

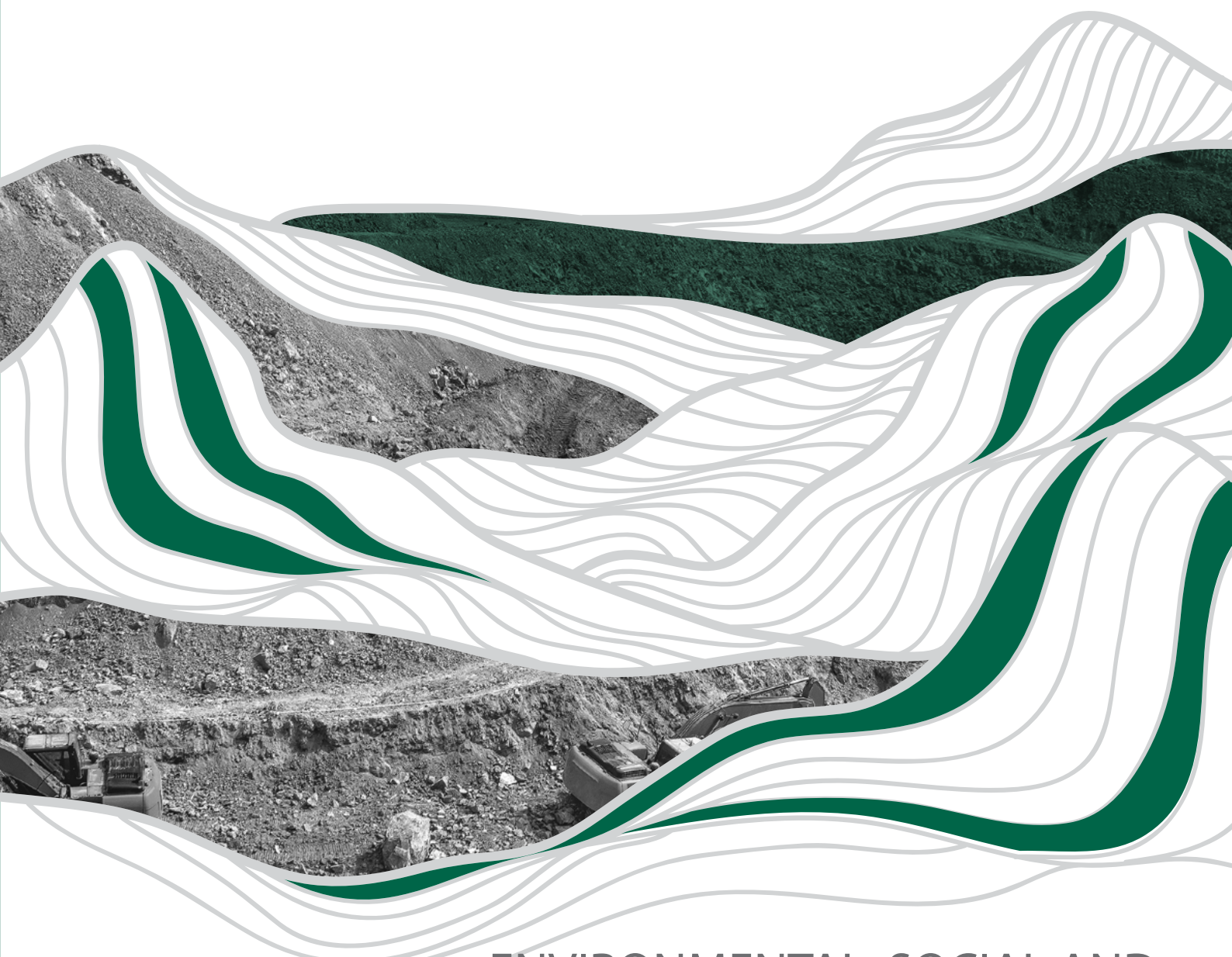
MEC

MONGOLIA ENERGY CORPORATION

蒙古能源有限公司

Incorporated in Bermuda with limited liability

Stock Code: 276



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2023

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ABOUT THE REPORT



This Environmental, Social and Governance Report (“**Report**” or “**ESG Report**”) provides information about the principles and actions of sustainable development of Mongolia Energy Corporation Limited (“**MEC**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) as a corporate citizen and its relationships with major stakeholders. The contents of this ESG Report have been prepared after taking into account the materiality of sustainability issues arising from the Group’s operations.

OUR PURPOSE

To acquire, explore, and develop energy and mineral resources related projects in a professional, sustainable, and responsible manner. We aim to become a globally recognized energy and resources company while maximizing returns to stakeholders.

OUR VALUES

MEC’s Sustainability Values are driven by integrity and responsibility:



TRANSPARENCY



OPPORTUNITY



COMMUNITY



ACTION



RESPONSIBILITY



EDUCATION

- T:** We ensure the disclosure of relevant information in a prompt and frank manner to our stakeholders.
- O:** We intend to seek the best potential outcome in each situation to create a better future for our Company and stakeholders.
- C:** We are keen to create a sense of unity through shared common goals and interests, not only with our shareholders, but also with our employees and local communities.
- A:** We do what is necessary to achieve our goals without compromising any of our core values and beliefs.
- R:** We abide by our Company’s moral obligations and the regulations of our host countries, and are always accountable for our actions.
- E:** We take pride in sharing our values and knowledge with all of our stakeholders, and believe that there is much we can learn from each other.



ABOUT THE REPORT (CONTINUED)

OUR STRATEGY

We carry out our purpose and values through the effective leadership of our board of directors (the “**Board**”), the effort of our management, our operations, and the contributions from our stakeholders including shareholders, staff members, customers, suppliers, local communities and governmental units.

INFORMATION OF THIS ESG REPORT

The disclosure of the ESG data in this Report not only provides MEC’s investors comprehensive information for evaluating the Group’s operations, but also acts as a platform to help us develop image and trust among all involving stakeholders such as MEC’s shareholders, customers, governments of the countries where we operate and the local communities. All information included in this Report is based on the data submitted to the relevant Mongolian governmental agencies and results of regularly monitored reports of performance from the Khushuut mine site and Xinjiang washing plant, as well as from data of other governmental authorities, and the information and sources which we believe to be true and correct¹.

BOUNDARY AND SCOPE OF THIS REPORT

The Report presents the work that we had done on environmental and social aspects for the financial year, from 1 April, 2022, to 31 March, 2023 (“**Financial Year**”) and includes the environmental and social responsibility programs taken place at Khushuut mine site and the entire far-western province of Khovd, Mongolia, and at our washing plant in Xinjiang, the People’s Republic of China (“**PRC**” or “**China**”). However, some of the information is presented on calendar-year basis in order to ensure that it is consistent with the information submitted to the various governmental bodies in Mongolia and the PRC.

REPORTING GUIDE

This Report is in accordance with the ESG Reporting Guide under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The ESG Reporting Guide encourages companies to report on practices and performance that relate to sustainability in a manner that is transparent and uses a globally shared framework of indicators. For the purpose of ensuring the materiality and consistency of data presented in this Report, and to allow accurate trends of comparison and conclusions, we have been presenting, where possible, the annual data and indicators in the same uniform structure and format as the past reporting years.

REPORTING PRINCIPLES

Materiality: As we are principally engaged in coal mining business for providing energy resources to our customers, it is inevitably that our environment will be disturbed. Therefore, it is our priority to preserve environment through our careful and thoughtful planning in the process of operation. That is, to minimise the impact of our operation on the environment and to improve, if not restore, the affected areas as best as we could to their original state before mining. Sustainability relates not only to our business and environment, but also to the people. In this connection, we regard our employees as the major assets of our Group. Therefore, health, safety and welfare of our staff members and our communities have been given major attention in our goal of sustainability. Through the communication and feedback from our stakeholders including management, staff member, shareholders, customers, suppliers and governmental bodies from various channels, our “to care” priorities are the environment, health and safety of people and communities in our goal of sustainability.

¹ For external assurance, MEC has instructed a certified corporate law firm in Mongolia, TemugeLaw LLC, (www.temugelaw.com) to verify the Report’s compliance facts in Mongolia.

Quantitative: Information on the standards, methodologies, assumptions and calculation methods employed in this ESG Report are set out in the relevant sections.

Consistency: For the purpose of ensuring the materiality and consistency of data presented in this Report, and to allow accurate trends of comparison and conclusions, we have been presenting, where possible, the annual data and indicators in the same uniform structure and format as the past reporting years unless otherwise stated.

CORPORATE GOVERNANCE STRUCTURE

We believe good corporate governance principles and practices are the foundation of a company's long-term success. MEC maintains the highest ethical standards when making decisions to protect the interests of the Company and its shareholders. Our governance policies and practices are well-established and apply to every business activity at all levels.

The Board of Directors is the highest governance body within the Group having the responsibility to review and maintain the corporate governance. It ensures that the Group is consistently conducting the business in a socially responsible and ethical manner, as well as handling alleged unethical conducts and violation of rules promptly and discreetly. Members of the Board have a diverse range of business and professional expertise, and possess appropriate experience and competencies to discharge their duties effectively. We are committed to follow the best practices in managing the environmental aspects of our operations. We pay utmost attention to minimize the impact and invest considerable amount of our resources in environmental management and community relations.

The Board sets and regularly reviews the policies of the Company in carrying out the purpose and values of the Group in the conduct of its business. It gives strategic directions as well as managing the implementation of our business strategies.

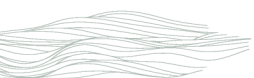
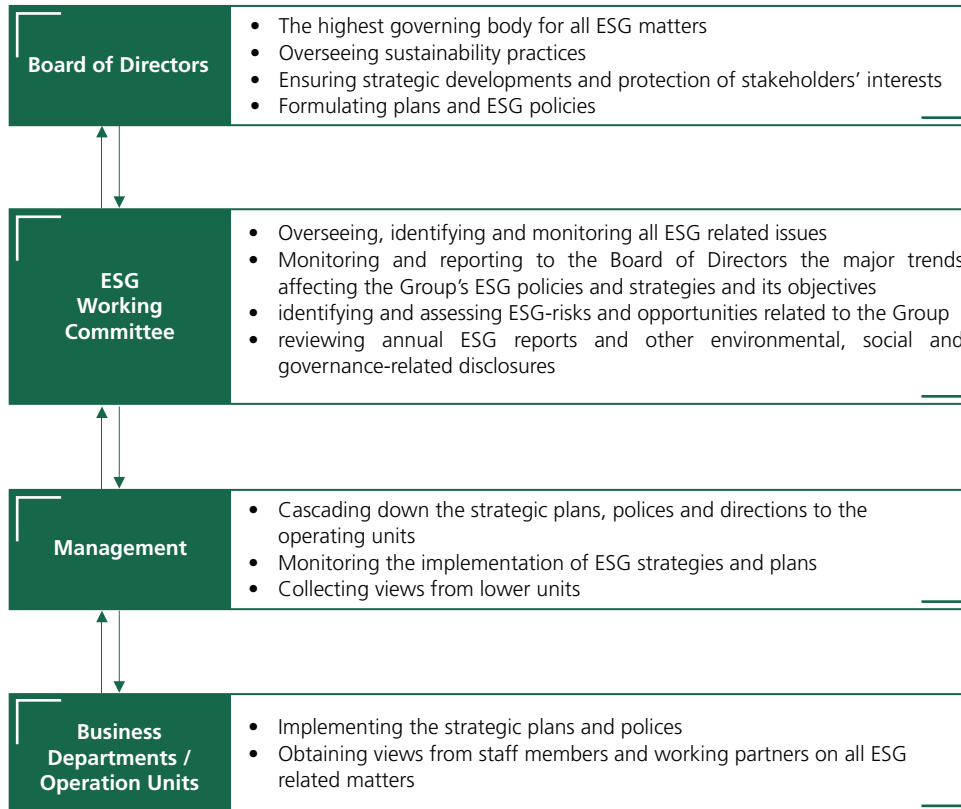
The Board is the highest authority of the Group to oversee the ESG issue. The ESG Working Committee is responsible to oversee the Group's strategies, policies, and practices on ESG matters, identify and review ESG issues, related risks, monitor ESG performance, make recommendation, and update the latest development to the Board.

Under the ESG structure, the management has the responsibility to cascade down the ESG strategic directions to the business units and to monitor the implementation plans. The business units will comply with the directions given by the management and to implement the ESG policies in their daily operation, gather feedback from their working partners and reflect the relevant issues up to the ESG hierarchy.



ABOUT THE REPORT (CONTINUED)

ESG GOVERNANCE STRUCTURE



THE COMPANY



THE COMPANY (CONTINUED)

MEC is an investment holding company. The Group's principal business is coal mining and exploration which is operated by our indirect wholly-owned subsidiary in Mongolia, MoEnCo. Our principal project is the Khushuut Coking Coal Project in Khovd province, Mongolia. We sell coking coal and thermal coal to our customers in China and Mongolia.

As of early 2023, the Khushuut's project consists of:

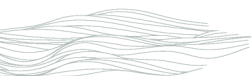
- (i) open pit coal mine with approximately 311.38 hectares of mine-disturbed area;
- (ii) a dry coal processing plant ("**DPP**") with an annual two million tonnes capacity;
- (iii) a 400 people capacity camp at Khushuut mine site;
- (iv) an on-site chemical laboratory, repair workshops for heavy duty mine machineries and trucks, and other technical facilities;
- (v) 311 km heavy duty paved road from the mine to Bulgan border crossing point with the PRC;
- (vi) Uyench Customs Bonded Yard ("**Uyench CBY**") and processing center with a 60-resident capacity camp, covering 50 hectares;
- (vii) a customs processing point near the border between Mongolia and China covering ten hectares; and
- (viii) a washing plant in China operated by our PRC subsidiary.

The Khushuut mine is located at the height of 2,000 meters in average above sea level in Altai Mountains, exposing to extreme weather conditions throughout the year. Temperatures fluctuate between 28°C in summer and -40°C in winter. Winter is long with heavy snowfall and gale force wind between October and April. The wind is always strong and gusty on-site with wind speed of up to 20 meters per second. Extreme weather conditions and remote mountainous terrain not only make the mining operations challenging, but also call for specific environmental conservation policies and measures. Significant resources are required to conserve the environment and minimize the impact of our operations on the local community.

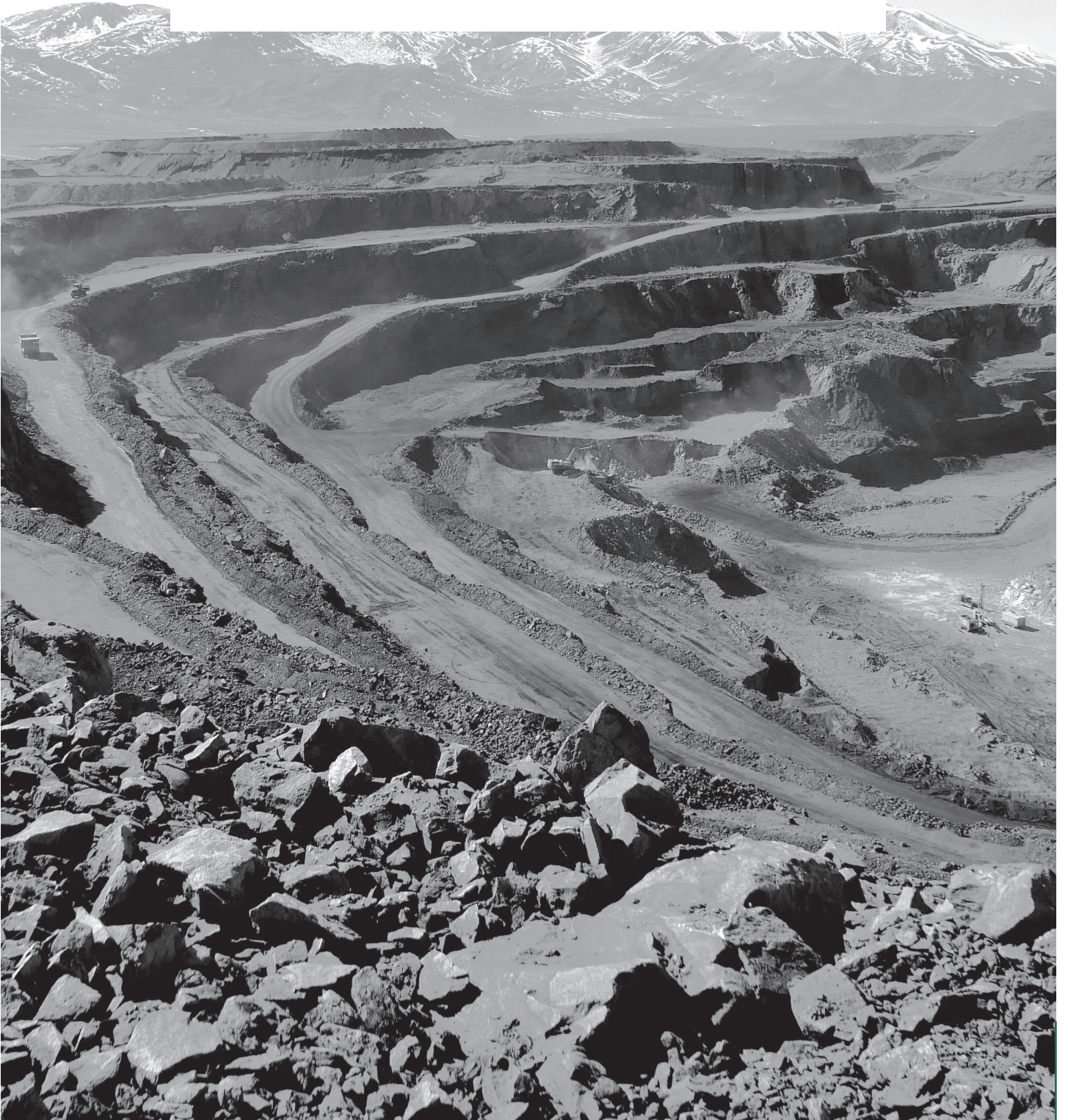
MoEnCo has been ranked one of the top 100 Mongolian companies for five consecutive years since 2017 in Mongolia.

During the 100th anniversary of the modern mining industry in Mongolia, the Ministry of Mining and Heavy Industry highlighted and celebrated the leading companies of the sector for the year of 2022. MoEnCo was nominated as the "Best Transparent Enterprise", by the Mongolian government.

The Group understands while operating as one of the top Mongolian mining companies, we have a duty to work responsibly and minimize the impact of our operations on the environment while maximizing the good return to all our stakeholders.



