official evaluation report at "low risk" level, a check list score of 100 out of 100 (2021: 93 out of 100).

The Group's "Incident Investigation and Reporting Procedures" were updated in July 2019 and environmental incidents, classifications and reporting were included within the updated procedure. 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 2022, the Group recorded no environmental incidents with "high" or above classifications. One incident occurred with "low" classification which were related to oil spillage. For all incidents, full investigations were carried out to identify the root causes, and corrective and preventive actions were taken to prevent re-occurrences.

In accordance with the Law on Environmental Protection, an external audit on environmental management was conducted by the Environment and Tourism Department of Umnugobi aimag at the Group's mine site in December 2022 with the results in the areas of environmental management and legal compliance rated at 96.5% out of 100.0% (2021: 92.2% out of 100.0%).

The Group provides all employees with health insurance and with the health insurance coverage also including COVID-19 diagnosis and treatment package.

Sales and Marketing

In 2022, due to continued disruptions in export logistics via GS-GM, the Group continued to sell coal products under flexible approach by applying alternative delivery terms such as (i) EXW UHG; (ii) free carrier ("**FCA**") TKH; (iii) DAP GM; and (iv) FOT GM, while remaining committed to maintaining its relations with key end-user customers. The Group's coal products were consumed mainly in Inner Mongolia, Gansu, Hebei, and Jilin.

The Group sold a total of 4.7 Mt of coal products in 2022, split by coal product type as follows: (i) 3.5 Mt of HCC; (ii) 0.3 Mt of SSCC; (iii) 0.9 Mt of middlings and (iv) 54 Kt of raw thermal coal.

Under EXW UHG term, the Group sold its product at the UHG coal stockyard. FCA TKH terms refer to coal to TKH and sold after export clearance by customers. DAP GM terms refer to coal further delivered to GM without China side import declaration processed. When the Group's products are dispatched from GM after import customs clearance and quality inspections are completed by relevant authorities at GM, it is sold under FOT GM terms.

During 2022, the Group supplied free-of-charge 0.5 Mt of middlings under EXW UHG terms through ER to Tavan Tolgoi Tulsh LLC ("**TTT**") as part of its commitment to socially responsible operations. TTT is a state-owned entity, designated for manufacturing and distributing coal briquettes to Ulaanbaatar residents under the GoM's program to reduce air pollution and improve air quality during the winter heating season.

OUTLOOK AND BUSINESS STRATEGIES IN 2023

The global impact of the COVID-19 virus outbreak since early 2020 has brought uncertainties to the Group's operating environment. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures, such as temporary adjustment to levels of production. The Group will keep contingency measures under review as the situation evolves.

The COVID-19 virus outbreak negatively impacted the Group's financial results in the first half of 2022, but with continuous improvements observed throughout the second half of 2022, the Board continues to believe that the Group remains well positioned to pursue its strategic objectives and operational targets, as the COVID-19 situation is under control and business activities have begun to return to normal.

The Company remains committed to pursuing its 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 maximising assets utilisation; (iii) supporting initiatives to improve logistics infrastructure 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.

FINANCIAL REVIEW

Revenue

The Group's revenue during the reporting year increased by 197%, compared to 2021. The Group sold approximately 4.7 Mt of coal products and generated a total revenue of USD546.2 million during the reporting year, of which USD106.5 million was generated during the first half and USD439.7 million was generated during the second half of 2022. During the year ended 31 December 2021, the Group sold approximately 1.6 Mt of coal products and generated a total revenue of USD184.1 million. Total sales volume during the reporting year included approximately 3.5 Mt of HCC, 0.9 Mt of middlings and 0.3 Mt of SSCC, compared to 1.2 Mt of HCC, 0.4 Mt of middlings and 66.0 Kt of SSCC sold during 2021.

The Group's average selling price ("**ASP**"), which represents the price exclusive of applicable VAT in China, for HCC under FOT GM, DAP GM, FCA TKH and EXW UHG terms were USD169.1, USD144.9, USD156.8 and USD127.0 per tonne, respectively, during 2022. The Group's ASP of HCC under FOT GM, DAP GM and EXW UHG terms were USD146.2, USD168.9 and USD141.4 per tonne during 2021. Historically, delivery period from signing of sales contracts to revenue recognition upon delivery averaged around 1-2 weeks with minimal difference between the ASP and market price. Due to reduced border throughput, the delivery period prolonged to 239-256 days in the first half of 2022 and shortened to 150 days towards the end of 2022 following the border throughput recovery. This created a difference between the realised ASP from the presale contracts upon delivery and the market price.

