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MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

DISCLOSEABLE TRANSACTION DISPOSAL OF 20% INTEREST IN A WHOLLY-OWNED SUBSIDIARY

THE DISPOSAL

The Board is pleased to announce that on 21 February 2024 (after trading hours), BNS (an indirect wholly-owned subsidiary of the Company) and the Company (each as the Seller) and the Purchaser (an independent third party, as purchaser) entered into the Share Purchase Agreement, pursuant to which the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sales Shares (which represent 20% equity interest in KEX) at the Purchase Price. On the same day, (i) BNS, the Company, the Purchaser and KEX have entered into the Joint Venture Agreement (which shall take effect at Closing), and (ii) the Company and the Purchaser have entered into the Marketing Agreement (which shall take effect from the Closing Commencement) in relation to the supply of coal products for the Term.

The Purchase Price of US\$88,810,000 shall be payable at the Closing Commencement. For the basis of determination of the Purchase Price, please refer to the section headed “*Consideration and the basis thereof*” in this announcement.

As at the date of this announcement, KEX is directly wholly-owned by BNS. Upon Closing, KEX will be held as to 80% by BNS, and 20% by the Purchaser. Therefore, KEX will continue to be a subsidiary of the Company following Closing. As the effect of the Disposal (upon Closing) is not expected to cause a loss of the Group’s control over KEX, the Disposal is expected to be accounted for as an equity transaction that will not result in the recognition of any gain or loss in profit or loss for the Company.

LISTING RULES IMPLICATIONS

As the highest percentage ratio (calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders’ approval requirement thereunder.

INTRODUCTION

The Board is pleased to announce that on 21 February 2024 (after trading hours), BNS and the Company (each as the Seller) and the Purchaser entered into the Share Purchase Agreement, pursuant to which the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sales Shares (which represent 20% equity interest in KEX) at the Purchase Price. On the same day, (i) BNS, the Company, the Purchaser and KEX have entered into the Joint Venture Agreement (which shall take effect at closing of the sale and purchase of the Sales Shares under the Share Purchase Agreement (the “**Closing**”)), and (ii) the Company and the Purchaser have entered into the Marketing Agreement (which shall take effect from the Closing Commencement) in relation to the supply of coal products for the Term.

Details on the Share Purchase Agreement, the Joint Venture Agreement and the Marketing Agreement are set out below.

THE SHARE PURCHASE AGREEMENT

The principal terms of the Share Purchase Agreement are set out below:

Date	21 February 2024 (after trading hours)
Parties	(1) BNS and the Company, each as the Seller; and (2) the Purchaser.

As at the date of this announcement, KEX is directly wholly-owned by BNS. Upon Closing, KEX will be held as to 80% by BNS, and 20% by the Purchaser. Therefore, KEX will continue to be a subsidiary of the Company following Closing.

As at the date of this announcement, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Purchaser and its ultimate beneficial owner(s) is a third party independent of the Company and its connected persons.

Subject matter to be disposed of	Pursuant to the Share Purchase Agreement, the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sales Shares (which represent 20% equity interest in KEX).
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Consideration and the basis thereof

The Purchase Price of US\$88,810,000 shall be payable at the Closing Commencement (as defined below). Such consideration was determined upon arm's length negotiation between the Seller and the Purchaser, after taking into account the current development status of the BN mine, as well as the potential commercial benefits of the Disposal and the future collaboration regarding coal transportation, logistics and trading activities to the Group.

On the aforesaid basis, the Directors are of the view that the Purchase Price is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the Closing Commencement

Commencement of Closing (the "**Closing Commencement**") to the Share Purchase Agreement is conditional upon fulfillment (or waiver, as applicable) of the customary conditions precedent including without limitation:

- (a) all actions by or in respect of or filings with any governmental authority required to permit the consummation of the Closing shall have been taken, made or obtained, except for the SRO Registration and obtaining a tax reference letter to be issued by relevant tax authorities in Mongolia; and
- (b) the representations and warranties of the Seller and the Purchaser in the Share Purchase Agreement remaining true and correct at the material time.

Closing Commencement shall take place remotely via the electronic exchange of documents and signatures as soon as practicable and no later than five (5) business days after the satisfaction or waiver of the conditions precedent (or at such other time or place as the Seller and the Purchaser may agree in writing).

Closing of the Disposal

Closing under the Share Purchase Agreement shall occur on the date on which the SRO Registration is completed.

Financial effect of the Disposal

As at the date of this announcement, KEX is indirectly wholly-owned by the Company. Immediately upon the Closing, the indirect shareholding of the Company in KEX will be reduced from 100% to 80%. KEX will continue to be a subsidiary of the Company. The results of operations and financial position of KEX will continue to be recorded in the Group's consolidated financial statements. As the effect of the Disposal (upon Closing) is not expected to cause a loss of the Group's control over KEX, the Disposal is expected to be accounted for as an equity transaction that will not result in the recognition of any gain or loss in profit or loss for the Company.

Use of proceeds from the Disposal

The gross proceeds from the Disposal are expected to be US\$88,810,000, which will be used by the Group for future potential investments and general working capital purposes.