ENVIRONMENTAL

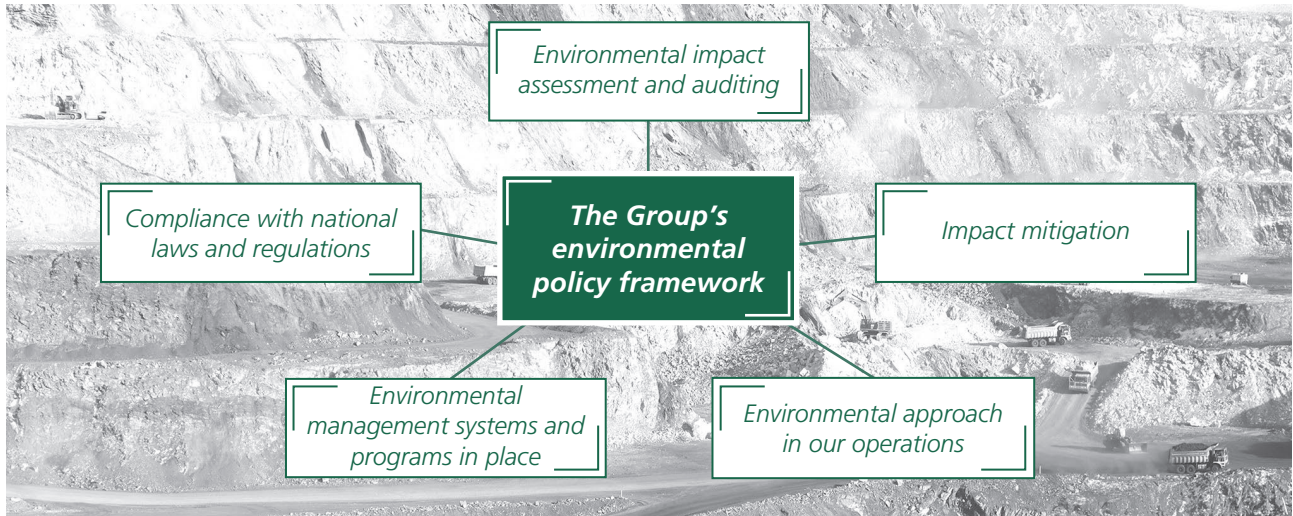


ENVIRONMENTAL (CONTINUED)

ENVIRONMENTAL POLICY AND MANAGEMENT

The Group believes that through a deliberate planning of our mining-related projects, implementation of pollution control measures, monitoring the effects of mining and rehabilitation of mined areas would minimize the impact of our activities on the neighboring communities, restoring the environment and maintaining long-term land sustainability.

The Group's environmental responsibility principles and actions make up the following structure:



MEC sees the importance of promoting green culture at our workplace and encourages our employees to sustain green efforts in their daily lives. Our Hong Kong head office has participated in the World Green Organization ("WGO") Green Office Awards Labelling Scheme since 2015, which is a programme that strives to ensure environment sustainability as set out in the United Nations Sustainable Development Goals (UNSDG) and there has been eco-healthy workplace practice enriched the scheme in recent years. In recognition of our efforts and commitment to reduce energy consumption and waste, and move further towards a low carbon office operation, MEC has been awarded the WGO's "Green Office" Label since 2015. MEC has also been awarded the "Eco-Healthy Workplace" Label since 2017. The two awards demonstrate that we have done our utmost from the top level in Hong Kong in promoting green and healthy workplace practice.

As a country with scarce water resources, harsh climate and lands prone to desertification and erosion, Mongolia imposes rigorous regulations, permit application requirements and procedures on environmental conservation, management and reporting. MoEnCo has to conduct its operations in compliance with the relevant environmental legislations strictly, including but not limited to, the Minerals Law of Mongolia, the General Law on Environmental Protection, Law on Environmental Impact Assessments, Air Law, Land Law, Water Code and other laws as well as a number of national standards. MoEnCo has adopted its environmental management system (“**EMS**”) and integrated it into the mining and related operations for the purposes of clean production and environmental conservation.

MnEnCo’s environmental management system is a main component of the overall environmental management. Effective implementation of the EMS helps us to comply with the environmental laws and regulations, identify technical and economic benefits, and ensure that corporate environmental policies are timely adopted, followed and reported to the Mongolian government and the shareholders of the Company. MoEnCo’s EMS consists of the following:

- **Health, Safety and Environmental (“HSE”) Department** oversees the environmental protection compliance and performance of MoEnCo. The team is responsible for preparing and effective implementation of MoEnCo’s environmental management plans and programs.
- **Legal Department** works closely with the environmental management team to ensure compliance with the relevant environmental legislations. The Department is responsible for developing and having adopted internal regulations and procedures concerning the environmental compliance, ensuring timely submission of environmental plans and reports to related authorities, and obtaining the requisite licenses, certification and permits.
- **Emergency Response Team** identifies and addresses possible measures to reduce the adverse impacts of our operations on the environment and health and safety of our workers and surrounding community.

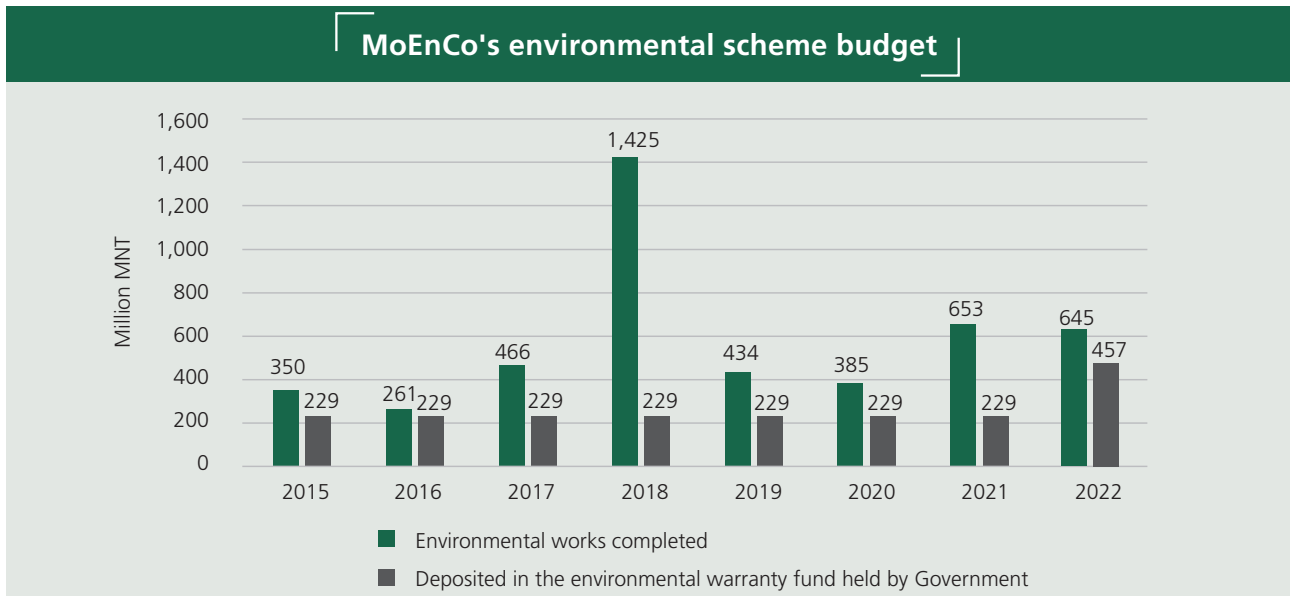


Under the Mongolian law, a mineral licence holder must deposit certain funds as assurance for its environmental reclamation. As of early 2023, MoEnCo accrued approximately MNT457 million (approximately HK\$1,172,065.35²) in a special warranty account of Ministry of Environment and Tourism. Under our 2022 Environmental Management Plan, we disbursed approximately MNT645 million (approximately HK\$1,654,227.90) for the planned environmental protection works.

² In this Report, conversion of Mongolian togrogs into HK\$ based on the exchange of HK\$1=MNT389.91. No representation is made that only togrogs can be or could have been converted at the above exchange rate or any other rates.



ENVIRONMENTAL (CONTINUED)



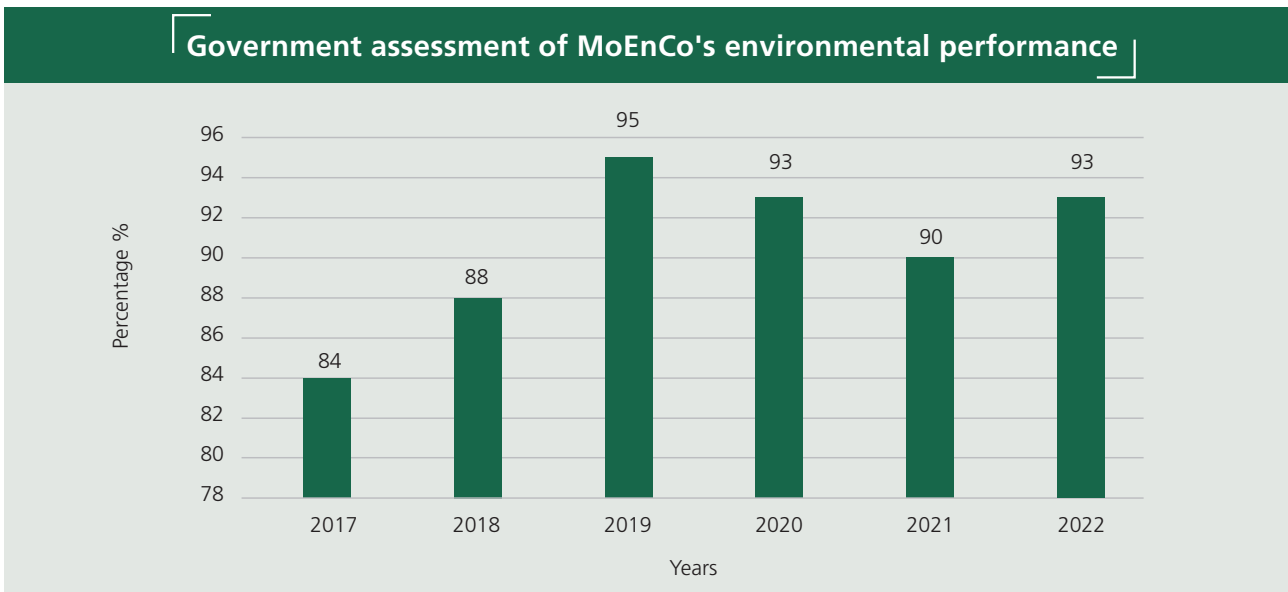
MoEnCo submits an annual environmental management plan for the coming year to the three Mongolian governmental agencies for approval: (i) the Ministry of Environment and Tourism of Mongolia, (ii) the Mineral Resources and Petroleum Authority of Mongolia and (iii) General Agency for Specialized Inspection. In addition, MoEnCo's environmental team holds meetings regularly with experts of the General Agency for Specialized Inspection, environmental inspectors of Khovd province Government and other related government officers in relation to our environmental management strategy and efforts.

ENVIRONMENTAL AUDITS

MoEnCo's environmental auditing is a management tool for measuring the effects of our environmental management system and performance against the legal requirements and standards. As we are increasingly aware of the significant risks posed by environmental and occupational health and safety issues, MoEnCo maintains two types of environmental audits:

- **External** – MoEnCo periodically engages a licensed independent environmental audit company for a full review and assessment of MoEnCo's environmental management, internal procedures, performance and rehabilitation activities. In 2022, we engaged licensed environmental auditor, EBG Consulting LLC, which carried a comprehensive audit at MoEnCo's office and Khushuut camp in December, 2022. The auditors' team of four professionals prepared its audit report and presented it to the Environmental Department of Khovd province and to MoEnCo.
- **The Mongolian government audit** – In accordance with the Law of Mongolia on Government Control and Inspection, the Khovd office of General Agency for Specialized Inspection schedules and conducts regular and random inspections and assesses MoEnCo's environmental performance.
 - The Government conducts its audit of environmental performance of mining companies in accordance with the criteria set forth in the "Environmental Management Plan Development, Review, and Reporting Procedures" approved by the order A-618 of the Minister of Environmental and Tourism of 29 October, 2019.

- In December 2022, the Khovd province Governor formed a nine-member group of provincial executives for the purpose of evaluating the MoEnCo's 2022 environmental performance. After thorough assessment, the working group concluded that our 2022 environmental performance was successful and completed 93% while some of the planned works were in progress or postponed due to the external circumstances.
- Such government reviews and assessments are on annual basis as set forth in the law. Over the past years, the government assessment of the MoEnCo's annual environmental management has been notably improving:



ENVIRONMENTAL PERFORMANCE REPORTING

As a mining license holder and operator of a large mine camp, MoEnCo has strict reporting obligations under a number of laws (General Law on Environmental Protection, Minerals Law, Water Code, and so forth). Following the reporting procedure set forth in the law, the report of the MoEnCo's 2022 Environmental Management Plan performance has been presented to the Ministry of Environment and Tourism of Mongolia along with the Khovd Government assessment statement. After the review, our environmental management report endorsed by the Ministry of Environment and Tourism has been submitted to the Khovd office of General Agency for Specialized Inspection, Khovd Governor and representatives of the provincial Assembly and local administration of three soums where we operate (Tsetseg, Darvi, Uyench of Khovd province).



ENVIRONMENTAL (CONTINUED)

The Group's reporting scheme



Some additional reporting is mandatory with respect to specific parts of MoEnCo's environmental performance and social responsibility. For example, a comprehensive water use report is submitted annually to the local water authority, and the Khushuut camp medical center presents an annual detailed report of its patients and disease cases to the Khovd province Health Department. Moreover, every year MoEnCo presents its report to the Khovd province Governor pursuant to the Cooperation Agreement signed between MoEnCo and the province.

Headquartered in Oslo, Norway, the Extractive Industries Transparency Initiative is the global standard to promote the open and accountable management of oil, gas and mineral resources. Mongolia joined this initiative as one of its 54 implementing countries. Under its national obligations, Mongolian government requires mining companies to submit detailed reports to its database which is open to the public. MoEnCo submits its report every year in accordance with this requirement. Mongolian government also periodically engages an independent research institution to audit the corporate reports presented. In 2022, MoEnCo's reports to the Extractive Industries Transparency Initiative have been audited by the government nominated SICA LLC.

AIR QUALITY MONITORING

Rapid urbanization in Mongolia in recent decades causes a problem of unplanned settlements and increases air pollution in the capital city. In response, the Government took some critical actions in the past couple of years including the tightening of the relevant regulations and standards that are applicable throughout the country. Air quality concerns lead to more thorough government inspections of mining operations.

Regular monitoring of the air quality indicators and prevention and mitigation of air pollution at Khushuut mine site is the key part of MoEnCo's annual environmental management program. With regard to the air emissions and monitoring procedures, all MoEnCo's operations must be in compliance with:

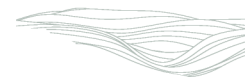
- Air Law of Mongolia, Air Pollution Fee Law, and related regulations;
- permit requirements prescribed by various laws of Mongolia;

- mandatory reporting to the government; and
- national air quality standard MNS 4585:2016 approved by the National Standardization and Measurements Committee of Mongolia in 2016.

Air quality. General technical requirements MNS 4585:2016³ standard

Name of the contaminant	Measured in average of	Measurement unit	Permissible amount	
Chemical impact				
Sulfur dioxide (SO ₂)	Average of 20 mins		450	
	Average of 24 hours	µg/m ³	50	
	Annual average		20	
Carbon monoxide (CO)	Average of 20 mins		60,000	
	Average of 1 hour	µg/m ³	30,000	
	Average of 8 hours		10,000	
Nitrogen dioxide (NO ₂)	Average of 20 mins		200	
	Average of 24 hours	µg/m ³	50	
	Annual average		40	
Ozone (O ₃)	Average of 8 hours	µg/m ³	100	
Dust (total measurable particles)	Average of 20 mins		500	
	Average of 24 hours	µg/m ³	150	
	Annual average		100	
Coarse particles (PM ₁₀)	Average of 24 hours		100	
	Annual average	µg/m ³	50	
Small particles dust (PM _{2.5})	Average of 24 hours		50	
	Annual average	µg/m ³	25	
Lead (Pb)	Average of 24 hours		1	
	Annual average	µg/m ³	0.25	
C ₂₀ H ₁₂	Average of 24 hours	µg/m ³	0.001	
Physical impact				
Level of noise				
•	day time (07:00 in the morning-23:00)	Average of 16 hours	decibels	60
•	evening and night hours (23:00-07:00 of the next morning)	Average of 8 hours	decibels	45

³ For more information, please visit the website www.agaar.mn/article-view/546, Air Quality, the Ministry of Environment and Tourism.

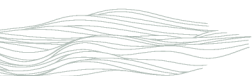


ENVIRONMENTAL (CONTINUED)

MoEnCo ensures its compliance with the air quality requirements through:

- integrating the air pollution prevention actions as an important part of our environmental management scheme;
- regular measurements of air particles at Khushuut using own equipment;
- hiring an independent evaluator – the relevant research institute for independent testing and assessment annually;
- joint measurements and tests together with the environmental inspectors of Khovd province as part of their inspection and assurance procedure.
- hiring a private licensed auditing company periodically for comprehensive audit of MoEnCo's compliance with its environmental obligations including the pollutants emissions.

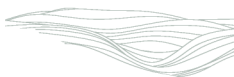
In 2022, MoEnCo engaged Nogoontitem LLC, a private research institution, for air sampling and testing in ten locations at Khushuut mine site under the approved procedures. The test was conducted in early March 2022. The contractor's team of six professionals sampled and measured sulfur dioxide (SO₂), nitrogen dioxide (NO₂), carbon monoxide (CO), small particles dust (PM_{2.5}), coarse particles dust (PM₁₀) and heavy metals content in five locations within 12 km radius of the mine pit. Methods of measurement used: (i) air suction for 20 minutes, twice a day, over two days for SO₂, NO₂, CO; and (ii) air suction for continuous 4 hours once a day for PM_{2.5} and PM₁₀.