During the reporting year, the Group derived individually more than 10.0% of its revenue from two customers, with purchase amounts of approximately USD81.2 million and USD79.6 million. For the year ended 31 December 2021, the Group derived individually more than 10.0% of its revenue from two customers, with purchase amounts of approximately USD30.2 million and USD23.3 million.

Cost of Revenue

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

In response to the COVID-19 pandemic and its impact on the border throughput, the Group temporarily made downward adjustments to production levels and suspended its operation from early 2022 until mid-May 2022. As a result, idling cost of USD24.4 million was recorded during 2022, of which USD10.6 million was attributable to depreciation and amortisation. During the year ended 31 December 2021, idling cost of USD20.0 million was recorded, from which USD8.2 million was attributable to depreciation and amortisation.

During the year ended 31 December 2022, the total cost of revenue was USD451.1 million, including idling cost, compared to USD161.5 million during the year ended 31 December 2021. Increase in cost of revenue was mainly due to higher sales volume, higher cost of supplies and consumables and increased royalty fees.

From the total cost of revenue, USD415.1 million was attributable to coal products produced from the UHG mine and USD36.0 million was attributable to coal products produced from the BN mine.

Table 7. Total and individual costs of revenue:

	Year ended 31 December	
	2022	2021
	(USD'000)	*(USD'000)*
Cost of revenue	**451,131**	161,490
Idling cost	**24,445**	20,021
Cost of revenue excluding idling cost	**426,686**	141,469
Mining cost	**147,846**	42,475
Variable cost	**74,045**	20,700
Fixed cost	**46,707**	12,771
Depreciation and amortisation	**27,094**	9,004
Processing cost	**43,734**	11,950
Variable cost	**16,182**	3,464
Fixed cost	**7,172**	1,703
Depreciation and amortisation	**20,380**	6,783
Handling cost	**9,960**	4,734
Transportation cost	**100,942**	43,138
Logistic cost	**9,589**	3,129
Variable cost	**5,633**	1,596
Fixed cost	**2,326**	1,166
Depreciation and amortisation	**1,630**	367
Site administration cost	**26,373**	10,837
Transportation and stockpile loss	**479**	2,269
Royalties and fees	**87,763**	22,937
Royalty	**84,047**	21,293
Air pollution fee	**1,833**	984
Customs fee	**1,883**	660

The mining costs consist of costs associated with overburden and topsoil removal and ROM coal extraction, including costs related to mining staff and equipment, together with base and performance fees paid to the mining contractor, blasting contractor fees and fuel costs. The mining contractor's base fee is indexed to the market coal price and is charged based on the total number of fleets utilised under the mining contract.

The Group identifies components of the mine in accordance with the mine plan. Accounting of the 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. The average accounting stripping ratio for components mined was 4.7 bcm per tonne for the year ended 31 December 2022 (2021: 3.7 bcm per tonne).

Unit mining cost, excluding idling cost, was USD17.8 per ROM tonne for the reporting year, compared to USD16.7 per ROM tonne during 2021. Increase in unit mining cost is mainly due to increase in fuel cost, blasting cost and higher accounting stripping ratio.

Table 8. Unit mining cost per ROM tonne, excluding idling cost:

	Year ended 31 December	
	2022	2021
	(USD/ROM tonne)	*(USD/ROM tonne)*
Mining cost	**17.8**	16.7
Blasting	**1.0**	0.9
Plant cost	**5.0**	5.0
Fuel	**2.9**	2.2
National staff cost	**1.3**	1.1
Expatriate staff cost	**0.3**	0.4
Contractor fee	**3.9**	3.5
Ancillary and support cost	**0.1**	0.1
Depreciation and amortisation	**3.3**	3.5

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

Processing costs primarily include costs associated with operations of the CHPP including power generation and water extraction costs. During the year ended 31 December 2022, the Group's processing costs were approximately USD43.7 million (2021: USD11.9 million), of which approximately USD20.4 million was related to the depreciation and amortisation of the CHPP, USD5.2 million was costs related to power generation and distribution, and USD1.8 million was costs incurred for water extraction and distribution related to the washed coal sold during the reporting year.