THE JOINT VENTURE AGREEMENT

On 21 February 2024 (after trading hours), BNS, the Company, the Purchaser and KEX entered into the Joint Venture Agreement (which shall take effect at Closing) to agree on certain shareholders rights and management rights over KEX, including but not limited to:

- (a) the Purchaser shall have the right to nominate one director to the board of directors of KEX for so long as the aggregate shareholding percentage of the Purchaser (and its permitted transferees) in KEX is no less than 5%; and
- (b) all actions of the board of directors of KEX shall require the affirmative vote of at least two-third majority of the directors voting on the relevant resolution.

THE MARKETING AGREEMENT

On 21 February 2024 (after trading hours), with a view to further cooperate, the Company and the Purchaser have entered into the Marketing Agreement, which shall take effect from the Closing Commencement for the Term.

Pursuant to the Marketing Agreement, the MMC Affiliates shall supply, and the JIA Affiliates shall procure, 1.5 million tonnes per annum of coal products (including (1) washed hard coking coal (that is, HCC), (2) washed semi-soft coking coal, (3) washed thermal coal or any other coal product as mutually agreed) in the first five years commencing from the Closing Commencement; and 2.0 million tonnes per annum of coal products in the next following five years, totalling no more than 17.5 million tonnes during the Term.

The selling price for each delivery batch of the particular coal product will be based on the prevailing market price and calculated by a pre-determined formula (with reference to (i) the price per tonne for the same coal product sold by MMC Affiliates via MSE during preceding 20 MSE trading days, having factored in (ii) an index reflecting financing cost and market forward risk) as set out in the Marketing Agreement. The exact volume by each coal product category in each year shall be transacted in accordance with the Marketing Agreement.

INFORMATION OF THE PARTIES

Information of KEX

KEX is a limited liability company organized and existing under the laws of Mongolia and an indirect wholly-owned subsidiary of the Company as at the date of this announcement. It is principally engaged in mining, transporting and selling coal products produced from BN mine. KEX holds minerals exploitation special permits Baruun Naran MV-014493 (of 4,482 hectares area) and Tsaikhar Khudag MV-017336 (of 8,340 hectares area), both located in Umnugobi Aimag, Mongolia. The unaudited financial information of KEX for the six months ended 30 June 2023, and the audited financial information of KEX for the financial years ended 31 December 2022 and 31 December 2021, in each case, prepared in accordance with the International Financial Reporting Standards and Mongolian Accounting Regulations, are set out below.

	For the financial year ended 31 December 2021 (audited)	For the financial year ended 31 December 2022 (audited)	For the six months ended 30 June 2023 (unaudited)
<i>Revenue</i>	MNT18,150,709,000, equivalent to approximately US\$6,370,257	MNT139,517,206,000, equivalent to approximately US\$44,429,826	MNT285,092,018,000, equivalent to approximately US\$81,860,892
<i>Net profit (or loss) before taxation</i>	MNT(13,293,483,000), equivalent to approximately US\$(4,665,542)	MNT(19,422,949,000), equivalent to approximately US\$(6,185,318)	MNT140,711,325,000, equivalent to approximately US\$40,403,638
<i>Net profit (or loss) after taxation</i>	MNT(13,145,001,000), equivalent to approximately US\$(4,613,430)	MNT(22,866,064,000), equivalent to approximately US\$(7,281,792)	MNT105,083,070,000, equivalent to approximately US\$30,173,394

As at 30 June 2023, the unaudited total assets of KEX amounted to approximately MNT385,460,274,000 and the net asset value of KEX was approximately MNT74,482,026,000 (equivalent to approximately US\$112,296,912 and US\$21,698,998, respectively, as converted using the Bank of Mongolia's prevailing exchange rate of US\$1.00 = MNT3,432.51 as at 30 June 2023).

Information of BNS

BNS is an investment holding company incorporated under laws of Grand Dutchy of Luxembourg and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, it holds 100% of KEX. BNS, through its subsidiary, is principally engaged in the exploration and development of the BN mine.

Information of the Purchaser

Jiayou International Logistics Co., Ltd.* (嘉友國際物流股份有限公司) is a company incorporated under the laws of the People's Republic of China and its A shares are publicly traded on the main board of the Shanghai Stock Exchange (Shanghai Stock Exchange Symbol: 603871).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, based on publicly available information in relation to the Purchaser, the Purchaser is held by Han Jinghua directly as to 13.34%, Meng Lian directly as to 6.92%, and Han Jinghua and Meng Lian jointly as to 24.88% (through Jiaxin Yi (Tianjin) Asset Management Partnership Enterprise (Limited Partnership)); and such aforesaid shareholders jointly exercise control over the Purchaser.

The Purchaser is principally engaged in domestic and international multimodal transport, logistics infrastructure investment and operation and supply chain trade.