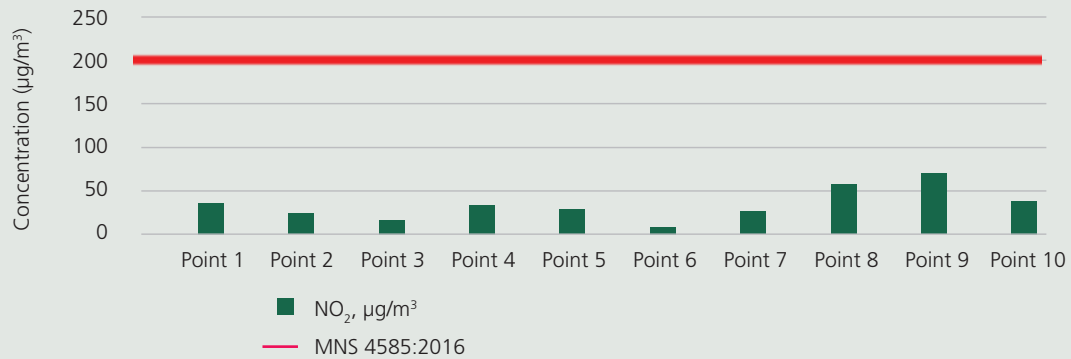
Air quality testing points, distance to the mine

- Point 1: Mine office, 1.2 km
- Point 2: Coal loading yard, 1.6 km
- Point 3: Khushuut river bank, 2.9 km
- Point 4: Khushuut valley, 3.5 km
- Point 5: Mine camp, 3.5 km
- Point 6: Detegt pass, 3.8 km
- Point 7: Chuluut valley, 4.3 km
- Point 8: Monnis work pit, 9.4 km
- Point 9: Murun bag settlement, 10.7 km
- Point 10: Tsetseg lake shore, 12 km

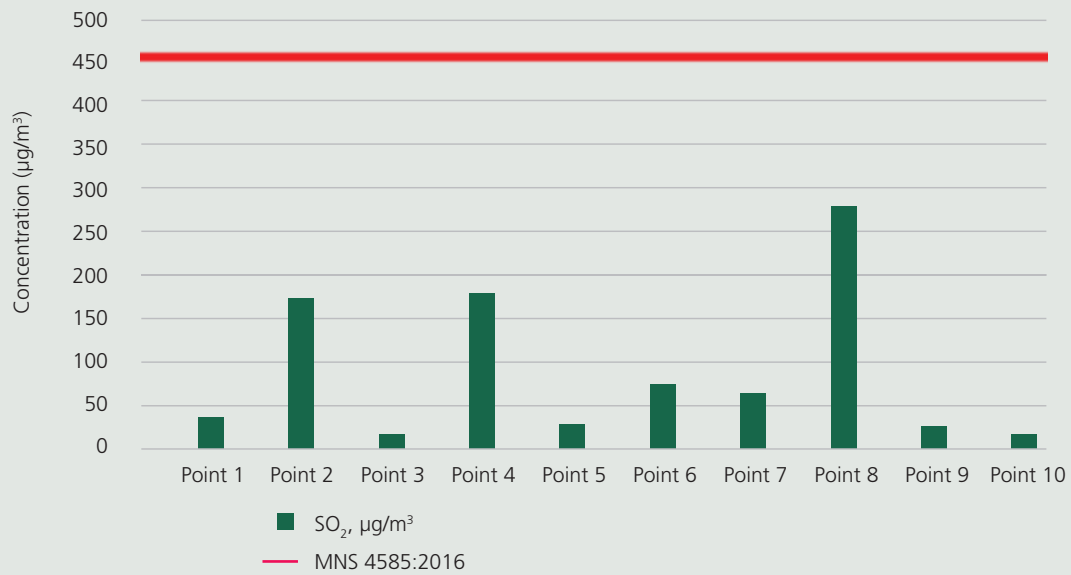


ENVIRONMENTAL (CONTINUED)

Khushuut NO₂ content, average of 20 minutes measurements



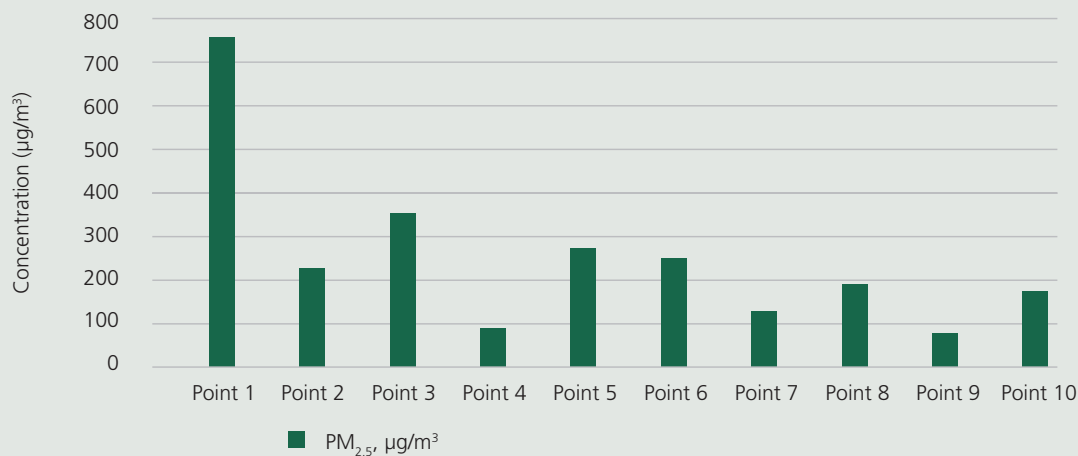
Khushuut SO₂ content, average of 20 minutes measurements



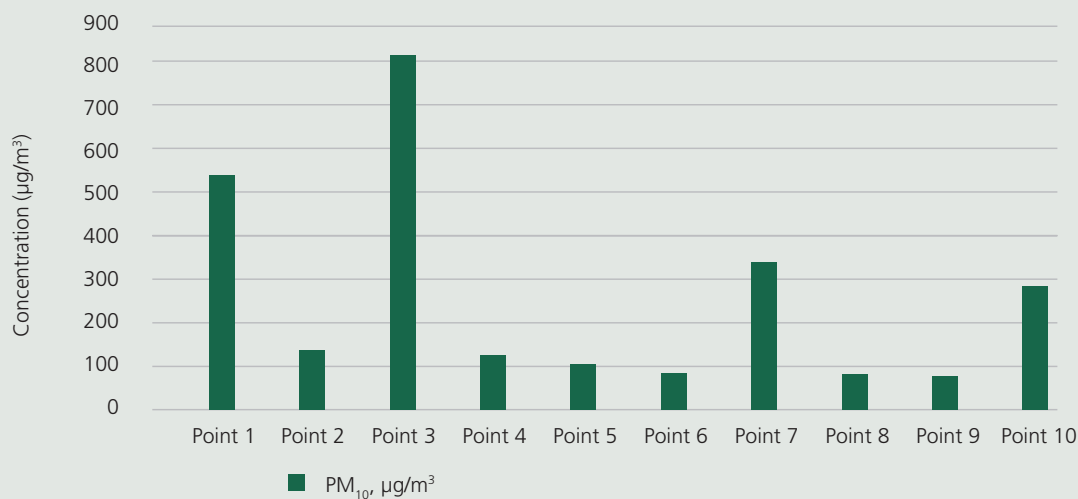
The above charts clearly show that the NO₂ and SO₂ contents in the air around Khushuut mine were in good compliance with the national standard.

Carbon monoxide was not detected at six of the above testing points and was 20–84 µg/m³ at four of the testing points which is notably lower than the standard permissible level (10,000–60,000 µg/m³).

Khushuut PM_{2.5} content, average of 4 hours measurements



Khushuut PM₁₀ content, average of 4 hours measurements



However, the dust content in the PM₁₀ and PM_{2.5} categories has increased in comparison to previous years as the Khushuut mine had the most intensive operations, including mining, transporting and processing of coal because during the measurement days.

Due to technical reasons, the dust contents in PM₁₀ and PM_{2.5} were only measured for a continuous 4-hour interval during the testing period. This fell short of the average 24-hour requirements set by the MNS 4585:2016 standard as a minimum measurement. As such, the measures for 4-hour interval could not be compared to the standard permissible level. However, the dust contents in PM₁₀ and PM_{2.5} in some of the testing locations were generally high as the tests were performed on the Khushuut mine at the time when the most extensive operations including such activities as mining, transporting and processing of coal were taken place.



ENVIRONMENTAL (CONTINUED)

The independent contractor also measured cadmium (Cd), lead (Pb), aluminum (Al), arsenic (As) and chrome (Cr) in air at the above ten measuring points and also at four additional points (namely, mine repair workshop heater, main office heater, mine office heater, camp heater). The analysis results indicate that contents of arsenic and chrome in the air around MoEnCo's mining operations were either undetectable or minimal according to the Mongolian standard MNS 5885:2008 (Permissible levels of airborne pollutants: general technical requirements)⁴ while a content of cadmium was slightly elevated around all four heaters. The content of lead and aluminum were also either undetectable or measured minimal in the measuring points.

Greenhouse Gas Emissions	2021	2022
Total greenhouse gas emissions (Tonne CO₂ equivalent)	25,417.28	89,279.22
Greenhouse gas emissions in Scope 1 (Tonne CO ₂ equivalent)	24,257.89	88,121.60
Greenhouse gas emissions in Scope 2 (Tonne CO ₂ equivalent)	1,159.39	1,157.62
Greenhouse gas emissions per tonne of production* (Tonne CO₂ equivalent/tonne)	0.01	0.03

* *In this report, production refers to the total amount of raw coal without processing in 2022 in relation to calculating intensity, unless otherwise specified.*

MoEnCo is in the growing trend of mining and operations, where for example, in 2022 the soil stripping has increased by approximately 38% and coal mining by approximately 94% compared to the performance indicators of 2021. Coal export increased approximately 37% in 2021 compared with that of 2020, and by approximately 90% in 2022 compared with that of 2021. An increase of operational activities and production results in additional use in fuel and electricity, inevitability resulting in more air pollutants and greenhouse gas produced. As such, it would not be appropriate at this stage to set a target for reduction in CO₂ and other gases produced in its operational activities. It would be more appropriate to set a target of reducing greenhouse gas emissions when we reach an optimal production level.

MEASURES TO REDUCE GREENHOUSE GAS EMISSIONS

Mongolia's total carbon dioxide (CO₂) emissions is on a notably lower end of the global scale. However, due to its sparse country population, it is counted in CO₂ emissions per capita, Mongolia's emissions rate was around six metric tonnes per person in 2021, which was higher than the global average of about 4.47 metric tonnes per person. Mongolian Parliament approved the National Action Programme on Climate Change in 2011 and Green Development Policy in 2014 which include not only the conceptual roots for the country's contribution to the climate change mitigation but also key sectorial action plans at the national level, indicators for measuring the progress and concrete measures in response to the climate change covering all principal sectors of economy including, among others, efficient use of energy and measures in mining operations. Recently, Mongolia has developed the Nationally Determined Contribution which was approved by the Cabinet decree No.407 of November 2019, with an aim to contribute to the Paris Climate Accords of 2015. In this document, Mongolia has enhanced its mitigation efforts with policies and measures to be implemented in key economic and natural resource management sectors by 2030. These and other relevant national level policy documents served as a basis for Mongolian companies to develop and implement their own climate change targets.

⁴ <https://estandard.gov.mn/standard/v/1614>

The Group is committed to making its operations and supply chains in the PRC and Mongolia sustainable through reducing its greenhouse gas (GHG) footprint which, as the Group believes, shall support a more resilient and healthier environment and communities where we operate. MoEnCo includes plans and actions in order to reduce the GHG emissions and ecological footprint in the annual Environmental Management Plan including, among others, those relating to

- improving our energy use efficiency and reduction of diesel consumption for energy generation;
- GHG mitigation through better mining land preservation and techniques;
- Planting more trees in the vicinity by signing commitments to plant one million trees;
- air emissions measuring and monitoring;
- annual vehicles and equipment emissions certification;
- efficient organization of coal transportation and imposing strict requirements for the contractors' trucks;
- due reporting to the Government, and so on.

The Mongolian mandatory air and soil quality standards, with which MoEnCo strictly complies, do not require measuring and complying with GHG emission limits, but MoEnCo now contemplates to expand its GHG mitigation effort by way of

- (i) measuring, monitoring and reporting on more GHG elements during MoEnCo's annual emissions measuring session;
- (ii) hiring and seeking recommendations of a professional research institution, relevant government body and academia;
- (iii) developing and implementing a dedicated long-term program.

In this regard, as of early 2023, MoEnCo and its contractors have been communicating with the Information and Research Institute of Meteorology, Hydrology and Environment (government agency), National Committee for Environmental Pollution Reduction (semi-government, multi-agency body) and Urban Air and Environmental Pollution Control Department (municipal body) for their potential input and policy recommendations.

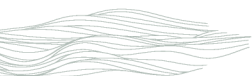


ENVIRONMENTAL (CONTINUED)

DUST REDUCTION

By its very nature, the cutting and breaking of rocks during coal mining operations, top soil stripping, coal loading and unloading, produce dust. Prevention of dust hazards during mining operations is the main health and safety concern for MoEnCo. We take various types of preventive and mitigation measures at several production phases through:

- **Constructing and maintaining the environmental protection facilities.** A special fence for protecting against dust pollution around our DPP and the adjacent customs control area was built and commissioned by MoEnCo in 2014. It is 2,292 meters long and 12–15 meters high.
- **The “water wall” technology.** In 2017–2018, MoEnCo installed and expanded the fixed water misting systems, one of the best technologies available today to control dust in the air, at the coal loading and unloading area of the Khushuut mine. Currently four systems operate to create 20–30 meters tall and 35–40 meters wide water walls at Khushuut mine. A new fixed water misting system has also been installed at Uyench CBY.
- **Additional misting air in the dust intensive areas.** In early 2017, MoEnCo piloted a water sprinkler system at our DPP, the most intensive coal handling area. As of early 2018, there were three sprinkler machines (orchard mist blowers and blast sprayers with a tank) with 16 tonnes water spaying capacity working at the site to reduce dust concentration in the air to about 40% throughout a day. As the dust reduction and prevention measure have proven effective, MoEnCo now has nine sprinkling machines, fixed and movable, which mist the air around the DPP and other heavy-dust locations.
- **Watering the roads and pathways** within and adjacent to the mine pit. There are now five vehicles with total capacity of 100 tonnes which uses the mine’s waste water for daily watering the mine pit inner roads and the coal loading and unloading areas for dust reduction.
- **Measuring dust concentrations in the air** using own equipment. MoEnCo’s environmental team measures fine particle contaminants (PM_{10} , $PM_{2.5}$) monthly using DUSTTRAK2 equipment at 15 points around the Khushuut mine and reports the results to the camp director.
- **Enforcing speed limits** when driving on the mine roads and sideways. MoEnCo adopted and enforces internal driving rules with 5–30 km/h speed limits for coal hauling trucks on mine roads, and also installed some speed measuring devices on roadways.
- **Covering the dirt road surfaces** with gravel.
- **Making purposed strips of vegetation** along the roads close to the nearby village, camp and office buildings and between them and the mine pit, and planting trees and bushes on these strips.



VEHICLES EMISSIONS CONTROL

MoEnCo and its transporting contractors are required to operate in accordance with the requirements and adhere to the following procedures pertaining to the vehicle emissions:

- Transportation Law of Mongolia of 1999, Regulation of 2010 on Technical Inspection of Vehicles, and other relevant regulations; and
- National standard MNS 4598:2020 (General requirements and technical conditions for road vehicles)⁵, national standard MNS 5013:2009 (Petroleum powered vehicles – maximum permissible levels of toxins in emissions, their composition, measurement methods and procedures)⁶, national standard MNS 5014:2009 (Diesel engine vehicles – maximum permissible levels for toxins emissions and measuring method)⁷, approved by the Standardization and Measurement Agency.

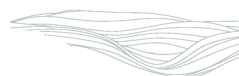
As of the end of 2022, there were about 800 heavy duty trucks and other machineries belonging to MoEnCo and 26 transportation and haulage companies contracted to perform hauling, loading, unloading and carrying our coal to our domestic and international customers. All trucks must undergo mandatory inspection imposed by the government, purchase the due permits and pay annual emission taxes at the Khovd province Auto Vehicles and Transportation Center. Only vehicles that met the emission standards are allowed for driving. MoEnCo also ensures that all trucks engaging in coal transportation have been duly inspected, meeting the emission requirements and having obtained the necessary customs permits. All MoEnCo's coal transport agreements include provisions ensuring the carrier's obligation to comply with the emission standards.

Our vehicles control team at Khushuut consists of four auto mechanical engineers and 17 repairmen. They operate a daily checkpoint at the exit of the Khushuut mine. Coal transporting trucks are thoroughly monitored, and inspected if necessary, through their haulage on the Khushuut road and at the entrance of the Bulgan border crossing port by MoEnCo's team of 17 supervisors. In addition to MoEnCo's monitoring, various government agencies including (i) National Auto Vehicles and Transportation Center, (ii) Mongolian Customs General Administration, and (iii) General Agency for Specialized Inspection, ensure that all trucks meet the general requirements and technical conditions specified in the standards and also may perform selective testing of emissions. These three agencies also perform their thorough inspection duties at the Bulgan border crossing point (before heading to PRC) for trucks loaded with coal and the returning unloaded trucks.

⁵ <https://estandard.gov.mn/standard/v/3448>

⁶ <https://estandard.gov.mn/standard/v/3974>

⁷ <https://estandard.gov.mn/standard/v/3978>



ENVIRONMENTAL (CONTINUED)

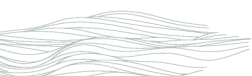
ENERGY CONSUMPTION

Because MoEnCo's mine site is located among remote hills of far western Khovd province of Mongolia and in 26 km from the nearest settlement of Tsetseg, the cost-effective and reliable energy sources have been essential to our mining operations. Until the year of 2019, Khushuut mine site and the village in its vicinity was not connected to the central electricity grid. Diesel fuel has to be transported over long distances to reach our camp site which has been creating additional costs. With improved power supply in the regional electricity network, MoEnCo has been able to connect its camp and office facilities (i.e. residential consumption) to the regional centralized power supply since November 2019, thus, reducing diesel consumption and saving operation costs.

Khushuut energy consumption	2018	2019	2020	2021	2022
Diesel used for electricity production (million liters)	1.76	2.24	1.13	1.27	1.57
Intensity (kWh/t)		1.06	0.785	0.692	0.447
Electricity purchased from the provincial grid (kWh)		364,465	1,379,109	1,454,690	1,452,475
Intensity (kWh/t)		0.17	0.95	0.79	0.41
Total electricity consumption (kWh)	3,719,314	3,985,400	4,246,561	5,258,140	6,645,990
Intensity (kWh/t)	2.14	1.89	2.95	2.87	1.89

As the business of MoEnCo is in the growing trend, an increase of operational activities and production would require an increase in power consumption. In addition, due to the complexity of the mine which the coal seams distribution may vary geologically from one area to the other, it would not be appropriate at this stage to set energy efficiency target for its operational activities. Nevertheless, MoEnCo set out the table of the electricity consumption for the prior years for reference.

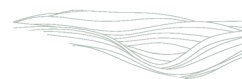
We believe that with arrival of 110 kV aerial transmission line of the Mankhan-Khushuut route and a 110/35/10 kV electricity substation planned by the Government of Mongolia for building in 2022–2023, MoEnCo shall be able to purchase all its electricity for Khushuut project from the central grid.



WATER USE MANAGEMENT AND QUALITY MONITORING

Water use management is a critical part of the MoEnCo's environmental management. The need for sustainable water management and water quality monitoring within the mining industry is critical in Mongolia due to scarcity of water and the semi-arid climate. MoEnCo takes this necessity seriously and continuously improves its water management efficiency through various management channels including:

- Not using fresh water in the mining operations. Khushuut mine uses water primarily for dust suppression, employees' needs at the camp, greening and nurturing trees and other vegetation. Except for the camp use, we only use waste water that naturally builds up at the bottom (mainly due to snow and ice melting with warmer seasons) of Khushuut mine pit.
- Obtaining permits for use of (i) fresh water and (ii) waste water. These water's use permits are sought from:
 - Khovd province Environmental Office which issues Water Use Certificate annually upon satisfactorily concluding the water use agreement for the previous year.
 - Huisiin Gobi – Tsetseg Lake Watershed Area Administration (the local water authority) and government-owned Mongol Us company (the local water provider) with which MoEnCo enters into the water use agreement annually.
- Preparing the annual Comprehensive Water Use Report and submitting it to the local water authority Huisiin Gobi – Tsetseg Lake Watershed Area Administration. The local water provider and the local water authority jointly evaluate and approve the report. Only upon satisfactory acceptance of MoEnCo's reporting of its water conservation and quality monitoring efforts, they will issue a water permit for the subsequent year. MoEnCo's 2022 report was accepted with good level of Government approval in December 2022.
- Planning and performing a set of medium and long-term water management actions at our Khushuut operations that are inserted in the annual Environmental Management Plan and having this Plan approved by the relevant Government agencies. The performance report on the annual Environmental Management Plan is assessed and endorsed by the Ministry of Environment and Tourism, Khovd Government and General Agency for Specialized Inspection.
- Duly paying the water consumption fees to the Khovd province budget. Total water consumption fee paid in 2022 MNT55.8 million (HK\$143,109.95).
- Employing professional environmental specialists' team at Khushuut camp including a hydrogeologist.
- Water saving awareness and techniques are one of topics of regular training sessions at Khushuut camp.
- Getting a permit from the provincial administration and hiring a local contractor to remove and dispose the camp sewage waste at the treatment facility in Khovd center.
- Quarterly cleaning and trash pick-up at the natural springs and other water sources in the vicinity of the Khushuut mine and in the surrounding area.
- Quarterly submission of the water use volume data and water testing results to the local water administration. Although not mandatory, such data sharing not only allows joint monitoring of MoEnCo's water use but also proves our dedication to transparent local operations.



ENVIRONMENTAL (CONTINUED)

Khushuut water consumption	2018	2019	2020	2021	2022
Amount of fresh water used for residential purpose (m ³)	19,255	14,637	12,221	17,891	19,380
Amount of water used for industrial purpose:					
underground water (m ³)	59,055	74,594	44,965	110,777	125,189
intensity (m ³ /t)	0.035	0.035	0.031	0.06	0.036
drainage water (m ³)	23,726	20,882	19,507	44,913	49,358
intensity (m ³ /t)	0.014	0.010	0.013	0.024	0.014

Mining is an industry which will invariably involve the use of water. More water will be used when extraction activities and production ramp up. As our mining business is in the growing trend, an increase of operational activities and production would result in an increase use of water. In addition, due to the complexity of the mine which the coal seams distribution may vary geologically from one area to another; similar to our air pollution control, it would not be appropriate at this stage to set an efficiency target for the water used in its operational activities. Nevertheless, MoEnCo sets out the table above in relation to the water consumed during the prior years for reference. Having realised water is a scarce resource, MoEnCo has been striving to preserve this natural resource and will endeavor to use it in the most suitable ways.