Unit processing cost, excluding idling cost, calculated per ROM coal in-feed tonne was USD5.2 per ROM tonne for the year ended 31 December 2022 compared to USD4.8 per ROM tonne during 2021.

Table 9. Unit processing cost per ROM tonne, excluding idling cost:

	Year ended 31 December	
	2022	2021
	(USD/ROM tonne)	*(USD/ROM tonne)*
Unit processing cost	**5.2**	4.8
Consumables	**0.4**	0.3
Maintenance and spares	**0.7**	0.6
Power	**0.6**	0.3
Water	**0.2**	0.2
Staff	**0.3**	0.4
Ancillary and support	**0.5**	0.3
Depreciation and amortisation	**2.5**	2.7

Handling costs are related to feeding ROM coal from ROM coal stockpiles to the CHPP, raw and thermal coal handling, and the removal of course reject (primarily rock and sediment separated from coal) after coal processing. Due to increase in sales volume, the Group's total handling costs increased to approximately USD10.0 million compared to USD4.7 million recorded during 2021.

During the year ended 31 December 2022, the Group's transportation costs were USD100.9 million (2021: USD43.1 million) including fees paid for the usage of the UHG-GS paved road.

The Group used two-step shipment for coal export transportation from the mine area to GM during the reporting year. The first step is around 240 km long-haul section from UHG to TKH, the transshipment yard on the Mongolian side of the border. The Group used solely its own double-trailer trucking fleet on the long-haul section with transportation cost of USD7.2 per tonne during the year ended 31 December 2022 compared to USD9.9 per tonne during the year ended 31 December 2021. As a result of higher sales volume achieved during the reporting year, fixed cost component per unit decreased on the long-haul section.

The second step is around 20 km cross border short-haul shipment between TKH and GM, the Chinese side of the Sino-Mongolian border crossing. During the reporting year, on this short-haul section the Group utilised a combination of its own trucking fleet, third party contractors fleet, as well as the containerised coal shipments from GST. The improvement of border throughput in the second half of 2022 has allowed third party contractors' tariff to decline. As a result, the transportation cost on the short-haul section reduced to USD22.5 per tonne in the second half of 2022, compared to USD44.4 per tonne recorded during the first half of 2022 (2021: USD27.7 per tonne). The overall unit transportation cost decreased to USD26.9 per tonne in 2022 compared to USD37.8 per tonne recorded in 2021.

For the year ended 31 December 2022, the Group recorded a total transportation loss of around USD1.1 million (2021: USD0.3 million), and unrealised inventory gain of USD0.6 million for ROM coal and washed coal product stockpiles (2021: unrealised inventory loss of USD1.9 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.

Site administration costs are primarily associated with the site support facilities, such as overall supervision and management of the Group's mining, processing, transportation, and laboratory activities. During the year ended 31 December 2022, the site administration costs were USD26.4 million compared to USD10.8 million during 2021. Increase in site administration costs was mainly due to increased sales volume.

Logistics costs are associated with loading and unloading of coal products at UHG, TKH and GST. The Group's logistics costs were USD9.6 million during the reporting year, compared to USD3.1 million during 2021. Main factor for the increase in logistics costs was the higher sales volume.

Governmental royalties and fees are related to royalties, air pollution fees and customs fees paid in accordance with the applicable laws and regulations of Mongolia. The progressive royalty rate is applied in the range of 5% to 8% for exported processed coal products and 5% to 10% for exported raw coal products based on monthly reference price determined by the relevant governmental authorities of Mongolia. Historically, the Group's ASP and reference prices were more closely aligned and effective royalty rates have been stable between 5% to 6%. However, due to the prolonged delivery period and irrelevant source of references prices set by the authorities, the difference between ASP and the reference prices have widened substantially compared to historical levels. Following the border throughput recovery in the second half of 2022, such difference started to narrow. The Group's effective royalty rate dropped to 13.8% in the second half of 2022, compared to 21.7% recorded in the first half of 2022 for coal exported from Mongolia based on customs clearance documentation (2021: 11.6%).