Information of the Group

The Company together with its subsidiaries is the largest producer and exporter of high-quality HCC in Mongolia. The Group owns and operates the Ukhaa Khudag and the BN open-pit coking coal mines, both located in the Umnugobi aimag (South Gobi province), Mongolia.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is the largest producer and exporter of high-quality HCC in Mongolia. It owns and operates, amongst others, the BN mine located in the Umnugobi aimag (South Gobi province), Mongolia under two mining licenses. In order to maximize business value of the BN mine through joint development and operation, the Board considers that it would be prudent for the Group to trim its assets and reduce its gearing as and when the opportunity arises. The Board believes that it would be prudent to realize cash from the Disposal which allows the Group to improve its working capital and therefore strengthen the liquidity and overall financial position of the Group. Furthermore, based on the reasons set forth in the section headed "*Consideration and the basis thereof*" in this announcement, the Directors are of the view that the basis for determining the Purchase Price is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

DIRECTORS' VIEW AND BOARD'S APPROVAL

The Directors (including independent non-executive Directors) of the Company are of the view that the terms of the Share Purchase Agreement, the Joint Venture Agreement and the Marketing Agreement have been negotiated on an arm's length basis, are fair and reasonable, are on normal commercial terms or better and are in the interests of the Company and its Shareholders as a whole.

No Director was deemed to have any material interest in the transactions contemplated under the Share Purchase Agreement, the Joint Venture Agreement or the Marketing Agreement. Accordingly, none of the Directors was required to abstain from voting on the Board resolutions approving the same.

LISTING RULES IMPLICATIONS

As the highest percentage ratio (calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement thereunder.

GENERAL

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this announcement and any of the matters set out herein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place any excessive reliance on the information disclosed herein. Any Shareholder or potential investor who is in doubt is advised to seek advice from professional advisors.

DEFINITIONS

In this announcement, the following expressions shall (unless the context otherwise requires) have the following meanings:

“Bank of Mongolia”	central bank of Mongolia
“Board”	the board of Directors
“BN”	Baruun Naran
“BN deposit”	BN coal deposit located in the Tavan Tolgoi formation
“BN mine”	the area of the BN deposit that can be mined by open-pit mining methods
“BNS”	Baruun Naran S.a.r.l, a company incorporated under the laws of Grand Duchy of Luxembourg and an indirect wholly-owned subsidiary of the Company
“Closing”	has the meaning as ascribed to it in the section headed “ <i>Introduction</i> ” in this announcement
“Closing Commencement”	has the meaning as ascribed to it in the section headed “ <i>Conditions precedent to the Closing Commencement</i> ” in this announcement
“Company”	Mongolian Mining Corporation, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 975)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Disposal”	the proposed disposal of the Sales Shares to the Purchaser by the Seller as contemplated under the Share Purchase Agreement
“Group”	the Company and its subsidiaries
“HCC”	washed hard coking coal
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“JIA Affiliate(s)”	any affiliate(s) designated by the Purchaser
“Joint Venture Agreement”	the joint venture agreement dated 21 February 2024 and entered into amongst BNS, the Company, the Purchaser and KEX, which shall take effect at Closing
“KEX”	Khangad Exploration LLC, a limited liability company organized and existing under the laws of Mongolia and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Marketing Agreement”	the marketing agreement dated 21 February 2024 and entered into amongst the Company and the Purchaser, which shall take effect for the Term from the Closing Commencement
“MMC Affiliates”	KEX and/or together with Energy Resources LLC, an indirect wholly-owned subsidiary of the Company
“MNT”	togrog or tugrik, the lawful currency of Mongolia
“MSE”	Mongolian Stock Exchange
“Purchase Price”	the total consideration for the sale and purchase of the Sales Shares, being US\$88,810,000
“Purchaser”	Jiayou International Logistics Co., Ltd.* (嘉友國際物流股份有限公司), a company incorporated under the laws of the People’s Republic of China and its A shares are publicly traded on the main board of the Shanghai Stock Exchange (Shanghai Stock Exchange Symbol: 603871)
“Sales Shares”	the 6,906,480 shares of KEX, which represent 20% of the issued and outstanding share capital of KEX immediately prior to Closing
“Seller”	collectively, BNS and the Company (as the context so requires)
“Shareholders”	the shareholders of the Company

“Share Purchase Agreement”	the shares sale and purchase agreement dated 21 February 2024 entered into by BNS and the Company (each as the Seller) and the Purchaser in relation to the Disposal
“SRO”	the State Registration Office of Legal Entities of Mongolia
“SRO Registration”	the registration of the updated register of shareholders of KEX reflecting the transfer of the Sales Shares to the Purchaser, the Joint Venture Agreement and the amended and restated charter with the SRO, including a state registration certificate and a copy of the amended and restated charter with SRO registration stamp
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the term of the Marketing Agreement, which shall be for ten (10) consecutive years, or until such time that the delivery of coal products totalling 17.5 million tonnes has been completed, whichever is later, commencing from the Closing Commencement
“US\$”	United States dollars, the lawful currency of the United States of America
“VAT”	value added tax
“%”	per cent

Historical financial figures would be converted into US\$ using the prevailing exchange rates applicable to each financial period.

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

Hong Kong, 21 February 2024

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

* *For identification purposes only.*