MoEnCo's water use management and quality assurance program must comply with Water Law, Law on Water Pollution Fee, Subsoils Law and Law on Hygiene and a large number of mandatory and voluntary standards, guidelines and regulations pertaining to (i) safety and standard of various types of water (drinking, technical, sewage, drainage, recycled, etc.), (ii) recycling procedures and (iii) safety of water related facilities and equipment.

In 2022, the Mongolian government carried out the Khushuut water quality assessment in accordance with the requirements and procedures of the relevant laws and standards:

- MoEnCo sent its water samples to the Institute of Geography and Geocology of Mongolian Academy of Sciences for chemical analysis quarterly (instead of a monthly basis in previous years due to the COVID-19 quarantine restrictions). The laboratory reported on a regular basis that the Khushuut water consistently satisfied the Mongolian national water quality standard MNS 0900:2018 (Health protection and security: hygienic requirements, quality and safety assessment of drinking water)⁸; and
- MoEnCo also sent drinking water samples quarterly to the laboratory of National Center for Public Health under the Ministry of Health for bacteriological analysis. In both cases, the Center evaluated Khushuut water as "meeting requirements of the residential drinking water standards of Mongolia".
- We submitted samples of Khushuut drinking water and natural drainage water from the mine pit bottom (total of seven locations around Khushuut mine including nearby rivers and natural springs) and Uyenich (total of six locations around Uyenich CBY including two nearby rivers and four drinking water wells) to the laboratory of government-owned Mongol Us SOE for heavy metals testing. In 2022, the lab presented us its conclusion that all samples met the Mongolian national water quality standard MNS 0900:2018 (Health protection and security: hygienic requirements, quality and safety assessment of drinking water) and MNS 4586:1998 (Water quality indicators: General requirements)⁹.

⁸ <https://estandard.gov.mn/standard/v/4763>

⁹ <https://estandard.gov.mn/standard/v/3394>

Principles of MoEnCo's comprehensive monitoring of water quality at Khushuut



MoEnCo's water quality monitoring data and government assessments have demonstrated that no water sources have been notably affected by water extraction for our current mining operation and there are no significant cases of water depletion. On regular schedules throughout the year, MoEnCo monitors, tests, measures or simply manages different types of water sources in its operations:

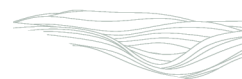
- Surface water flow, level and volume monitoring through rivers points measurements taken quarterly.
- Measurements of water flow and volume of natural springs in radius of 4 km around the mine site.
- Underground water level and flow monitoring at three special water monitoring boreholes.
- Monitoring the fresh water intake and usage at two existing wells through established meters and 24-hour surveillance through several external and internal cameras. The meter readings and camera recordings were submitted quarterly to the environmental inspector of Darvi district and Huisiin Gobi – Tsetseg Lake Watershed Administration.
- Measuring and using the drainage water produced at the bottom of Khushuut mine pit in warmer seasons. We put this water into use for sprinkling roads for dust suppression, mine and village greenery and irrigation, training against potential fire hazard and for drilling works.

All water wells, that MoEnCo used, have duly installed with certified water meters and surveillance cameras which not only help measuring water intake and monitoring the water transportation but also playing a role in water saving. All our water meters are duly tested (and calibrated if needed) and verified by the local water provider's professionals annually.

To improve our residential water recycling at the mine site, MoEnCo has drilled two new boreholes near the sewage systems for identifying any leaks and monitoring if any subsoil and underground water is being polluted from the sewage. Samples are taken from these monitoring boreholes and tested every month.

MoEnCo's hydrogeological data used for mining operations and environmental conservation works have been developed over a decade. In the summer of 2021 we hired MIW LLC to study the hydrogeological conditions of the Khushuut coal deposit and determine the potential amount of water inflow to the open pit in the coming years, and to conduct a groundwater survey at the license area and provide recommendations for the water use optimization in our operation. The contractor completed the study. Now this study is being used to help MoEnCo to better project its annual water use for mining operations, efficiently budget our water conversation works and plan the necessary equipment procurement in longer term.

In the arid lands like the Khushuut region, protection of natural water source is important to local ecosystems conservation. In the past, MoEnCo planted bushes and trees around natural springs in the area while in 2023 we erected or renewed tall net fences around five springs in Darvi and Uyench soums to protect this water source against grazing domestic and wild animals and undue human interactions. Overall, a total of thirteen natural springs in Darvi, Tsetseg and Uyench soums have been protected around and commissioned to the respective soum governments in years of 2018–2022.



ENVIRONMENTAL (CONTINUED)

INTEGRATED WASTE AND SEWAGE MANAGEMENT AT THE CAMP

A proper management through modern technologies is the core of the Group's waste policy. We believe that recycling and managing the waste of our operations is essential for long term environmental sustainability in the region. When planning and enforcing its waste management program, MoEnCo adheres to the following strategy:

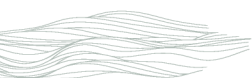
MoEnCo's waste management strategy:

- Limit and reduce sources of the waste
- Maximize the reuse & recycle of waste at the source
- Sort and manage the waste accordingly
- Dispose the waste in non-distractive manner

MoEnCo prepares a relevant and up-to-date waste management plan as part of its annual comprehensive Environmental Management Plan. This waste management plan covers (i) types of waste produced at the camp and mine, their characteristics and management methods; (ii) incineration and ash disposal; (iii) waste water, its reuse and disposal; (iv) hazardous waste including the one of our medical center at the camp; (v) non-hazardous and other waste streams; (vi) the camp's landfill management (vii) emissions information; (viii) contractor services in regard to the waste disposal; and (ix) all the permitting and compliance information.

Waste from the Khushuut mine operations requires disposal via a variety of different methods depending on the nature of the waste and availability of suitable facilities at the camp or nearby settlements. MoEnCo's vigorous waste management program has been in compliance with the Mongolian laws pertaining to waste management, occupational safety and hygiene, various regulations and national standards, and is realized through:

- **Compliance:** obtaining waste permits for dumpsites, disposal, and transportation annually upon having positive assessment of the waste management program realization in the previous year;
- **Paying for waste disposal:** to the local budgets, including for permits and land use for the camp's landfill;
- **Contracting a professional body:** a local specialized and licensed company for transporting and disposal of the camp sewage in the centralized urban treatment facility in Jargalant city (Khovd province center);
- **High-tech incineration:** burning in the special oven the types of waste disposal which are potentially harmful to the environment including used machinery oil;
- **Operating a landfill:** burying or disposing the various types of waste at the camp's landfill. The camp's dumpsite locations was professionally selected and specifically designated by the local government; and
- **Government inspection and reporting:** the camp's landfill is regularly inspected by the provincial and soum environmental inspectors. In 2022, MoEnCo's entire waste management system and dumpsites were inspected by the provincial environmental inspector and the hygienist visiting our Khushuut mine site as part of the random government inspection.



Waste produced	2018	2019	2020	2021	2022
Hazardous waste including medical waste (kg)	76	75.49	43.13	72.5	151.6
Intensity (kg/t)	0.000044	0.000036	0.000029	0.0000395	0.000043
Non-hazardous waste including solid, residential, sewage (t)	2,056.2	1,993.4	1,346.3	793.7	982.9
Intensity (t/t)	0.0012	0.0009	0.0009	0.0004	0.00028

Notable increase in medical waste in 2022 was caused by (i) full scale operations in 2022 during the COVID-19 regime which required methodical PCR testing and vaccinations at Khushuut mine camp and Uyench CBY and (ii) doubling of our medical personnel at Uyench CBY due to reopening of the coal exports and increased COVID-19 preventions, measures for satisfying the tighter border crossing requirements.

As the business of MoEnCo is in the growing trend, an increase of operational activities and production would require more workers and result in an increase in quantity of waste. In addition, due to the complexity of the mine which the coal seams distribution may vary geologically from one area to the other, it would not be appropriate at this stage to set a reduction target of waste in its operational activities. Nevertheless, MoEnCo will set out the table in relation to the waste produced for the prior years for reference.

As part of the COVID-19 outbreak prevention effort, in 2020 MoEnCo promptly constructed two sewage water purification facilities with daily capacity of 30 m³ each at the Khushuut workers' camp and at the mine's main office. In 2022, our Khushuut camp built a new 50 m³ sewage recycling facility which is now in the process of being commissioned to the Khovd province authorities. This facility shall be in addition to the existing 30 m³ sewage recycling system of the advanced environmentally friendly Japanese technology. The new facility shall be processing and recycling almost 99% of sewage water which shall be later used for the camp's technical needs (machinery repair workshop, dust reduction, fire prevention training, etc.).

SOIL QUALITY MONITORING

Soil quality monitoring is important because open cast mining operations routinely modify the surrounding landscape by exposing previously undisturbed earth materials. We are well aware that erosion of exposed soils, extracted mineral ores, tailings, and fine material in waste rock piles can result in soil damage. This is why MoEnCo carries continuous monitoring the quality of soil around the Khushuut mine which is essential for proper assessment of the associated hazards.



ENVIRONMENTAL (CONTINUED)

MoEnCo conducts regular and comprehensive soil quality monitoring at two locations:

- **At Khushuut mine vicinity** the soil monitoring has been carried out since 2010. Then in 2012 the Laboratory of Soil Science of Institute of Geography of Mongolian Academy of Science selected the current 16 soil sampling points within 5 km radius of the Khushuut mine pit.
- **At Uyench CBY**, the soil quality monitoring started even before its operation in January 2017. There are six soil sampling points here.

In 2022, soil samples were collected quarterly at the above 22 sampling points and sent to the Laboratory of Soil Science of Mongolian Academy of Science where they were analyzed for general chemical composition, texture, moisture and heavy metals content against the limits set forth by the national standard MNS 5850:2019 (Soil quality. Maximum permissible levels of pollutants in soil)¹⁰. In May, 2022, samples of fertile topsoil from the mine area were sent to the "HABUL" laboratory of the General Agency for Specialized Inspection for radiation analysis. The results from these two laboratories indicated that all soil samples contained normal levels of moisture and other naturally occurring chemicals, the standard requirements were met, and there was no soil pollution or radiation contamination.

REHABILITATION OF MINE DISTURBED AREAS

Timely and professional rehabilitation is essential for the Khushuut mine area with its extreme weather conditions, high mountain altitude and fragile, thin, sporadic topsoil. MoEnCo's annual Environmental Management Plan includes the land rehabilitation program which complies with (i) the Land Law, Law on Subsoils, and Minerals Law; and (ii) a number of national standards pertaining to land assessment, degradation prevention, topsoil preservation and mining land rehabilitation works.

Our land rehabilitation program is implemented through various land preservation and community support works, some of which are statutory but many of them are voluntary on the part of MoEnCo, and includes the following:

- **At the Khushuut mine site:** geological or biological reclamation of mined area; preservation of fertile topsoil; planting and nurturing trees, bushes and making vegetation strips along the coal transporting roads; around the Khushuut village and the mine pit,
- **In the community:** offering land reclamation in non-mining areas in a volume corresponding to the size of our mined lands (Corresponding Protection Program); rehabilitating mine areas abandoned long ago at request of the administration of soums where we operate; caring for historic monuments in the isolated areas; land improvements and technical works at remote water sources such as natural springs; helping the local residents to protect their vegetable gardening land lots against grazing animals; supporting the communities to preserve and recreationally use the local natural sites.

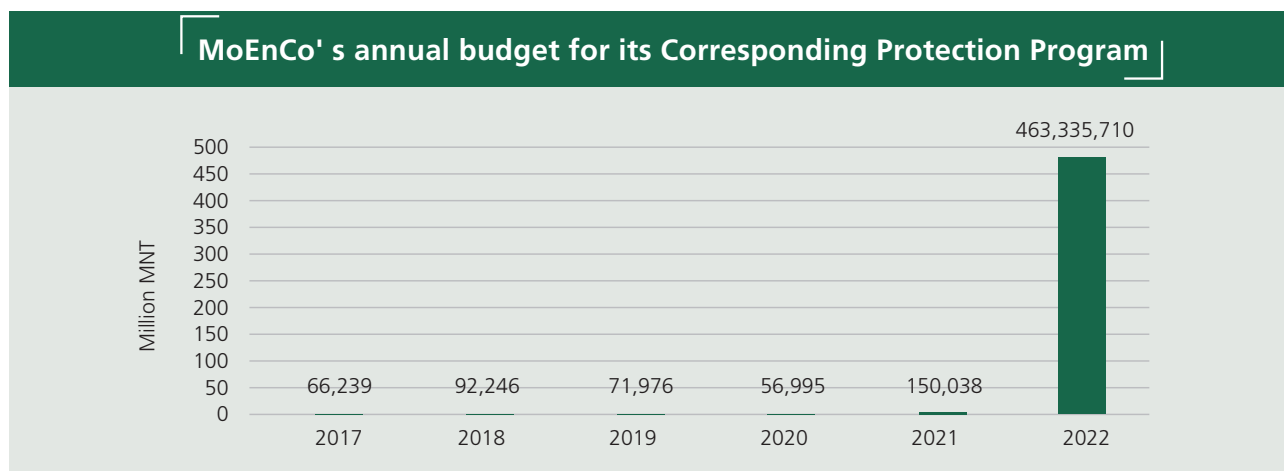
Our environmental team along with our land works contractors at the camp ensures sound rehabilitation including (i) leveling and contouring, (ii) reshaping, (iii) preserving the fertile topsoil, (iv) re-vegetating through seeding of native grass and perennials and planting trees and bushes. In 2022, the topsoil of 14 hectares of land has been stripped. Currently, Khushuut mine maintains topsoil piles totaling 67,980 tonnes. To preserve the fertility of the topsoil and support the growth of perennial plants on these piles, an automated sprinkler irrigation system with 10-ton water tank was installed on these piles in May, 2020. For reducing dust emissions from the mine DPP and other sources, a total of 7,000 native trees were planted on slopes of the surrounding Khushuut hills in previous years. Now MoEnCo performs their regular watering, nurturing and maintenance.

¹⁰ <https://estandard.gov.mn/standard/v/1300>

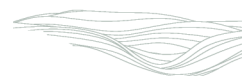
In 2022, MoEnCo’s topsoil removal, preservation and storing procedures were inspected by the Khovd province environmental inspector and assessed as being in compliance with the standard requirements. In 2022, no area underwent full geological or biological reclamation within the Khushuut mine’s operation fields because of the active stage of MoEnCo’s operations and on-going mining. We make some remote parts of the disturbed lands available to local herders for grazing their domestic livestock.

CORRESPONDING PROTECTION PROGRAM

In collaboration with the Sustainable Mining Land Management Project of United Nations Development Programme office in Mongolia, MoEnCo initiated the “Corresponding Protection” program in 2016. The purpose is to offer land reclamation in close proximity to our Khushuut mining areas in a volume corresponding to the size of land used for mining and related operations. We also voluntarily take up the obligation of such corresponding restoration in the 2021–2024 Cooperation Agreement signed with the Khovd province Government. Moreover, we incorporate plans for the Corresponding Protection program in our annual Environmental Management Plan with allocated budget for each category of works contemplated, and duly report on the realization of the program to the MET and provincial government.



MoEnCo intends to fulfill its duties of a responsible corporate citizen and devote its resources for greater environmental rehabilitation, this is why we developed a longer term “Corresponding Protection Plan 2019–2023” which was adopted upon three public consultation sessions (at Khovd province center and Darvi soum center) with local communities and provincial and soum governments. Each dedicates longer term plans to ensure allocation of annual budgets and better coordination of our conservation efforts with local policies.



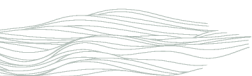
ENVIRONMENTAL (CONTINUED)

MoEnCo's 2022 Corresponding Protection Program completed the following:

- **Rehabilitation of 18 hectares of damaged and abandoned land:** technical rehabilitation of 10 hectares of damaged land in the center of Uyench soum and of eight hectares (damaged and abandoned by the artisanal gold miners) in Altai soum involved leveling and filling of the damaged area, and shaping of the surface upon which the restored lands have been handed over to the respective soum administrations.
- **Working with voluntary rangers:** MoEnCo selected and builds professional capacity of eight voluntary resident rangers who are local herders. In the previous years, we involved some of them in training at Khovd province center and provided GPS trackers, binoculars and uniforms. In 2022, we also provided two voluntary rangers with warm winter uniforms and binoculars. Voluntary resident rangers not only contribute to protection of local nature parks but also have become a part of MoEnCo's conservation efforts through participating in our biodiversity surveys, practical works in winters, patrolling the MoEnCo's corresponding protection program areas and building awareness among local people.
- **Protecting natural springs:** Our environmental team arranged fencing and wiring of five natural springs in Darvi and Uyench soums. This protects the valuable water sources against damage and pollution by grazing domestic and wild animals and reckless driving over.
- **Providing with a new water source:** at request of Darvi community, MoEnCo dug an equipped well for needs of herding households and for watering the "MoEnCo's" newly planted seedlings. We hired a local professional company to execute this community-oriented work.
- **Distribution of fodder for wildlife:** biotechnical wildlife protection measures were carried out jointly with three teams of environmental staff and rangers of Tsetseg, Uyench and Darvi soums. They distributed total of 3.5 tonnes of saline fodder and 500 bales of hay over various locations of hill slopes and wildlife pastures to support the local wildlife to overcome harsh winter.

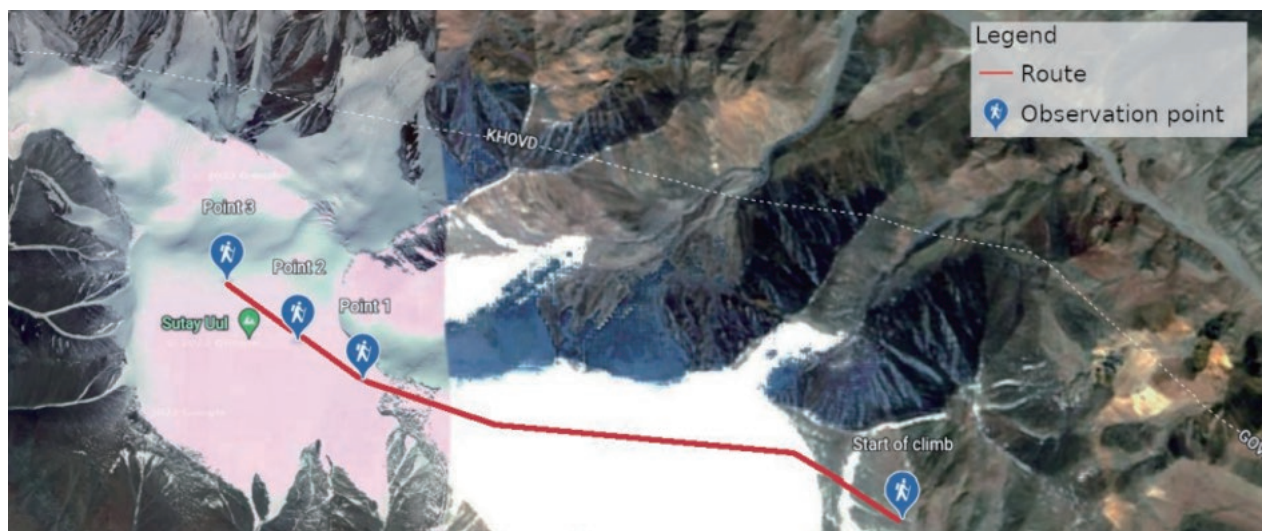
The MoEnCo's Corresponding Protection program does not contemplate to expand the current size of the rehabilitated lands under this program. Instead, the plan is to diversify the program activities within its land area. For example, measures in the first Corresponding Protection program of 2016–2018 included (i) planting trees and bushes; (ii) fencing agricultural and gardening land parcels as protection against grazing animals; (iii) landscaping works and greening with grass seeds and local vegetation along local roads and settlements; and (iv) training session for local residents involved in our green efforts during which various soil works techniques, watering and tree planning procedures as well as general environmental protection awareness were taught. Now, in addition to these "regular" activities, the current Corresponding Protection Program includes long-term, targeted programs such as:

- The Bulgan river beaver protection program that started in 2019.
- Sutai Mountain Glacier Monitoring Program that initially started in 2020 and was formalized by a collaboration agreement in March, 2021.
- "One Million Trees" program which is a part of the nation-wide "One Billion Trees" movement which MoEnCo joined in November, 2021.