Gross Profit

The Group's gross profit for the year ended 31 December 2022 was approximately USD95.1 million, compared to gross profit of approximately USD22.6 million recorded for the year ended 31 December 2021. Increase in gross profit is mainly attributable to higher sales volume recorded during the reporting year.

Non-IFRS Measure

Certain parts of financial reporting and disclosure may contain non-IFRS financial measures and ratios, such as EBITDA/LBITDA, adjusted EBITDA/LBITDA, free cash flow and net debt, which are not recognised 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.

The Group's adjusted EBITDA for the year ended 31 December 2022 was approximately USD133.8 million (adjusted LBITDA of approximately USD8.7 million was recorded for the first half of 2022), compared to the adjusted EBITDA of approximately USD38.1 million recorded for the year ended 31 December 2021.

Selling and Distribution Costs

The Group's selling and distribution costs were USD2.4 million for the year ended 31 December 2022 (2021: USD9.6 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 realised under FOT GM term for inland China sales activities. Decrease in selling and distribution costs was mainly attributable to lower sales volume under FOT GM term compared to the prior reporting year.

General and Administrative Expenses

The Group's general and administrative expenses relate primarily to head office staff costs, consultancy and professional fees, donations, depreciation and amortisation of office equipment and other expenses. For the year ended 31 December 2022, the Group's general and administrative expenses were approximately USD24.8 million (2021: USD24.2 million).

Net Finance Costs

Net finance costs for the year ended 31 December 2022 were approximately USD40.8 million (2021: USD48.9 million). Net finance costs comprised (i) accrued interest expense of 9.25% per annum on the Senior Notes due 2024 with initial principal amount of USD440,000,000, of which USD63,591,000 was repurchased by the Group during 2022, (ii) accrued interest expense of 5% to 8% per annum based on benchmark coal price on the Senior Notes due 2022, which was fully repaid on 30 September 2022, (iii) change in fair value of the derivative component of the Senior Notes due 2022, including the interest rates linked to the benchmark coal price index and cash sweep premium, (iv) amortisation of the difference between the fair value and the principal amounts due on the Senior Notes due 2022 and the Senior Notes due 2024 using the effective interest rate method, and (v) foreign exchange net gain.

Decrease in net finance costs during the reporting year was mainly due to foreign exchange net gain recorded in relation to Renminbi ("**RMB**") and MNT depreciation against USD during the reporting year and change in fair value of the derivative component of the Senior Notes due 2022. Breakdown of the net finance costs is set out in note 6 to the consolidated financial statements.

Repurchase of Senior Notes due 2024

On 7 November 2022, the Company announced an invitation to tender for cash in relation to the Senior Notes due 2024 (the "**Tender Offer**"). On 9 December 2022, upon completion of the Tender Offer, a principal amount of USD42,591,000 of the Senior Notes due 2024 was repurchased for a total consideration of USD26,832,330, with the purchase price being USD630 per USD1,000 principal amount.

In addition, during the year ended 31 December 2022, the Company repurchased a total principal amount of USD21,000,000 of the Senior Notes due 2024 from the open market for a total consideration of USD12,839,000.

The excess of derecognised carrying value of the Senior Notes due 2024 over the consideration to settle the financial liabilities, amounting to approximately USD23,144,000 has been recognised as a gain and credited to profit or loss during the year ended 31 December 2022.

Income Tax Expenses

As a result of recognised deferred tax asset, the Group incurred income tax credit of USD4.2 million during the year ended 31 December 2022 (2021: income tax credit of USD5.0 million).

Profit for the Year

The profit attributable to equity shareholders of the Company for the year ended 31 December 2022 increased to approximately USD59.2 million due to higher sales volume, compared to USD55.2 million loss attributable to equity shareholders recorded in 2021.

Liquidity and Capital Resources

For the year ended 31 December 2022, the Group's cash needs were primarily related to working capital requirements.

