MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

Mongolian Mining Corporation ("**MMC**" or the "**Company**") and its subsidiaries (the "**Group**") generated a record high revenue of approximately United States Dollar ("**USD**") 1,034.8 million during the year ended 31 December 2023, an increase of 89.5% compared to USD546.2 million of revenue generated during the year ended 31 December 2022.

The Group's earnings before interest, taxes, depreciation and amortisation adjusted by other non-cash items ("**adjusted EBITDA**") for the year ended 31 December 2023 was approximately USD509.0 million, an increase of 280.4% over the adjusted EBITDA of approximately USD133.8 million recorded for the year ended 31 December 2022.

The Group's profit attributable to the equity shareholders of the Company for the year ended 31 December 2023 was USD239.7 million as compared to USD59.2 million of profit attributable to the equity shareholders of the Company recorded for the year ended 31 December 2022.

The basic and diluted earnings per share attributable to the equity shareholders of the Company amounted to USD21.95 cents for the reporting year, compared to the basic and diluted earnings per share of USD5.68 cents in 2022.

The board (the "**Board**") of directors (the "**Directors**") of the Company does not recommend the payment of dividend for the year ended 31 December 2023 (dividend for the year ended 31 December 2022: nil).

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

The Board is announcing the audited annual results of the Group for the year ended 31 December 2023 together with the comparative figures for the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	**2023**	2022
		USD'000	*USD'000*
Revenue	*4*	**1,034,821**	546,248
Cost of revenue	*5*	**(593,180)**	(451,131)
Gross profit		**441,641**	95,117
Other net income		**7,414**	4,181
Selling and distribution costs	*6(c)*	**(4,779)**	(2,434)
General and administrative expenses		**(57,272)**	(24,775)
Profit from operations		**387,004**	72,089
Finance income	*6(a)*	**1,855**	6,286
Finance costs	*6(a)*	**(41,958)**	(47,081)
Net finance costs	*6(a)*	**(40,103)**	(40,795)
(Loss)/gain from repurchase, refinancing and redemption of Senior Notes due 2024	*7*	**(12,975)**	23,144
Share of profits of associates		**996**	286
Share of losses of joint ventures		**–**	(16)
Profit before taxation	*6*	**334,922**	54,708
Income tax	*8*	**(94,820)**	4,183
Profit for the year		**240,102**	58,891
Attributable to:			
Equity shareholders of the Company		**239,686**	59,177
Non-controlling interests		**416**	(286)
Profit for the year		**240,102**	58,891
Basic earnings per share	*9(a)*	**21.95 cents**	5.68 cents
Diluted earnings per share	*9(b)*	**21.95 cents**	5.68 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	**2023** **USD'000**	2022 *USD'000*
Profit for the year		**240,102**	58,891
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on re-translation		**525**	(21,726)
Other comprehensive income for the year		**525**	(21,726)
Total comprehensive income for the year		**240,627**	37,165
Attributable to:			
Equity shareholders of the Company		**240,119**	38,306
Non-controlling interests		**508**	(1,141)
Total comprehensive income for the year		**240,627**	37,165

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	**2023**	2022
		USD'000	*USD'000*
Non-current assets			
Property, plant and equipment, net	*11*	**1,066,555**	919,688
Construction in progress	*12*	**7,236**	47,387
Other right-of-use assets		**48**	49
Intangible assets	*13*	**492,317**	498,035
Interests in associates		**8,258**	7,657
Interest in joint ventures		**6**	4
Other non-current assets		**6,544**	59,537
Deferred tax assets		**7,574**	28,505
Total non-current assets		**1,588,538**	1,560,862
Current assets			
Inventories		**98,952**	102,794
Trade and other receivables	*14*	**145,152**	92,157
Cash and cash equivalents		**175,799**	64,695
Total current assets		**419,903**	259,646
Current liabilities			
Trade and other payables	*16*	**126,736**	136,369
Contract liabilities		**237,447**	182,246
Lease liabilities		**–**	56
Current taxation		**69,249**	9,617
Total current liabilities		**433,432**	328,288
Net current liabilities		**(13,529)**	(68,642)
Total assets less current liabilities		**1,575,009**	1,492,220

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 31 December 2023

	Note	**2023** *USD'000*	2022 *USD'000*
Non-current liabilities			
Senior Notes	*15*	**213,993**	373,756
Provisions		**24,959**	16,737
Deferred tax liabilities		**166,191**	174,650
Total non-current liabilities		**405,143**	565,143
NET ASSETS		**1,169,866**	927,077
CAPITAL AND RESERVES			
Share capital	*17(b)*	**104,248**	104,248
Reserves		**1,010,589**	768,308
Total equity attributable to equity shareholders of the Company		**1,114,837**	872,556
Perpetual notes	*17(c)*	**55,476**	55,476
Non-controlling interests		**(447)**	(955)
TOTAL EQUITY		**1,169,866**	927,077

NOTES

1 CORPORATE INFORMATION

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

2 MATERIAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

(a) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Group and the Group's interests in associates and joint ventures.