Collaboration with the Sutai Mountain state protected area administration

The remote, rugged and sparsely populated hill lands surrounding the Khushuut mine site serve as an important habitat for diverse local ecosystems and a source of a number of creeks and rivers. This is why the provincial nature reserve called Sutai in close proximity (20 kms) to our mine site was upgraded to the category of a state protected area in 2018. Since then, MoEnCo has been closely working with the administration of this strictly protected area. In the past, we funded works of making and installing 40 demarcation pillars on borders of the protected area and five information boards, and also a training workshop for park rangers on preventing illegal hunting, improving the community network to monitor such hunting, and building capacity of voluntary resident rangers. In March 2021, MoEnCo entered into agreement with the Permafrost and Atmospheric Research Center, a non-profit professional research institution, to carry a long-term joint research to determine the current status and changes in glaciers, snow cups and erosion of sloped of Sutai mountain. The Permafrost and Atmospheric Research Center carries a research of Sutai, Munh-Hairhan, Harhiraa and Turgen mountains which are ecologically connected, magnificent massifs in the far western part of Mongolia. The agreement with this Center contemplates to climb the top of Sutai (which makes about 25 kms round hike) twice a year and make air quality and snow cover measurements. MoEnCo and Huisiin Gobi – Tsetseg Lake Watershed Area Administration (the local water authority) formed a joint team with eight professionals (hydrogeologist, GPS specialist, environmental expert, etc.) which established three observation points at various positions on the slopes in 2021. A joint team of four to nine people worked at Sutai in 2022 and measured $PM_{2.5}$ and PM_{10} particles at 13 locations, all of which showed no air contamination and that content of particles are within the limits of the national MNS 4585:2016 (Air quality. General technical requirements) standard.



ENVIRONMENTAL (CONTINUED)

MoEnCo's contribution to the national "One Billion Trees" movement

For achieving the country's Sustainable Development Goals in line with its 'Vision 2050' long-term development policy, Mongolian Government aims to create a legal environment in which at least one percent of Mongolia's GDP is spent annually on combating climate change and desertification, and on increasing environmentally friendly and green facilities through public and local investment. This new national program is called "One Billion Trees" and shall be executed in three phases up to the year of 2030. The Government also sees this campaign from the angle of "from welfare to employment", providing work through tree planting, irrigation and introducing various advanced technologies.

Realizing the importance of reducing GHG emissions from the mine, MoEnCo already planted over 40,000 trees and bushes in the mine vicinity, Khovd province center, along Khushuut road and the relevant soums over period of 2014–2021. We hire only local residents and professional companies for full-time or seasonal jobs of planting and maintaining our trees. Based on this experience and appreciation from the soums, MoEnCo joined the campaign initiated by the President of Mongolia, and signed our Certificate of Commitment to plant one million trees, and received this certificate from the Minister of Nature, Environment and Tourism in November, 2021. Under this program, MoEnCo completed the following works in 2022:

- Presented 200 fruit tree seedlings to Uyench soum for its public park in the soum center.
- Hired a local professional landscaping company for planting total of 6,000 bushes and shrubs on specially protected areas along the Bulgan river basin.
- Also hired a local professional landscaper to plant trees in a "shelterbelt" design which helps to prevent snow and water drifts, where planting locations have been agreed with the administrations of respective soums. For this purpose, we donated 14,000 tree seedlings to three soums.

	2016–2021 as part of the Corresponding Protection Program	2022 as part of "One Billion Trees" national movement	Total in 2016–2022
No. of districts involved	4	5	5
No. of trees planted and nurtured	40,000	20,200	60,200

The beaver protection program

Launched in 2019 upon discussions with relevant soums, this program is being carried out 320 km away from the Khushuut mine but along our coal export road. Due to increased human activities over the past decades and the changes in local vegetation and river flow patterns caused by the climate change, Bulgan river beaver population has been decreasing. Through this program, MoEnCo expects to support beaver population and also to have long term effect on the Bulgan river ecosystem as a whole. In the past, we donated 1,500 young trees to the Uyench-Bodonch-Bulgan river basin administration for planning in the beaver habitat, fencing materials for protection of beaver nest areas against grazing wild and domestic animals, phosphorescent warning and information boards and erected them along the Uyench, Bodonch, Bulgan and Barlag rivers special protection zones.

ENVIRONMENTAL MANAGEMENT AND PERFORMANCE AT XINJIANG WASHING PLANT

Coal quality control is an indispensable segment in the production process. We built the DPP at the Khushuut mine site for initial processing of coal before export. This could not only eliminate the unwanted rubbles and other materials to enhance our raw coal quality, but also reduce our export transportation costs. The processed coking coal is then washed by our Xinjiang Washing Plant in China and sold as clean coking coal to our customers. Coal washing is a process that is undertaken in a coal washery or coal washing plant where coal is refined or cleaned of impurities. Coal washing involves using water, mechanical techniques and relies on gravity and the difference of density between coal and its impurities which are usually more densely packed due to the fact that they are inorganic.

Main features of the Xinjiang Washing Plant

Our coal washing plant is located in Qinghe County, Xinjiang, some 30 kilometres from the Xinjiang Takeshiken border. It has a gross area of 200,000 square meters, and comprises the main plant and production area, the raw coal yard, and the office and living quarters. The main plant and production areas include clean coal bunker, waste rock bunker, preparation workshop, filtration workshop and sedimentation facilities, etc. It was commissioned by end of 2014. The current annual washing capacity is three million tonnes.

Coal Storage and Disposal

After the washing plant received the raw coal from Mongolia, the coal is placed in the raw coal yard of 63,300 square meters surrounded by the dust suppression wall including the enclosed raw coal bunker of 23,000 square meters where raw coal is mainly stored and pending for processing. Clean coal is produced after the raw coal has gone through various mechanical screening, filtering and washing processes. Clean coal is then temporarily stored in the clean coal yard for delivery to our customers.

Waste Disposal and Energy Consumption in the Production Process

Under the clean coal production process, it involves energy and water consumption and generates sewage and solid waste including hazardous and non-hazardous wastes.

Sewage disposal

Sewage is produced from flowing water, spraying, flushing and cleaning machines and facilities in the production process. With the sewage treatment system, it forms a closed-circuit circulation for re-use in the washing plant with no discharge to the outside. Therefore, it ensures no harm to the surrounding environment. For domestic sewage, the sewage undergoes waste water treatment before storing in a tank for winter which is used for irrigation in summer and greening. If sewage is produced due to equipment failure or other incidents, it is stored in the standby thickening tanks to ensure no discharge to the outside to affect the environment.



ENVIRONMENTAL (CONTINUED)

Waste disposal

A certain amount of non-hazardous coal gangue with sludge is screened out under the coal washing process, and the majority of which is used as raw materials for construction while the remaining would be piled up temporarily in an interim yard and sent out for rehabilitation of open-pit mines later and further to proceed towards pasture restoration. Wastes such as hazardous ash also generated under the coal washing process. Used industrial oil of hazardous waste would be stored in a hazardous waste warehouse. We would frequently arrange the respective specialised waste recyclers to collect the wastes for proper disposal. The table below shows the washing capacity, total amount of major energy and water consumed, hazardous wastes and non-hazardous wastes produced during the Financial Year:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Raw coal for washing (tonnes)	646,546.18	768,958.10	1,206,390.98	905,300	1,231,700	2,112,800
Clean coal production (tonnes)	547,383.84	648,158.00	932,509.51	723,000	870,100	1,474,700
Electricity consumption (kWh)	4,765,320	5,482,050	8,759,040	7,220,079	9,589,335	14,776,187.17
Intensity ♦	7.37kWh/t	7.13kWh/t	7.26kWh/t	7.98kWh/t	7.79kWh/t	6.99kWh/t
Water consumption (m ³)	47,208	76,010	130,810	113,987	128,297	268,783
Intensity ♦	0.07m ³ /t	0.10m ³ /t	0.11m ³ /t	0.13m ³ /t	0.10 m ³ /t	0.13m ³ /t
Total hazardous wastes (tonnes)	99,380#	98,320#	4.5	2.5	5.04	2.1
Intensity ♦	0.15t/t	0.13t/t	0.0000037t/t	0.0000028t/t	0.0000041t/t	0.0000010t/t
Total non-hazardous waste (tonnes)	–▲	–▲	338,757*	264,795	371,253.87	603,160
Intensity ♦			0.28t/t	0.29t/t	0.30t/t	0.29t/t

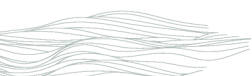
* Adjustment was made due to the coal gangue, and slime are inherent and natural and such wastes would be screened out and collected under our production process for land rehabilitation, such wastes were reverified as non-hazardous wastes according to the advice of respective environmental protection department.

Including coal gangue and sludge

▲ Non-hazardous substances produced under the process are negligible.

♦ Intensity is calculated based on the total amount of raw coal received by the washing plant for washing during the Financial Year

The Indirect GHG emissions in tonnes of CO₂ equivalent by the washing plant in the coal washing process through the use of electricity was 8,627.82.



Environmental Performance

Although there is no statutory annual or periodical inspection for washing plants in China, officials from various governmental departments do visit our washing plant from time to time to monitor and review our environmental protection performance.

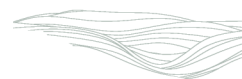
During the Financial Year, neither official nor surprise environmental inspections took place in our washing plant; still, various routine checks were conducted in accordance with the applicable laws and regulations. The directors of the local government, for instance, carried out a check on lightning protection and safety system. The grounding devices in 228 testing points were reliable as reported in July 2022 and March 2023.

In addition, we had engaged a private agency in July 2022 to carry out environmental assessment, which includes testing the levels of noise, exhaust gas emission, particle pollution and carbon dioxide emission, of the washing plant. It was only the dust concentration and noise level of the workshop not meet the state standard while all passed in other section.

The environmental protection measures that we took in the washing plant were as follow:

- i) In response to the assessment results about the dust concentration and noise level of the workshop, we made adjustment of the working hours and installed the ventilation and dust removal system as recommended.
- ii) The project of turning the open-pit clean coal yard from an open-air set up to an enclosed structure was completed in October 2022. The new yard with an enclosed structure could help reduce water consumption by about 50% compared with the old structure and reduce coal ashes by sprinkling water. The enclosed structure could also help reduce coal ashes due to strong wind and extreme weather. The new clean coal bunker is also equipped with sprinkling and dust removal facilities to reduce the dust discharged from the ventilation and operation inside the bunker;
- iii) We put forward a plan to harden the grounds of the coal gauge yard, clean coal yard and raw coal yard to lessen coal ashes causing by strong wind, extreme weather and passing vehicles;
- iv) Formulated a plan to restructure dust removal system and fire fighting system inside the enclosed raw coal bunker in order to improve the effectiveness; and
- v) Planting 600 trees during the Financial Year.

In the long run, proper solid waste disposal and high utilisation of solid waste are the ultimate goal of the washing plant. The washing plant is looking for appropriate wastes collectors or recyclers to meet our demand.



ENVIRONMENTAL (CONTINUED)

ENVIRONMENTAL PERFORMANCE OVERVIEW

ESG KPIs	Unit	2020	2021	2022
Use of Resources				
Electricity consumption	kWh	11,466,657*	14,847,475*	21,422,177.17*
Intensity	kWh/t	7.97	8.09	6.1
Water consumption	m ³	190,680*	301,878*	462,710*
Intensity	m ³ /t	0.13	0.16	0.13
Diesel consumption	L	1,130,000	1,270,000	1,570,000
Intensity	L/t	0.79	0.69	0.45
Emission Management				
SO ₂	µg/m ³	The test result is within the Mongolian Standard▲	No emission measurement was conducted due to the COVID-19. For details, please refer to the "AIR EMISSION MONITORING" sections in Environmental Social and Governance Report 2022.	The test result is within the Mongolian Standard#
NO ₂	µg/m ³	The test result is within the Mongolian Standard▲		The test result is within the Mongolian Standard#
PM _{2.5}	µg/m ³	Above the permission level▲		Generally high#
PM ₁₀	µg/m ³	Above the permission level▲		Generally high#
Heavy metals	µg/m ³	The test result is within the Mongolian Standard▲		Some of the contents were either minimal or undetectable in sampling locations#
GHG emissions (Scope 1)	Tonne CO ₂ equivalent		24,246.39	88,107.80*
GHG emissions (Scope 2)	Tonne CO ₂ equivalent		6,730.79*	9,785.44*
Total GHG emissions	Tonne CO ₂ equivalent		30,977.18	97,893.24*
Total hazardous wastes	t	2.54*	5.11*	2.25*
Intensity	t/t	0.0000018	0.0000028	0.00000064
Total non-hazardous wastes	t	266,141.3*	372,047.57*	604,142.9*
Intensity	t/t	0.18	0.20	0.17

* Including the data in the operation in the Company's washing plant in Xinjiang, China during the respective financial year.

▲ Measurement and test were conducted annually in pursuant to the Mongolian law and the test was taken in the period from 22 December 2020 to 27 December 2020

Measurement and test were conducted annually in pursuant to the Mongolian law and the test was taken in the period from 2 March 2022 to 8 March 2022

SOCIAL



SOCIAL (CONTINUED)

EMPLOYMENT PRACTICE, WELFARE AND BENEFITS

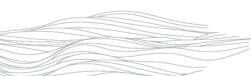
The Group takes each of its employees as a valuable asset. The Group is an equal opportunity company and all employees are treated with respect regardless of their age, gender, marital status, disability, race, citizenship and religion.

Our remuneration packages to employees are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on a periodic basis. The Group respects the legitimate rights and interests of all its diverse employees. We adhere to labour laws, employment practices and business ethics of the different locations where we operate.

As at 31 March 2023, the Group had a total of 811 staff.

	Hong Kong	China	Mongolia
Headcount*	34	345	432
By gender			
Male	44.12%	81.16%	83.56%
Female	55.88%	18.84%	16.44%
By age group			
25 and below	0%	7.25%	14.12%
26-35	14.71%	34.49%	44.91%
36-45	26.47%	29.57%	23.61%
46-55	29.41%	22.61%	12.50%
55 and above	29.41%	6.08%	4.86%
Employment type			
Full-time	100%	98.01%	93.71%
Part-time	0%	1.99%	6.29%

* Full time employees and excluding contractors' employees



Employee Turnover Rate*	2022	2023
Turnover rate:	24.70%	19.21%
By Gender		
Male	26.64%	19.27%
Female	18.00%	18.99%
By Age Group		
25 and below	38.46%	34.92%
26-35	23.26%	22.68%
36-45	26.67%	14.36%
46-55	20.34%	11.68%
55 and above	17.02%	17.78%
By Region		
Hong Kong	6.06%	6.06%
China	45.14%	22.97%
Mongolia	9.51%	16.76%

* Full time employees and excluding contractors' employees

Mongolia enforces stringent labour legislation and standards in line with the best international practices. MoEnCo has strictly complied with all requirements of Mongolian labour regulations. All terms and conditions under labour contracts are consistent with the Labour Law, Occupational Safety and Sanitary Law, Social Insurance Law and other relevant laws.

MoEnCo contributed a significant number of jobs at Khushuut operations to Khovd province residents. As of end of March, 2023, the employment data for the entire Khushuut project were:

Khushuut project	
Total number of people working at Khushuut operations (including part-time, temporary and contractor's employees)	2,428
MoEnCo's employees working at Khushuut operation	
percentage of people working at the mine site	93.36%
percentage of local people hired	83.08%
men and women ratio at the mine site	87/13
men and women ratio at top management position	50/50

In 2022, the provincial labour inspector visited our Khushuut coal mine site as a part of the random government inspection. The labour inspector not only scrutinized whether MoEnCo's operations had complied with the labour and safety regulations but also held discussions with our mine and camp workers upon which a positive assessment of our labour conditions and practices was given.



SOCIAL (CONTINUED)

MoEnCo has duly paid social security and health insurance premiums to all of its employees in accordance with the relevant laws. In addition to covering all MoEnCo's workers and staff with mandatory Mongolian government social insurance (which includes health insurance, unemployment, old age pension, welfare, and industrial accidents insurance), we additionally subscribe all our workers to the voluntary "employer's liability" insurance under the private insurance schemes which provide a good level of extra coverage for potential medical expenses and lost wages of our employees, or their beneficiaries in case they are injured, sicked or killed by job-related causes. Moreover, it is also our requirement that all MoEnCo's contractors and suppliers to take out, at the minimum, mandatory government social and health insurances for all of their employees.

During the reporting period, no complaints related to harassment, discrimination or human rights were recorded at MoEnCo, its workers union or with the provincial labour inspectors where any worker has a right to complain as set out in the relevant laws.

In 2022–2023, two of MoEnCo's employees became the "Honorary Miner" as nominated by the Ministry of Mining and Heavy Industry, five people received the top government medals for their outstanding work in the mining industry of Mongolia, and five received other distinctions from the Government while MoEnCo paid cash prizes to 12 workers. MoEnCo enforces an internal regulation about aid to its employees under which eight workers or their families received cash assistance to for medical emergency or overcoming some life circumstances in 2022.

The severe outbreak of COVID-19 in Mongolia in 2022 led to suspension of operation, while MoEnCo adhered to get through this difficult time with its employees. As of 30 December, 2022, there were 2,462 people working at Khushuut mine, including employees of MoEnCo and its contractors, this is 31.3% increase compared with the 2021 number.