Table 10. Combined cash flows:

	Year ended 31 December	
	2022	2021
	(USD'000)	*(USD'000)*
Net cash generated from operating activities	**233,779**	84,911
Net cash used in investing activities	**(87,916)**	(56,763)
Net cash used in financing activities	**(103,874)**	(41,664)
Net increase in cash and cash equivalents	**41,989**	(13,516)
Cash and cash equivalents at the beginning of the year	**25,937**	38,904
Effect of foreign exchange rate changes	**(3,231)**	549
Cash and cash equivalents at the end of the year	**64,695**	25,937

Note: USD87.9 million used in investing activities comprises (i) USD76.7 million incurred for payments of deferred stripping activity, of which USD30.0 million were payables incurred in previous years, (ii) USD11.3 million used for acquisition of property, plant and equipment and other assets, and (iii) USD0.1 million generated from interest income.

The gearing ratio (calculated based on the fair value of total bank and other borrowings as stated in the consolidated financial statements of the Group as at 31 December 2022 divided by total assets) of the Group as at 31 December 2022 was 20.5% (31 December 2021: 24.1%). Borrowings are denominated in USD. Cash and cash equivalents are mainly held in USD, RMB and MNT.

Indebtedness

As at 31 December 2022, the Group had USD376.4 million outstanding principal payment of 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 31 December 2022, the Group had approximately USD4.4 million in trade receivables and USD87.7 million in other receivables. As at 31 December 2021, the Group had approximately USD14.0 million in trade receivables and USD85.5 million in other receivables.

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

With regards to other receivables of USD87.7 million, this amount is mainly related to USD33.0 million VAT receivables and USD53.8 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 31 December 2022 and 31 December 2021 amounted to USD21.5 million and USD22.7 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 31 December 2022 and 31 December 2021.

Contingent Liabilities

As at 31 December 2022, the Company has contingent liability in respect of the consideration adjustments for the acquisition of BN mine pursuant to the share purchase agreement (the "**Share Purchase Agreement**") entered into by the Company and its subsidiary Mongolian Coal Corporation Limited with Quincunx (BVI) Ltd. and Kerry Mining (Mongolia) Limited on 31 May 2011 in relation to the acquisition of the entire share capital of Baruun Naran Limited (formerly known as QGX Coal Ltd.), which may arise from the royalty provision. Under the royalty provision, an additional LOM payment of USD6 per tonne may be payable in each semi-annual period after 1 June 2011 commencing on 1 January and ending on 30 June and commencing on 1 July and ending on 31 December, in the event that the actual amount of coal extracted from the BN mine exceeds a specified semi-annual production target fixed on the date of the determination of the total reserves.

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

Financial Instruments

The Company's share option scheme, adopted on 17 September 2010 ("**Share Option Scheme**"), became effective on the Listing Date on 13 October 2010, in which the Board is authorised, at its discretion, to grant to eligible participants options to subscribe for shares ("**Share Options**" or "**Options**") subject to the terms and conditions stipulated therein as incentives or rewards for their contributions to the Company. The Share Option Scheme expired on 12 October 2020; however, the provisions of the Share Option Scheme remain in force to the extent necessary to give effect to any Options granted or exercised thereto or otherwise as may be required.

On 8 May 2017, the Company granted 40,000,000 and 100,000,000 Share Options to a director and employees, respectively, at the exercise price of HKD0.2392. The outstanding number of the Share Options was adjusted to 13,740,000 Share Options and the exercise price was adjusted to HKD2.392 due to the share consolidation in August 2019. On 8 May 2022, the Share Options granted on 8 May 2017 lapsed after 5 years since the allocation and a total number of 10,900,000 Share Options were exercised during the year ended 31 December 2022.

On 16 June 2021, the Company adopted a new share option scheme ("**New Share Option Scheme**"), in which the Board is authorised, at its discretion, to grant to eligible participants options to subscribe for shares subject to the terms and conditions stipulated therein as incentives or rewards for their contributions to the Company. No Share Options had been granted under the New Share Option Scheme during the year ended 31 December 2022.

Capital Commitments and Capital Expenditures

As at 31 December 2022 and 2021, the capital commitments outstanding were as follows:

Table 11. Capital commitments:

	As at 31 December 2022 ***(USD'000)***	As at 31 December 2021 *(USD'000)*
Contracted for	–	763

Table 12. The Group's historical capital expenditure for the periods indicated:

	Year ended 31 December	
	2022	2021
	(USD'000)	*(USD'000)*
CHPP	**155**	795
Investment in associate company	**6,951**	785
Others	**4,189**	10,764
Total	**11,295**	12,344

Significant Investments Held

As at 31 December 2022, the Company did not hold any significant investments.