TRAINING AND DEVELOPMENT PROGRAM

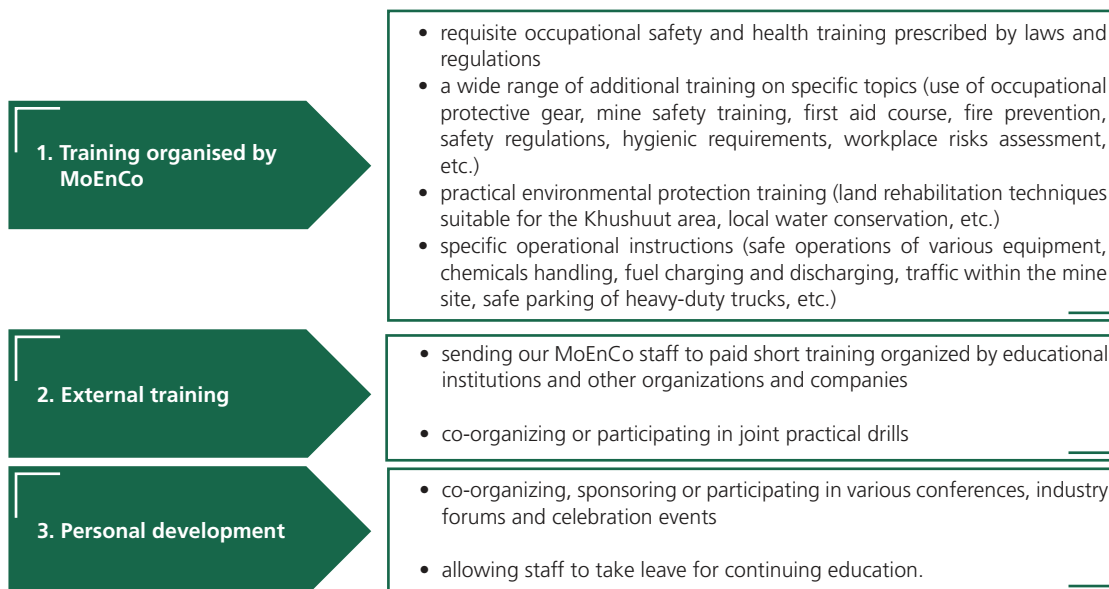
The Group applies continued efforts for the training and development to boost the performance and self-fulfillment of the employees. The Group's training program is based on the following values:



The Law of Mongolian on Occupational Safety and Health and other relevant laws impose a number of obligations on MoEnCo as a mining license holder, to provide safety and health training to its employees. MoEnCo's comprehensive training program meets the requirements imposed by these Mongolian laws, regulations such as the Procedures for Conducting Labor Safety and Hygiene Training and Exams approved by the order No. A/370 of the Minister of Labor and Social Welfare of 13 December, 2019, and the standard MNS 4969:2000 (Occupational safety and health. Organization of training. Main rules)¹¹. These regulations enforce certain ratios and minimum hours of training depending on the specifics of a workplace.

¹¹ <https://estandard.gov.mn/standard/w/3701>

We offer training free of charge to (i) our staff and (ii) the contractors' staff. We aim to train and develop our people through an array of educational methods:



When organizing training and development activities, MoEnCo collaborates with various professional organizations and certified training institutions or involves its staff and workers in their events. Under the 2022 training and development program, MoEnCo collaborated with the Customs Office of Bulgan/Yarant border port, Khovd province Transport Center (local government body), Mine Rescue Squad 09 (of the National Emergency Management Agency, a government agency), Tsaglashgui medleg NGO (non-profit training institution), and OSHMI Academy (professional training institute). We invited some officials of the Customs Office of Bulgan/Yarant border port twice in 2022 to present to the top management of MoEnCo's contractor companies about heavy-duty transportation safety and customs procedures and requirements, total of 150 people attended. There were also 113 MoEnCo's employees participated in four external training programs in 2022 on topics of advanced sanitary procedures, geotechnical safety within a mine area, common accidents in mining and their response, capacity building for occupational safety and health managers, and so on. Some external training were concluded with exams and awarding of accredited certificates to qualified attendees.



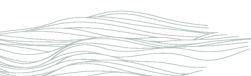
SOCIAL (CONTINUED)

MoEnCo's training and development program	2018	2019	2020	2021	2022
Number of internal safety training topics covered	30	32	31	28	28
number of attendees	4,665	7,495	4,704	1,768	5,220
Total hours of training offered	6,456.6	9,584	5,075	1,864	5,478
Average training hours completed per					
Khushuut mine site employee	15.3	15.35	14.7	4.85	13.6
Average training hours (including MoEnCo					
headquarter office staff)	13.97	12.87	13.4	4.51	4.51

The reduced numbers of training participants and total hours of training offered in 2021 compared with the numbers for the other years are due to the tightened social distancing measures imposed by the Government and by the internal camp quarantine regimes to cope with the COVID-19. MoEnCo resumed its regular in-class and field training sessions in May, 2022.

Our employees enjoy an active social life at the Khushuut camps and Uyench CBY. Our sports and artistic teams regularly participate in provincial, regional and national competitions, exhibitions and other events. To mention only some of achievements of MoEnCo's employees:

- MoEnCo's teams of football, basketball and shagai harvaa (national sport game) won various medals and awards at provincial and regional competitions through 2022, where MoEnCo paid the costs of such participation.
- The Art Festival dedicated to the 100th anniversary of the Mongolia's mining industry was organized by the Ministry of Mining and Heavy Industry in May 2022, where more than 40 large mining companies and other related organizations participated. A team of 22 miners in MoEnCo took part in this festival and presented a 25-minute video concert depicting the rich cultural heritage of Khovd. Our team won the "Social Media Challenge" nomination as the most viewed and voted on social media. The award was presented during the 100th anniversary celebrations of the Mongolia's mining industry.
- The TEDx Talks was organized for the first time in Khovd in June 2022, where MoEnCo was the main sponsor. MoEnCo's engineer G.Budmed, a Khovd native, was one of the key speakers who shared his story of continuous personal development and the reason for returning to his hometown to work, and urged young people to learn continuously.



OCCUPATIONAL SAFETY

Mining is a complex operation with hazards and dangers and therefore requires alert, healthy workers while the isolated location in which the Group operates its Khushuut mine requires additional resources and strategy to enforce effective occupational safety and health management (“**OSHM**”) program.

MoEnCo provides the occupational health and safety through the following strategies:

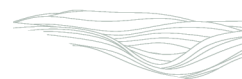
- Running the systems for identification, monitoring and preventing of known or unknown hazards at work places where this system is an amalgamation of the organizational unit responsible for OSHM, approved safety procedures and allocation of sufficient budgets for the OSHM measures.
- Developing, approving periodic reviews and strictly enforcing of the internal safety regulations and procedures at all levels.
- Approval and reporting on the realization of annual OSH plans.
- Training, supervision, advice and feedback on safety compliance at all levels.
- Pre-employment health screening, annual health checks.
- Provision of medical services and health surveillance and treatment of illness and injury at the area with most occupations hazard. i.e. directly at the Khushuut mine site.
- Monitoring of health and safety parameters at each workplace.

In 2022, MoEnCo’s OSHM team consisted of 22 professionals working full-time at the mine site. In addition to their regular work ensuring the mine’s safe operations, this team conducted work place safety inspections at the mine site and camp of MoEnCo’s and of its five contractors. Total number of workplace inspections by the safety team was 109.

Daily, weekly, bi-monthly or monthly workplace inspections are conducted by supervisory staff and safety officers to identify potential workplace hazards, assess safety risks, and immediate actions are taken to correct any activity deviated from the policies and procedures. For example, the temperature, humidity, lighting and noise levels are measured and recorded monthly at every workplace at the camp. These measurements are performed in compliance with the Workplace Environment. Sanitary Requirements MNS 4990:2015 (Occupational hygiene. Workplace environment. Hygiene requirements)¹² standard and other national standards. Measurements are made with the Vital Environmental Meter EM5 and compared to the parameters of the relevant safety standard requirements.

Lagging and leading indicators are adopted to measure the health and safety performance on a monthly basis.

¹² <https://estandard.gov.mn/standard/v/3889>



SOCIAL (CONTINUED)

Main indicators of MoEnCo's occupational safety performance					
Khushuut coal mine	2018	2019	2020	2021	2022
Total MoEnCo's man-hours worked	2,671,690	3,998,036	2,760,200	3,886,907	4,636,758
No. of fatalities	0	0	0	0	0
No. of lost time (hour)	1	0	1	1	2
Injury frequency rate	4.54	1.66	0	2.83	4.88
Total recordable injury frequency rate	7	5.01	0	6.94	15.096

The OSH team at Khushuut mine site also includes full and part time OSH managers of MoEnCo's contractors. MoEnCo's safety team together with the doctors and nurses of the Khushuut medical center regularly organizes meetings and consultations with these managers and offers them additional and more vigorous training for compliance with not only the OSH laws and regulations but also MoEnCo's own safety requirements. As of early 2023, all 26 transportation companies that MoEnCo contracts to carry its coal, employ full time OSH managers and two other contractors have general physicians on their staff. MoEnCo's OSH team collaborates with them in ensuring safe operations at the mine. MoEnCo's contracts with large service providing companies mandatorily include (i) labour safety and compliance provisions and liabilities for safety violations or violations of worker's rights; and (ii) duty to engage a full-time or part-time OSH professional.

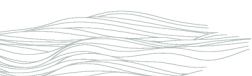
EMERGENCY RESPONSE AND READINESS

Our Khushuut mine site has strong on-site emergency response and mine rescue capability that fit its large volume of operations, difficult mountainous terrain, specific working environment and potential technical risks.

In 2022, MoEnCo emergency response team (ERT) consisted of three full-time professionals, two technical staff and 19 trained volunteers who are employees of MoEnCo and its contractors. The team offers 24-hours readiness and emergency response which is well beyond the Disaster Preparedness Law and other relevant laws and regulations require. They have been consistently receiving various "Best in Industry" nominations and prizes at regional joint drills and practical training and demonstration sessions over the past 3–4 years. Our ERT is equipped with the latest communications and tracking systems, personal protection gears and fire extinguishing equipment, vehicles and machines.

A mine emergency response plan is a valuable organizational tool for preparing personnel to respond to a mine emergency and is a requirement under the Mongolian law. Under the Disaster Preparedness Law of Mongolia and other relevant laws and regulations, MoEnCo prepares the Disaster Prevention Plan and Disaster Management Plan annually and has them reviewed by the Mine Rescue Office of the National Emergency Management Agency of Mongolia. Before issuing a statement, representatives of the Mine Rescue Office, including a state inspector, visit Khushuut annually and inspect the camp against disaster readiness. The Khushuut mine administration distributes copies of the Emergency Response Plan to all internal units and contractors at the mine site.

In 2020–2022, the ERT has been an important part of COVID-19 prevention and response measures. Then, the ERT is in charge for fire safety throughout the Khushuut mine and works closely with provincial and soum fire inspectors. Together with the OSH managers or local fire inspectors, the ERT professionals regularly participate in weekly, monthly and quarterly inspections of various facilities and vehicles at the mine against fire safety, performs tests and inventories, and so on.



In previous years, the ERT regularly participated in events and training held by the General Authority for Emergency of Mongolia and the Emergency Office and Fire Department of Khovd province. In 2022, MoEnCo organized the following events and assumed all their expenses:

- annual comprehensive four-day simulation training on equipment and emergency response techniques at the mine. This training is held in a form of a show where local residents are invited for learning, training and participating in the simulation practice. The 2022 event was also attended by the Emergency Office and Fire Department of Khovd province, the main trainers were the five trainers of Mine Rescue Squad 09 (of the National Emergency Management Agency, a government agency);
- It became a tradition to jointly organize an annual regional mine rescue and response competition and training in the neighboring Zavhan province by mining companies of the western region of Mongolia. After two years of break due to the COVID-19 outbreak, such competing, socializing and professional experience sharing event resumed in August, 2022, with attendance of about 60 participants of seven teams. Our ERT of seven people participated in this event and got three of possible five awards for its outstanding skills performance.
- mandatory training on fire and disaster prevention and readiness, first aid, emergency response and procedures for employees of MoEnCo.

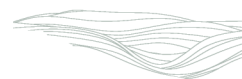
	2018	2019	2020	2021	2022
Total hours of training for disaster readiness offered	109	200	116	0	158
No. of calls to incidents at the mine	11	8	10	7	8
No. of calls to incidents on the Khushuut road or in the community	12	14	12	26	4

Because MoEnCo operates in remote area with very low and sparse population, MoEnCo provides free emergency response to local incidents every time they call for help, and occasional incidents on our Khushuut road. For instance, in 2022 our ERT was called to two occasions of steppe fire and two occasions of fire in nearby settlements.

NOISE CONTROL AND REDUCTION MEASURES

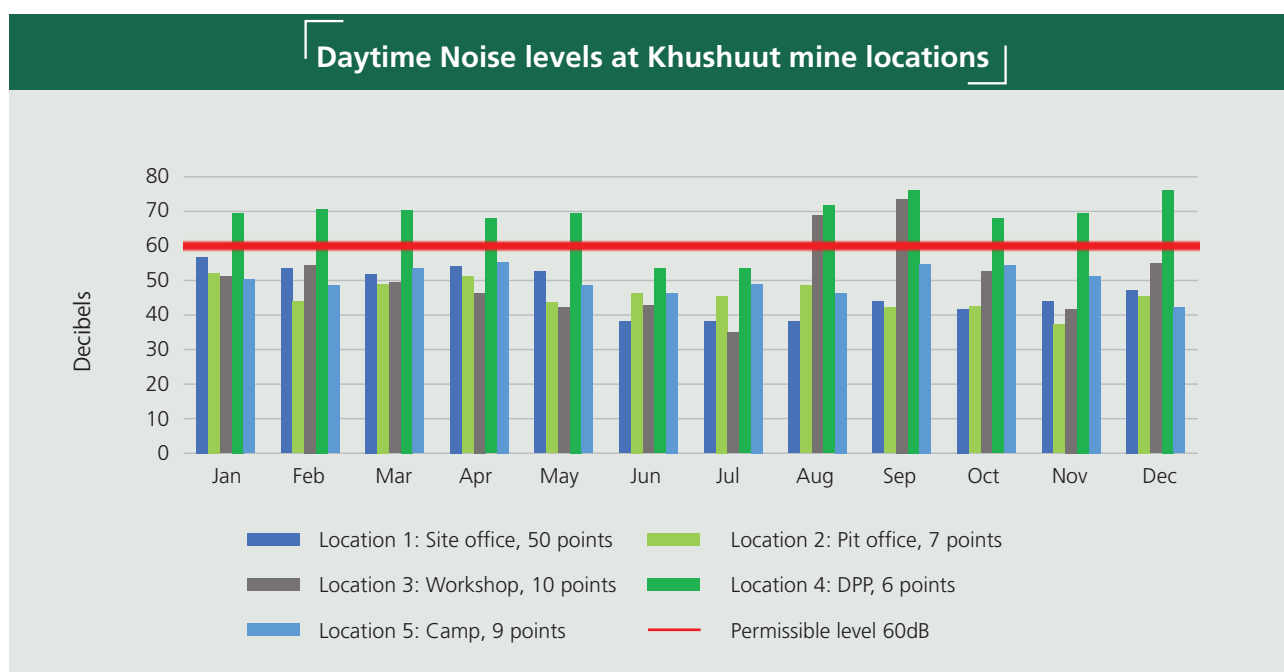
Eliminating or reducing excessive noise at work is not simply an employer’s responsibility. It is the Group’s responsibility to provide a safe and healthy working environment that would inevitably lower the probability of accidents and under-performance. As in most other heavy industries, mining can expose workers to high noise levels. Drills, crushers, mills, and some other items of mining and mineral processing at Khushuut are inherently noisy. MoEnCo’s noise control and reduction measures include:

- **Source identification and risk assessment** – MoEnCo’s environmental team monitors and measures noise sources and levels and reports them to the Government as part of MoEnCo’s comprehensive Environmental Management Report. Such measurements and risk assessment allow us to define the actions which need to be taken to continuously meet the standard requirements for noise exposure. In 2022, the noise measurements were conducted by using SL-5868P Portable Sound Level Meter and Noise Grader at five different locations at Khushuut mine site, each of which also had 6–50 measurement points at each location, the total number of measuring points were 82.

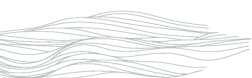


SOCIAL (CONTINUED)

- **Internal safety procedures in effect** – noise exposure and reduction matters are regulated by the MoEnCo’s Internal Regulations and Rules of Khushuut camp as well as in a number of approved internal safety procedures. MoEnCo’s safety team ensures due enforcement of these procedures at the camp.
- **Person protective equipment** – MoEnCo workers are strictly required to wear uniform with all the mandatory personal protection equipment including ear plugs. Workers in noise intensive area are required to wear industrial ear plugs.
- **Government inspection** – MoEnCo’s noise control and management is also part of the annual inspection by the Khovd office of General Agency for Specialized Inspection.
- **Free annual hearing exams** are given to all MoEnCo’s employees working at Khushuut as part of annual health checkups.



The test results show that the overall noise level stays within the standard requirement during most of the time for testing except for two locations, the mine workshop and the DPP which are the most machinery-intensive operating areas of the mine for initial coal processing. The noise level at Khushuut mine has a tendency to rise above the standard level in fall corresponding to the most busy mining operation period of MoEnCo.



MEDICAL CARE FOR OUR WORKERS AND THE COMMUNITY

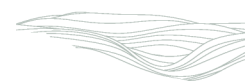
In compliance with the legal requirements, all of our site employees undertake pre-employment medical examination to ensure that they are fit to perform their jobs safely without placing co-workers at risks. Subsequent extensive medical checkup is conducted bi-annually or annually subject to specific jobs and operations to ensure that no health issues and occupational diseases were contracted as a result of operational activities. All costs for such pre-employment and annual medical checkup is borne by MoEnCo. In 2022, MoEnCo's 377 employees underwent annual medical checkups for which we engaged the services from one hospital in capital Ulaanbaatar and one in Khovd province center.

Our Khushuut coal mine has one of the best equipped and modern health centers in the area which is operated by our subcontractor EmMed LLC and provides free medical services to (i) MoEnCo employees; (ii) all contractors' employees at the Khushuut mine site and Uyench camp; (iii) export coal truck drivers on the MoEnCo's Khushuut road; (iv) as well as local residents. Our Khushuut mine site is located in a remote part of Mongolia among Altai Mountains with very low population density, few settlements and even fewer medical facilities. MoEnCo gives support to local communities by offering free health care services, transporting the sick and pregnant to the provincial hospital and providing aids for accidents, if any, on our Khushuut road. They provide free primary health care, medical emergency response, stabilization treatment, and first aid training to MoEnCo's and contractors' employees. Through 2022, MoEnCo's medical team working at Khushuut and Uyench consisted of eight doctors and six nurses. Since launch of operating at Khushuut mine in August, 2013, our medical team examined over 149,000 patients including COVID-19 related services.

Number of visits to MoEnCo's medical center	2016-2019	2019	2020	2021	2022
Visits/calls/checks of the MoEnCo's and contractors' employees	15,646	5,832	14,269	41,838	39,857
Visits/calls/checks of local residents	924	237	126	96	88
Calls to accidents on Khushuut road	18	3	3	1	3

Multiple increase in the number of individual health checks in 2020–2022 compared with the numbers of previous years was due to the increased checking to prevent the COVID-19 spread at the mine. On the other hand, the medical services to local residents notably decreased starting from mid-2019 and continued through 2020–2022 because the Khushuut village, which used to be in the vicinity of our mine site, had been moved along with all its residents to the new location in 20 km south west and 3 km to the Tsetseg soum center, and now the villagers seek medical help at the soum hospital.

An important part of Khushuut medical center's function is offering general training for wellness and healthy habits. Annually, our hospital plans carry training sessions on a number of essential topics which have been attended by several hundreds of mine camp workers and local residents. In 2022, our medical team organized 31 training sessions (this number excludes COVID-19 related training offered) on various topics such as first aid, cardiopulmonary resuscitation (CPR) technique, general disease prevention and occupational injuries for total of 427 MoEnCo's and contractors' workers.



SOCIAL (CONTINUED)

MoEnCo's medical and OSH teams played the main role in preventing and responding to the COVID-19 outbreak of 2020–2022. MoEnCo started to implement effective response measures from January 2020 by promptly modifying policies and actions, putting into place various precautionary procedures at the mine and border crossing point, and establishing an urgent response Task Force to ensure coordination between all MoEnCo's corporate units, Emergency Commissions of Khovd province, local police and customs agency, a number of relevant Ministries, and the China Customs through the Embassies of the two countries. Stockpiling and distribution of disinfectants, disposable protective gears and emergency medical supplies at both Khushuut camp and Uyench CBY increased four-fold in 2020, five-fold in 2021 and two-fold in 2022 compared with the pre-COVID-19 number. In 2022, only our medical team at Uyench CBY conducted 28,329 PCR tests, and vaccinated 235 people whereas disinfection of coal transporting trucks was a norm as well as free surgical masks and disposable protective gears distributed to all cross-border truck drivers.

SAFE CHEMICAL HANDLING AND ASSURANCE OF COAL QUALITY

MoEnCo's full scale chemical laboratory at the Khuhuut mine site is the first and only nationally certified private chemical laboratory in Khovd province and also is the largest private laboratory in the region.

As of March, 2023, there are 49 professionals working full time at the laboratory, 100% of them are locally hired.

In its handling of chemicals, MoEnCo has complied with the Law of Mongolia on Hazardous Chemical Substances, the national mandatory standard MNS ISO/IEC 17025:2018 (General requirements for capacity of a testing and calibration laboratory)¹³, and a number of mandatory guidelines and standards. The actions for safe chemicals handling and management are included in MoEnCo's annual Environmental Management Plan and the performance is reported to the Ministry of Environment and Tourism.

Ever since its set up in 2013, MoEnCo's lab has been continuously meeting the minerals quality assurance and safety requirements of the international ISO standards, PRC's GB/T standards and American ASTM standards. In April 2018, the lab got accredited by the Standardization Accreditation Office of Mongolia upon proving our long-term continuous satisfaction of the due requirements of the Mongolian National Accreditation System (MNAS). Our team re-assures its professional capacity by successfully participating in the annual proficiency testing contest held by the government-run Central Geological Laboratory under the National Coal Programme. The lab also regularly participates in the Proficiency Testing Schemes of the China NIL Research Center for Proficiency Testing and receives a certificate in this regard. In 2022, the lab had seven staff attending a training organized by the National Accreditation Center for laboratories on requirements for testing and calibration of technical laboratory equipment.

It is one of the prime duties of the MoEnCo's lab to ensure that the chemical compositions of our coal for export meet the applicable standards. In 2022, the lab performed 11 different proximate and ultimate analysis and coke activity tests using more than 80 different testing equipments. Our coal, for export coal is required to be tested and sampled at the Chinese border to ensure the imported goods comply with the applicable Chinese laws and requirements, and if these products are falling short of the standards, import will be rejected.

As of March, 2023, the lab used 18 different non-poisonous chemicals for which we duly obtained permits for their use, transportation, storage and import from the Ministry of Environment and Tourism and other relevant government bodies upon satisfying the requirements for use of chemicals in mining operations and of timely reporting.

¹³ <https://estandard.gov.mn/standard/v32>

SANITARY STANDARDS AT THE CAMP

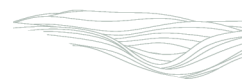
Continuously meeting of the occupational hygiene requirements is a significant part of the MoEnCo's safety programs and planning. A well-maintained camp has a critical impact on the health and well-being of our employees and their work productivity. MoEnCo devotes much efforts and resources into running an exemplary camp that is safe, pleasant and well suited for living in a remote mountainous location. At the Khushuut camp, mine site and Uyench CBY camp, the sanitary hygiene is ensured by the team consisting of a hygienist, two supervisors and an occupational safety manager.

The measures to safeguard the well-being of our workers target the recognition, evaluation, control and prevention of hazards from work and living arrangements and are implemented through the following channels:

- Team prepares and enforces **annual health and sanitary assurance plan** as part of the annual Occupational Safety Management Plan, its due implementation is reported to the Mineral Resources and Petroleum Authority of Mongolia and to the Khovd province Specialized Inspection Agency.
- For ensuring a healthy and safe working environment for employees and reducing workplace risks, **the workplace assessment, inspection, sampling and testing held** daily, bi-weekly, weekly or monthly depending on a specific work place. For example, the temperature, humidity, lighting and noise levels are measured and recorded monthly at every workplace at the camp. Measurements are made with the Vital Environmental Meter EM5 and compared to the parameters of the relevant safety standard requirements.
- **Regular training of all MoEnCo and of contractors' workers and specific staff**, for example, camp canteen cooks, are carried out under the regular schedules for maintaining the due hygiene at the site. The sanitary procedures at the camp are mandatory part of the internal training program. All food handling staff undergo mandatory health checks and tests every six months as required by the Regulation A/145 approved by the Health Minister in 2017.
- **Rodent, pests and insects prevention, control and disinfection** is an important part of the camp's safety program. This work is performed in compliance with the "Regulation on hygiene assurance and infection prevention through extermination and disinfection of house pests, insects and rodents" approved by the General Agency for Specialized Inspection in 2017. MoEnCo hires a licensed company from Khovd and processes the entire territory of the camp and some parts of the mine lands in four sessions (i.e. quarterly) per year.

Following MoEnCo's mining works plan and its goal to offer improved healthy, warm and safe working conditions for its employees, MoEnCo has been undertaking a large-scale camp redesigning program since 2021. Within the scope of these efforts, in 2022, we completed construction of new 1,440 m² modern residential housing and a new boiler house, expanded the camp kitchen building with an area of 337.16 m², and redesigned and improved several other technical and residential facilities at Khushuut and Uyench CBY and is now in the process of building a sports hall.

The bi-annual "All Staff Cleaning Weekend" has become an environmental stewardship tradition for Khushuut mine. In 2022, the mine site organized such event three times which included cleaning, disinfecting, trash collection and removal of trash around the camp within 3 km radius and along the Khushuut road. About 260 people participated and jointly collected and removed trash and debris.



SOCIAL (CONTINUED)

SUPPLY CHAIN MANAGEMENT

The supply chain management of the Group is organized as a process involving comprehensive planning, implementing and monitoring the everyday operations of the entire cluster of inter-related businesses in the western part of Mongolia and north-west of the PRC. The complexity of the cross-border business model necessitates strong supply chain management and compliance at the national levels in both China and Mongolia. The Group's approach to working with contractors and suppliers is based on the principles of fair competition, continuous improvement and focus on ethical conduct.

MoEnCo's supply chain is made up of two main elements:

- **inbound** supply and procurement of services, materials and products for the Khushuut mine operations, coal transportation and the camp living arrangements;
- **outbound** supply and sales of coal to MoEnCo's domestic and Chinese coal buyers and for our free and discounted coal distribution program.

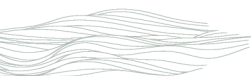
All contracts and agreements with contractors and suppliers include MoEnCo's compliance provisions. These requirements cover important issues such as anti-bribery, labour standards strictly enforced by the national governments in Mongolia and China, workers' health and safety, environmental preservation and rehabilitation schemes, workers' fair pay and hours of work and rest, and mandatory insurance provisions. We require our contractors and suppliers to subscribe all these mandatory schemes for their workers including the health insurance, unemployment, old age pension, welfare, and industrial accidents insurance.

When selecting our suppliers and contractors, MoEnCo adheres to two main selection criteria:

- priority is given to local Khovd companies and individuals interested in working with us; and
- products and services offered by suppliers and contractors should, first of all, satisfy needs and demands of our mine workers and the specifics of MoEnCo's operations in the remote region of Mongolia with harsh climatic and terrestrial conditions.

All contractors and suppliers, new or current, are assessed in accordance with the requirements regarding ethics, corruption, and labour standards risks prior to working with them. Significant support to the local economy comes from MoEnCo's procurement of goods and services. As a responsible corporate citizen, MoEnCo continues to put emphasis on community developments and partnerships by giving back to local citizens. We share the benefits with rural communities and generate economic values by creating jobs and procuring local services and goods. In order to support and strengthen local small and medium sized businesses, local companies in Khovd which meet our procurement requirements are given preference to be our suppliers. In the reporting period, MoEnCo engaged 116 businesses and citizens of Khovd province and purchased services and products worth of MNT 269.8 billion (HK\$691,954,553.61). Through 2022, the calls for suppliers, procurement needs and information for all suppliers have been published on the MoEnCo's website. We created and maintain a database of potential and existing suppliers and contractors, its registration form is available from the MoEnCo's website. Interested companies and individuals send their proposals directly to the Procurement Department using this online form, whereupon an account is created for every supplier.

The Group's supply chain management concentrates on cross-border logistics and chain coordination in China and Mongolia and also focuses on competition orientation at global and regional levels. And at the local level, we strive to do business only with those companies who share our respect for the environment, law and ethical behavior.



PRODUCT RESPONSIBILITY

The Group sells coking coal, thermal coal and raw coal while coking coal is the main commodity for our target customers in Xinjiang, PRC. We understand the importance of product quality and customers' satisfaction; hence, we have always adhered to the philosophy of providing customer with products of good coal quality, and meeting the needs and demands of our customers to their satisfaction.

The Group has well established coal quality assurance and control system. We carry out quality management throughout the whole of our business process from production to after-sales.

Our mine team takes the lead role in the production process in compliance with the relevant laws in Mongolia while our coal quality department assures that we have strictly complied with the laws and regulations of the host countries and other applicable laws and regulations and requirements. During the reporting period, it did not come to our knowledge that our products have any health and safety issues or in violation of the relevant applicable laws.

Sampling and testing will be conducted subsequent to the arrival of coking coal in our customer's site. Our coal quality department will take coking coal samples each day and/or every ten vehicles for coal testing including but not limited to G-value, moisture contents, ash level, volatile matters, water testing, Y-value, etc. The unit price will be fluctuated according to the test result but within a range as stipulated in the sales contract. In general, it is not necessary for us to recall.

There is a standard procedure to follow in case our coal products are reported with quality defects, variations or dissatisfaction. When this happens, our coal quality department and sales department will immediately communicate with the customer and obtain information in details in relation to the quality issue concerned. Our representative will then collect coal samples on site for laboratory test. Depending on situations and cases, an independent testing institution will be engaged to carry out sampling, analytical and testing tasks. Our coal quality department and the respective sales will base on the internal guidelines keep to follow up the issues and keep the management and the respective customers updated until the problems are satisfactorily solved.

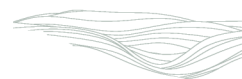
As we have stringent quality assurance procedures, from production to after sales, during the Financial Year, none of our coal sold or shipped had been subject to recall for safety and health reasons and no complaints on our coal quality had been received.

In relation to customers' privacy, we have committed to maintain highest standard of business ethics. We have clear practice instructions in the handling and protection of the sensitive commercial information and information provided by customers in our business transactions. We assure that all commercial contracts are private and confidential. Only the handling officer, related officers and management are permitted to have access to such information. All of these related officers are required to sign the mandatory confidential agreement.

ANTI-CORRUPTION POLICY

The Group upholds a high standard on promoting anti-corruption requiring all its employees and directors to maintain impeccable business ethics. The Group is committed to preventing, detecting and reporting all types of fraud including bribery and corruption.

MEC's Audit Committee has responsibility to review and raise concerns about possible improprieties in financial reporting, internal controls and other matters. No incidents regarding bribery, corruption or unethical behavior were recorded or identified in the Financial Year.



SOCIAL (CONTINUED)

MEC has a whistleblowing policy which is written in its Internal Regulations. This policy aims to provide a formal channel for our employees and stakeholders to report concerns about any suspected misconduct, malpractice or irregularity. This policy is intended to protect the whistleblower to report its concerns without fear of victimization, subsequent discrimination or disadvantage.

MoEnCo's approach to anti-corruption and ethical business conduct is outlined in its Internal Regulations which, among other matters, identifies our obligations, as a company, to comply with all applicable laws and to avoid and report bribery and corruption cases.

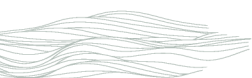
MoEnCo ensures anti-corruption approach and prevention of nepotism through:

- due diligence of potential employees, contractors and suppliers;
- effective communication channels between the management and all staff including those working at Khushuut camp;
- dedicated assessment of bidders and their tender proposals offering their services to MoEnCo; and
- inclusion of anti-bribery provisions in the employment contracts with all MoEnCo workers and managers.

The Group ensures that all of its operations and interactions are conducted in an ethical, honest, and accountable manner and in accordance with all applicable laws and regulations. With thousands of workers, suppliers and contractors, the Group strives to ensure that not only is corruption contrary to our values and responsibility, it may also erode our ties with the communities where we operate. We expect all employees to identify and raise concerns about unethical business conduct, including potential bribery or corruption issues. The Group maintain strong anti-retaliation policy for those would raise concerns timely and in good faith.

The Group believes that transparency and reporting is a proper tool to ethical business conduct pursuant to the relevant laws and regulations as well as its own policies. The Group regularly reports its operations, revenues, taxes, environmental performance and social issues through several channels:

- the website of the Group and the HKEx;
- Mineral Resources and Petroleum Authority of Mongolia, Ministry of Environment and Tourism of Mongolia;
- Khovd province Government;
- MoEnCo's website (<http://moenco.mn>);
- Extractive Industries Transparency Initiative (www.eitimongolia.mn).



COMMUNITY



COMMUNITY (CONTINUED)

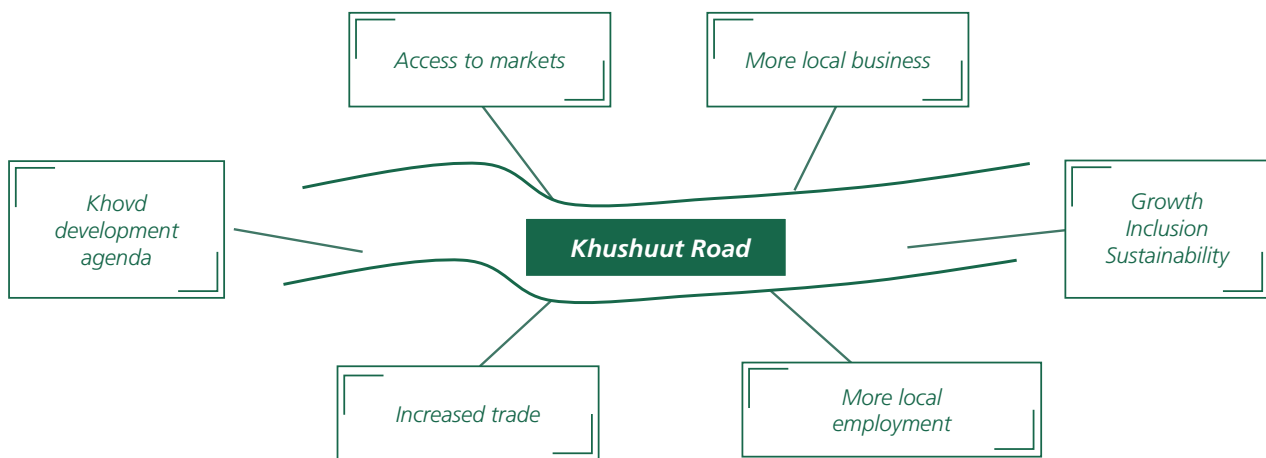
INVESTMENT AND CONTRIBUTION TO THE COMMUNITY AND ITS ECONOMY

MoEnCo was listed as “Mongolia’s Top-100 Companies” issued by the Mongolian National Chamber of Commerce and Industry since 2017 every year. These nominations were made upon evaluating MoEnCo’s outstanding business performance, large number of jobs creation in the remote region of the country, and contributions to the central and provincial budget, among other criteria. We consider these consecutive nominations as a fair assessment of MoEnCo’s contribution to the regional economy and well-being of the local people.

MoEnCo invests into the economy and makes contributions to the communities of the region through various channels and at several levels which are described below.

Local Infrastructure Development

In 2011, MoEnCo commissioned the 311 km long Khushuut road which connects the coal mine to Bulgan border point on the Mongolian side, and Takeshiken border on the PRC side. Over the past 10 years of its operations, Khushuut road has been the only asphalted road within three neighboring rural districts and the artery through which the local economy pulses. Briefly, Khushuut road’s decade long role in the Khovd development agenda can be illustrated as follows:



MoEnCo applies much efforts in maintaining its road to withstand extreme winter and summer temperature fluctuations in Mongolia and heavy freight load. Local residents of the entire Khovd province use our asphalted road without any fees or tolls. Our local contractor – road maintenance company carries annual repair works in strict compliance with the requirements of the Roads Law of Mongolia and the national standards. The Khushuut road creates a substantial number of local jobs engaging people in snow, ice, sand removal, natural sludge clearing, asphalt application and repairs, upgrades, replacement of road signs, arranging drivers’ rest areas, etc. Over the years of operations, various private companies set up eateries and stores in four locations, and MoEnCo built 14 rest areas along the road and the petroleum suppliers constructed ten stations for storing and selling petrol. In 2022, we built two additional public rest and recreation areas, in Haginga bag and Barlag gorge, both in Tsetseg soum.

Creating Local Employment

Fulfilling our pledge to increase job opportunities for local citizens and support businesses of Khovd, in 2022, MoEnCo recruited almost 89% of the total workforce from Khovd province (average of the 12 months of 2022). All our workers, including local ones, enjoy similar benefits, undergo regular full medical checkups and have their social security and health insurance premiums paid by MoEnCo. Moreover, they get on-job training and enjoy the active social life at the camp.

In addition to MoEnCo's own local employees, local jobs are created through:

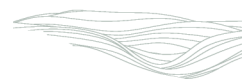
- **the Khushuut road**, located in the arid lands in extreme continental climate and used for heavy duty transportation, requires significant maintenance throughout the year (snow, ice, sand removal, natural sludge clearing, repairs, upgrades, replacement of road signs, creating driver's rest areas, etc.), thus, creating a substantial number of local jobs. In 2022, all our road maintenance contractors were local;
- our **annual land rehabilitation works**, for which we engaged only local residents or professional companies;
- all procured **long distance coal transporters** were local as well;
- all the construction, repairs, landscaping and other types of **public works** of 2022 financed by the Khushuut Development Fund also provided jobs for many local citizens.

MoEnCo mandatorily includes in its subcontracting agreements with its contractors and suppliers, for example, transportation companies or construction contractors, that they hire the majority of their personnel locally under legitimate labour contracts that meet all legal requirements and with the provisions of compulsory government social and health insurances.

Priority to Local Procurement

Significant support to the local economy comes from MoEnCo's procurement of goods and services. In order to support and strengthen local small and medium sized businesses, local companies in Khovd which meet our procurement requirements are given preference to be our suppliers of drinking water, meat, milk, vegetables and other foodstuffs, construction materials and construction works, vehicles maintenance and rentals, medical drugs and supplies, work uniforms and boots, hotel and meals services, certain equipment rental, truck drivers training courses, and coal transporting services.

In the past, MoEnCo used to organize information sessions for tender seekers explaining our procurement requirements and procedures. Over the past decade of supplying products and services to the Khushuut mine, the Khovd and other regional suppliers have gained extensive business experience in cooperating with multi-national company like MoEnCo and in cross-border supply. In June 2022, MoEnCo's Procurement Department participated in the "Working Khovd People" day celebration held in Khovd province where face-to-face meeting and registration of potential local suppliers and subcontractors took place and the information was provided about the procurement procedures and requirements.



COMMUNITY (CONTINUED)

MoEnCo's 2022 local procurement	2019	2020	2021	2022
Number of contractors and suppliers	198	252	261	273
of which, number of local suppliers and contractors (individuals and businesses)	135	113	103	116

In 2022, total purchases of goods and services from local businesses and individuals amounted to almost MNT270 billion (approximately HK\$692,467,492.50). MoEnCo hired only local transportation companies for exporting coal to foreign buyers. For this purpose, we recruited 26 Khovd transportation companies and paid MNT142 billion (approximately HK\$364,186,607.17) as coal transportation service fees.

MoEnCo's 2022 local procurement	2018	2019	2020	2021	2022
Amount of locally purchased goods and services (including coal transportation)	MNT47.8 billion (HK\$144.5 million)	MNT123.7 billion (HK\$366.2 million)	MNT76.1 billion (HK\$207.5 million)	MNT125.6 billion (HK\$334.3 million)	MNT270 billion (HK\$692.5 million)
of which, percentage of the total procurement	68%	70.9%	59%	84%	92%

The COVID-19 outbreak response in China and Mongolia with their severe mobility restrictions, border closure and quarantine measures caused much disruption in the supply chain routes existing between MoEnCo and Xinjiang Washing Plant in China and between their respective domestic suppliers, service providers and buyers. In the post COVID-19 years of 2021–2022, MoEnCo managed to overcome these critical challenges and restored its policy swiftly to emphasize the local procurement, reaching 92% of local purchases out of total procurement. This demonstrates resilience of both our strategy and the local economy.