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

In the course of 2022, the Company did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures. Subsequent to the end of the reporting year, the Company entered into an investment agreement with Erdene Mongol LLC ("**EM**") and Erdene Resource Development Corporation to subscribe for 50% of the share capital of EM, a company engaged in the exploration of gold and other precious metals for a total consideration of USD40.0 million (the "**Investment Agreement**"). Pursuant to the Investment Agreement, the Company has paid USD5.0 million to EM in January 2023 and the remaining USD35.0 million is expected to be made during the course of 2023 subject to the completion of a series of milestones. Following the third closing under the Investment Agreement, EM will become a subsidiary of the Company and its financial results will be consolidated into that of the Group. For further details on the terms and conditions of the Investment Agreement, and other information related to, inter alia, EM, please refer to the announcement of the Company dated 11 January 2023.

Other and Subsequent Events

Save as disclosed in this annual results announcement, there have been no events subsequent to 31 December 2022 which require adjustment to or disclosure in this annual results announcement.

Employees

As at 31 December 2022, the number of employees of the Group was 1,979, compared with 1,880 employees as at 31 December 2021.

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 Share Option Scheme expired on 12 October 2020. On 16 June 2021, at the annual general meeting ("**AGM**") of the Company for that year, the New Share Option Scheme was adopted and would be effective for a period of 10 years.

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

Training and development programs shall be designed for the interest and welfare of the Company and employees. An employee who has completed his/her training is expected to apply the knowledge into practice and share the newly gained experience with co-workers. The immediate management shall be responsible for the support and supervision of the process. During the year ended 31 December 2022, the Company focused on internally sourced trainings rather than trainings provided by external parties. As at 31 December 2022, a total of 5,932 employees attended different professional trainings, out of which 4,925 employees attended occupational, health, and safety training, 218 employees attended professional development training and 789 employees attended general skills development training.

During the reporting year, the Group continued online safety training for all office workers, a new series of specific theoretical and practical trainings were provided to 80 mining heavy equipment operators. In order to improve the skills and methods of the training instructors, they were enrolled in different ISO module trainings as well as given first aid training and additional general skills training.

For the year ended 31 December 2022, the Group's staff cost was USD30.2 million, compared to USD23.3 million in 2021.

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

For the year ended 31 December 2022, neither the Company nor 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 a dividend for the year ended 31 December 2022 (dividend for the year ended 31 December 2021: nil).

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by the 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 year ended 31 December 2022.

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

Corporate Governance

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. The CG Code provision F.2.2 stipulates that the chairman of the board should attend the AGM 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 2022 AGM of the Company held on 20 June 2022. Mr. Odjargal Jambaljamts joined the 2022 AGM via webcast.

According to CG Code provision C.5.1, the Board should meet regularly, and board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2022, the Board only held three regular board meetings. In view of the Group's business nature, the executive management of the Group actively manages and supervises the business operations by way of express delegation by the Board and under clear instructions and frameworks which were set and approved by the Board. Nevertheless, the Board was kept well informed of all developments relating to the Group's operations in a timely manner. The Board will endeavour to comply with CG Code provision C.5.1 going forward. Save as disclosed above, the Company has complied with all other applicable code provisions as set out in the CG Code for the year ended 31 December 2022.

Review of Annual Results

The financial figures in respect of the Group's consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income for the year then ended and the related notes thereto as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the auditor on the preliminary announcement.

Closure of the Register of Members

The register of members of the Company will be closed from Wednesday, 14 June 2023 to Monday, 19 June 2023, both days inclusive. During such period, no transfer of shares of the Company will be registered. For the purpose of ascertaining the members' entitlement to attend and vote at the forthcoming AGM of the Company to be held on Monday, 19 June 2023, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 13 June 2023.

Review by the 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 has reviewed the annual results of the Company for the year ended 31 December 2022.

Publication of Annual Results and Annual Report

The annual results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.mmc.mn), and the annual report of the Company for the year ended 31 December 2022 will be despatched to shareholders of the Company and published on the above-mentioned websites in due course.

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

Hong Kong, 21 March 2023

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