Local Cooperation Agreements

Performing its obligations of a mining license holder, MoEnCo entered into three cooperation agreements, of 2014–2016, 2017–2020 and 2021–2024 with Khovd province Government. In the concluding statement papers of the first two Cooperation Agreements, the Khovd province government expressed its “great satisfaction” of MoEnCo’s work toward fulfilling its social responsibility.

The 2021–2024 Cooperation Agreement was entered in November 2021. It is based on the principles of mutual respect of interests and aims of MoEnCo and the province Government, non-interference and equal treatment as with any private business operating in the province. In the agreement, MoEnCo took upon itself wide range of obligations pertaining to the environmental conservation, creating jobs, supporting local businesses and investing more into the infrastructure. A working group consisting of representatives of the provincial and soum governments and of MoEnCo review the performance of the Cooperation Agreement annually. In December 2022, MoEnCo reported about its commitment to the duties specified in the Agreement as follows:

- There were 2,462 people working at Khushuut mine by end of 2022, including employees of MoEnCo and its contractors, this is 31.3% increase compared with the 2021 number. Of these people, 79% are citizens of Khovd province, as are the 89% of 497 employees of MoEnCo.

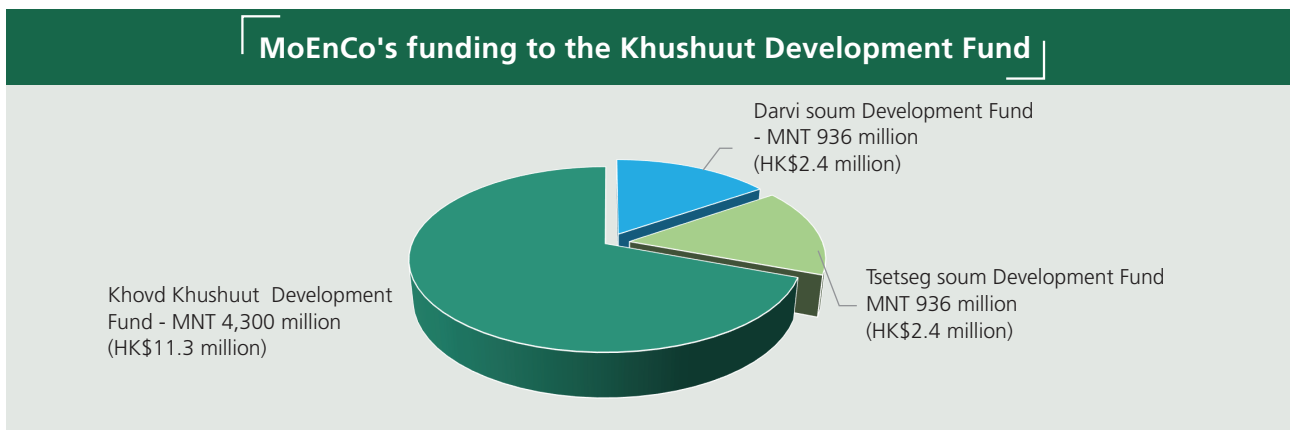
- Contributing to preparing more professional national workforce, MoEnCo involved 5,220 workers in 2022, in duplicated count, in vocational training, on-the-job training and professional development.
- MoEnCo supplied a total of 68,628 tonnes of coal of various types at a notably discounted price or for free to Khovd domestic needs, and also made elders of Khushuut bag and MoEnCo retirees a gift of coal.

Khushuut Development Fund

Annually MoEnCo contributes cash to the Khushuut Development Fund jointly established with the Khovd Government under the 2021–2024 Cooperation Agreement. The Fund consist of (i) provincial Khovd Khushuut Development Fund (ii) Tsetseg soum Development Funds and (iii) Darvi soum Development Funds, and operates under its regulation approved by Khovd Governor while the latter two Funds receive funding from MoEnCo for local projects. The Fund's annual plans and reports are approved by the Khovd province citizen's Khural (provincial assembly) and by soum Khurals respectively.

In 2022, fulfilling its obligations under the Cooperation Agreement, MoEnCo contributed approximately MNT6.7 billion (approximately HK\$17,183,452.59) to Khovd Development Fund.

	2014-2020	2020	2021	2022
MoEnCo's contribution to Khushuut Development Fund	MNT7,949.63 million (HK\$21.68 million)	MNT1,598.8 million (HK\$4.36 million)	MNT2,034.18 million (HK\$5.41 million)	MNT6.7 billion (HK\$17.18 million)



The 2022 disbursements for hospital and medical services, infrastructure construction and repairs and public civil works and urban improvements and etc., from Khovd Khushuut Development Fund were used to fund 67 projects in 10 soums of Khovd province, including but not limited to:

- **Construction, installations, maintenance and repairs of public buildings:** renovation of the Western Regional Training Center and Central stadium in Khovd center, launch of construction of the Nursing Center, improvements at public schools of two soums, repairs of medical equipment for a public hospital in three soums, land acquisition costs for the Development Center for people with disabilities.
- **Local urban infrastructure repairs, installations and improvements:** increase the capacity of an electricity plant at Bulgan soum and extension of clean water supply network of Manhan soum.

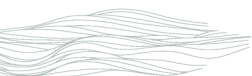
COMMUNITY (CONTINUED)

- **Cultural activities and local sports:** purchase of musical instruments and equipment for Khovd Music and Drama Theatre, support in designing of the children's and youth recreational complex in Jargalant soum, equipment for Culture Center of Must soum.
- **Capacity building, training and support:** for the Khovd Tourism Association and the Red Cross Committee of Khovd province.

Donations and In-Kind Services

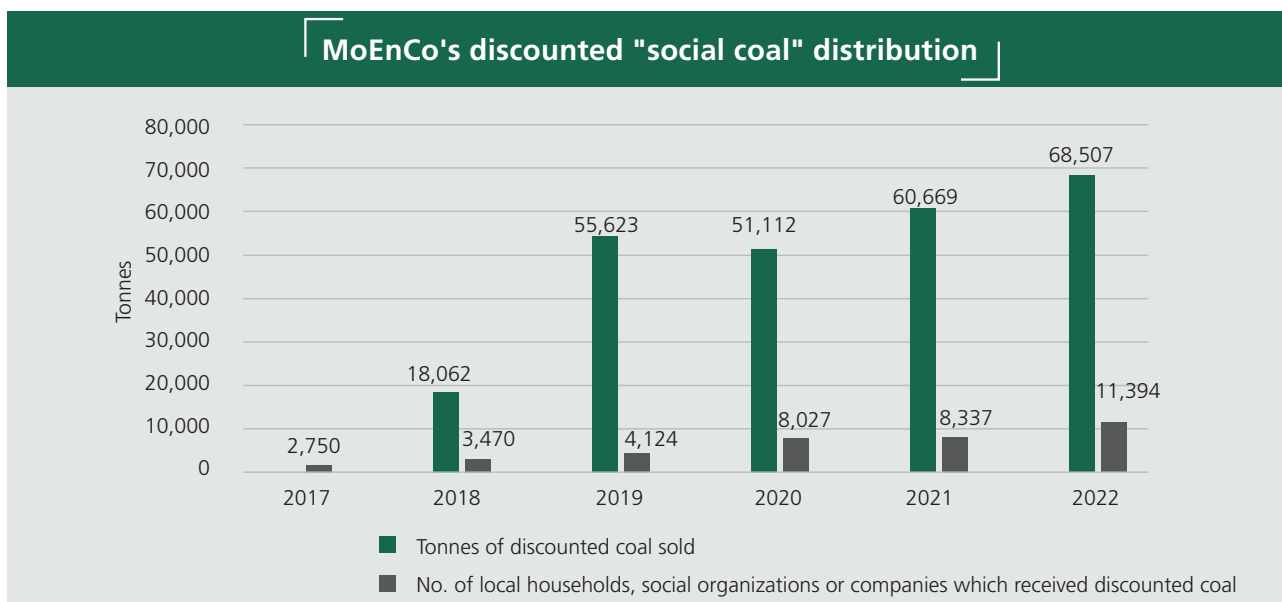
Despite continued COVID-19 pandemic restrictions and additional virus prevention costs in 2022, MoEnCo continued its promotion of the local development through donations, free coal distribution and in-kind services.

- **In-kind works and services** offered free of charge to the local residents include:
 - MoEnCo's medical center at the mine site provides free outpatient medical care and emergency services for the local people in three nearby soums. In 2022, our medical team treated 88 patients from the local community without charge.
 - MoEnCo's conservation efforts include a component of stewardship of the archeological monuments which are plenty in Khovd. Under the Law of Protection of Cultural Heritage and the Minerals Law, corporate land users are in charge of protecting and maintaining historical monuments located in their leased areas. There are a total of 114 natural and cultural monuments recognized and registered as such on the territories associated with Khushuut mine in Darvi and Tsetseg soums. Now we safeguard these distant burials, ruins and monuments through some conservation works, keeping their registry and placing direction signs, safety warnings and information and direction boards. In 2022, we did maintenance at four cultural sites and updated their registry in MoEnCo's database.
- **MoEnCo scholarships:** MoEnCo fully or partially sponsored a total of 173 students from Khovd to study at universities and colleges of Mongolia and at the Khovd Vocational Training and Production Center in prior years. In 2022, MoEnCo relaunched this program and offered partial scholarships to 15 students of seven soums of Khovd to pursue their bachelor's degrees in nine different majors at three universities.
- **MoEnCo's donations** (these are in addition to the funds paid to Khovd Development Fund) are often necessitated by an emergency, either due to weather or medical conditions. For example, as part of MoEnCo's COVID-19 prevention and response program, we donated 48,000 face masks, 2,000 disposable overalls, disinfectants, test kits as well as 1,000 litres of fuel to the Emergency Commissions of Bulgan, Tsetseg, Uyenich and Darvi soums, Khovd province Emergency Commission and Khovd Communicable Disease Research Center in 2020–2021. MoEnCo donated animal feed to some local herders and families of some of our site workers during harsh winter or drought in the spring as well as for community emergency preparedness, or offered various gifts and free coal vouchers to some local seniors and MoEnCo's retirees.



- Free and discounted coal distribution.** MoEnCo distributes free or significantly discounted coal for the local community members and at request of provincial and soum governments to (i) support local business; (ii) help the communities overcome harsh winters of Mongolia or (iii) other urgent events such as Covid-19 outbreak. Some examples include: over the period of 2017–2020 we delivered a total of 375 tonnes of free coal to Khushuut bag households with elderly parents. In 2018–2020, MoEnCo fully sponsored distribution of 4,000 tonnes of coal from Hongor mine, located nearby Khovd province center, to the provincial center’s residents in need. MoEnCo’s free and discounted coal distribution program reaches out citizens of six soums (Tsetseg, Darvi, Jargalant, Bulgan, Altai, Uyench). In 2020, we donated 40 tonnes of coal to the Darvi soum Emergency Office as our support and appreciation of their hard works against the COVID-19 outbreak. In 2022, MoEnCo provided 68,507 tonnes of discounted coal and 121 tonnes of free coal to total of 11,424 local recipients.

MoEnCo's 2022 free and discounted coal distribution program	2014-2021	2019	2020	2021	2022
Tonnes of coal distributed free of charge	5,643.25	537	341.55	640.7	121
Tonnes of discounted coal sold	199,461	55,623	51,112	60,669	68,507
No. of local households, social organizations or companies which received discounted coal		4,124	8,027	8,337	11,394
No. of recipients of free coal		36	37	47	30



HKEX ESG REPORTING GUIDE INDEX



Subject Areas, Aspects, General Disclosures and KPIs

Sections for Disclosure

A. Environmental

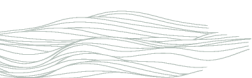
Aspect A1: Emissions

General Disclosure	Information on: (a) the policies; and	<ul style="list-style-type: none"> • Environmental Policy and Management • Environmental Audits • Environmental Performance Reporting • Air Quality Monitoring • Dust Reduction • Vehicle Emissions Control • Integrated Waste and Sewage Management at the Camp • Soil Quality Monitoring • Rehabilitation of Mine Disturbed Areas • Safe Chemical Handling and Assurance of Coal Quality
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	<ul style="list-style-type: none"> • Environmental Policy and Management • Environmental Audits • Environmental Performance Reporting • Air Quality Monitoring • Vehicle Emissions Control • Integrated Waste and Sewage Management at the Camp • Soil Quality Monitoring • Safe Chemical Handling and Assurance of Coal Quality
KPI A1.1	The types of emissions and respective emissions data.	<ul style="list-style-type: none"> • Air Quality Monitoring • Dust Reduction • Environmental Management and Performance at Xinjiang Washing Plant • Environmental Performance Overview
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> • Air Quality Monitoring • Environmental Management and Performance at Xinjiang Washing Plant • Environmental Performance Overview
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> • Integrated Waste and Sewage Management at the Camp • Environmental Management and Performance at Xinjiang Washing Plant • Environmental Performance Overview

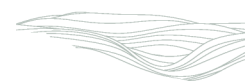


HKEX ESG REPORTING GUIDE INDEX (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs		Sections for Disclosure
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> • Integrated Waste and Sewage Management at the Camp • Environmental Management and Performance at Xinjiang Washing Plant • Environmental Performance Overview
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> • Air Quality Monitoring • Measures to Reduce Greenhouse Gas Emissions • Dust Reduction • Vehicle Emissions Control • Integrated Waste and Sewage Management at the Camp • Rehabilitation of Mine Disturbed Areas • Corresponding Protection Program • Environmental Management and Performance at Xinjiang Washing Plant
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> • Water Use Management and Quality Monitoring • Integrated Waste and Sewage Management at the Camp • Soil Quality Monitoring • Environmental Management and Performance at Xinjiang Washing Plant
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	<ul style="list-style-type: none"> • Water Use Management and Quality Monitoring • Environmental Management and Performance at Xinjiang Washing Plant
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> • Energy Consumption • Environmental Management and Performance at Xinjiang Washing Plant • Environmental Performance Overview
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> • Water Use Management and Quality Monitoring • Environmental Management and Performance at Xinjiang Washing Plant • Environmental Performance Overview

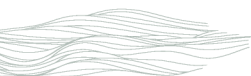


Subject Areas, Aspects, General Disclosures and KPIs		Sections for Disclosure
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> • Energy Consumption • Environmental Performance Overview
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> • Water Use Management and Quality Monitoring • Environmental Management and Performance at Xinjiang Washing Plant
KPI A2.5	Total packaging material used for finished product (in tonnes) and, if applicable, with reference to per unit produced.	N/A
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	<ul style="list-style-type: none"> • Water Use Management and Quality Monitoring • Soil Quality Monitoring • Rehabilitation of Mine Disturbed Areas • Corresponding Protection Program
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<ul style="list-style-type: none"> • Water Use Management and Quality Monitoring • Soil Quality Monitoring • Rehabilitation of Mine Disturbed Areas • Corresponding Protection Program
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	<ul style="list-style-type: none"> • Measures to Reduce Greenhouse Gas Emissions
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	<ul style="list-style-type: none"> • Measures to Reduce Greenhouse Gas Emissions



HKEX ESG REPORTING GUIDE INDEX (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs	Sections for Disclosure
B. Social	
Employment and Labour Practices	
Aspect B1: Employment	
General Disclosure	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and <ul style="list-style-type: none"> • Employment Practice, Welfare and Benefits • Occupational Safety (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. <ul style="list-style-type: none"> • Employment Practice, Welfare and Benefits • Occupational Safety
KPI B1.1	<p>Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.</p> <ul style="list-style-type: none"> • Employment Practice, Welfare and Benefits
KPI B1.2	<p>Employee turnover rate by gender, age group and geographical region.</p> <ul style="list-style-type: none"> • Employment Practice, Welfare and Benefits
Aspect B2: Health and Safety	
General Disclosure	<p>Information on</p> <ul style="list-style-type: none"> (a) the policies; and <ul style="list-style-type: none"> • Training and Development Program • Occupational Safety • Emergency Response and Readiness • Noise Control and Reduction Measures • Medical Care for Our Workers and the Community • Sanitary Standards at the Camp (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. <ul style="list-style-type: none"> • Training and Development Program • Occupational Safety • Emergency Response and Readiness • Noise Control and Reduction Measures • Medical Care for Our Workers and the Community • Sanitary Standards at the Camp
KPI B2.1	<p>Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p> <ul style="list-style-type: none"> • Occupational Safety

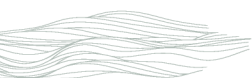


Subject Areas, Aspects, General Disclosures and KPIs		Sections for Disclosure
KPI B2.2	Lost days due to work injury.	<ul style="list-style-type: none"> Occupational Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	<ul style="list-style-type: none"> Training and Development Program Occupational Safety Emergency Response and Readiness Noise Control and Reduction Measures Medical Care for Our Workers and the Community Sanitary Standards at the Camp
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	<ul style="list-style-type: none"> Training and Development Program Sanitary Standards at the Camp
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<ul style="list-style-type: none"> Training and Development Program
KPI B3.2	The average training hours completed per employee by gender and employee category.	<ul style="list-style-type: none"> Training and Development Program
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	<ul style="list-style-type: none"> Employment Practice, Welfare and Benefits Employment Practice, Welfare and Benefits
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<ul style="list-style-type: none"> Employment Practice, Welfare and Benefits
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	<ul style="list-style-type: none"> Employment Practice, Welfare and Benefits

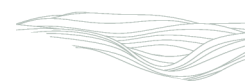


HKEX ESG REPORTING GUIDE INDEX (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs		Sections for Disclosure
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	<ul style="list-style-type: none"> Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	<ul style="list-style-type: none"> Investment and Contribution to the Community and Its Economy
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	<ul style="list-style-type: none"> Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	<ul style="list-style-type: none"> Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	<ul style="list-style-type: none"> Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	<ul style="list-style-type: none"> Product Responsibility Safe Chemicals Handling and Assurance of Coal Quality Product Responsibility Safe Chemicals Handling and Assurance of Coal Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	<ul style="list-style-type: none"> Product Responsibility

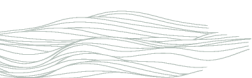


Subject Areas, Aspects, General Disclosures and KPIs		Sections for Disclosure
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	<ul style="list-style-type: none"> Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A
KPI B6.4	Description of quality assurance process and recall procedures.	<ul style="list-style-type: none"> Product Responsibility Safe Chemicals Handling and Assurance of Coal Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	<ul style="list-style-type: none"> Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	<ul style="list-style-type: none"> Anti-Corruption Policy Anti-Corruption Policy
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	<ul style="list-style-type: none"> Anti-Corruption Policy
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	<ul style="list-style-type: none"> Anti-Corruption Policy
KPI B7.3	Description of anti-corruption training provided to directors and staff.	<ul style="list-style-type: none"> Anti-Corruption Policy



HKEX ESG REPORTING GUIDE INDEX (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs		Sections for Disclosure
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	<ul style="list-style-type: none"> • Corresponding Protection Program • Emergency Response and Readiness • Medical Care for Our Workers and the Community • Investment and Contribution to the Community and Its Economy
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	<ul style="list-style-type: none"> • Corresponding Protection Program • Emergency Response and Readiness • Medical Care for Our Workers and the Community • Investment and Contribution to the Community and Its Economy
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	<ul style="list-style-type: none"> • Corresponding Protection Program • Emergency Response and Readiness • Medical Care for Our Workers and the Community • Investment and Contribution to the Community and Its Economy



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