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

– Investments in debt and equity securities;

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

– Derivative financial instruments.

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

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

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

The Group had net current liabilities of USD13,529,000 as at 31 December 2023. The Group has standby facilities from local banks in Mongolia totalling USD50,000,000 as of the reporting date. Based on the cash flow forecast of the Group for the next twelve months ending 31 December 2024 prepared by the management, the Directors expect to maintain adequate financial resources to cover its operating costs and meet its financing commitments, as and when they fall due for the twelve months period subsequent to 31 December 2023.

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

The functional currency of the Group's main operating subsidiaries located in Mongolia is USD, and the functional currency of remaining subsidiaries located in Mongolia is Mongolian Togrog ("**MNT**"). The functional currency of subsidiaries located in People's Republic of China ("**China**") is Renminbi ("**RMB**"), the functional currency of Baruun Naran S.à.r.l ("**BNS**") is Euro ("**EUR**") and the functional currency of remaining overseas holding entities is USD.

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

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

(b) Changes in accounting policies

The IASB has issued the following new and amended IFRS Accounting Standards that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2*, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

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

(ii) Reserves

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Useful lives of property, plants and equipment

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

(iv) Impairment of mining related assets

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

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

(v) Obligation for reclamation

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

(vi) Derivative financial instruments

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

(vii) Capitalised stripping costs

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

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

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

– the costs can be measured reliably.

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

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

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

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

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

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

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

(viii) Taxation

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

(b) Sources of estimation uncertainty

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

4 REVENUE

The Group is principally engaged in the mining, processing, transportation and sale of coal products. Revenue represents the sales value of goods sold to customers exclusive of value added or sales taxes and after deduction of any trade discounts and volume rebates. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2023	2022
	USD'000	*USD'000*
Washed hard coking coal ("**HCC**")	**883,140**	508,355
Washed semi-soft coking coal ("**SSCC**")	**85,047**	27,342
Washed thermal coal ("**middlings**")	**36,471**	9,922
Washed mid-ash semi-hard coking coal	**28,387**	–
Raw thermal coal	**1,776**	629
	1,034,821	546,248

During the year ended 31 December 2023, the Group had one customer that individually exceeded 10% of the Group's revenue from sales of goods and rendering of services, being USD194,602,000. During the year ended 31 December 2022, the Group had two customers that individually exceeded 10% of the Group's revenue from sales of goods and rendering of services, being USD81,177,000 and USD79,645,000, respectively.

Revenue during the year ended 31 December 2023 includes approximately USD120,811,000 (2022: USD43,535,000) which arose from sales of coal products to customers through agent sales arrangements for diversifying and expanding the Group's sales channels.

5 COST OF REVENUE

	2023	2022
	USD'000	*USD'000*
Mining costs	**250,465**	147,846
Processing costs	**63,456**	43,734
Transportation costs	**92,291**	100,942
Others *(Note (i))*	**186,968**	134,164
Cost of revenue during mine operations	**593,180**	426,686
Cost of revenue during idled mine period *(Note (ii))*	**–**	24,445
Cost of revenue	**593,180**	451,131

Notes:

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

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

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	2023	2022
	USD'000	*USD'000*
Interest income	**(1,855)**	(145)
Net change in fair value of derivative component of senior notes	**–**	(2,661)
Gain on derecognition of derivative component of Senior Notes due 2022	**–**	(507)
Foreign exchange gain, net	**–**	(2,973)
Finance income	**(1,855)**	(6,286)
Interest on liability component of senior notes *(Note 15)*	**34,675**	45,430
Interest on lease liabilities	**6**	6
Transaction cost	**11**	52
Unwinding interest on accrued reclamation obligations	**1,313**	1,593
Net interest expense	**36,005**	47,081
Foreign exchange loss, net	**5,953**	–
Finance costs	**41,958**	47,081
Net finance costs	**40,103**	40,795

No borrowing costs have been capitalised for the years ended 31 December 2023 and 2022.

(b) Staff costs:

	2023 *USD'000*	2022 *USD'000*
Salaries, wages, bonuses and benefits	**38,903**	26,494
Retirement scheme contributions	**4,889**	3,722
Equity-settled share-based payment expenses	**2,162**	–
	45,954	30,216

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

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

(c) Other items:

	2023 *USD'000*	2022 *USD'000*
Selling and distribution costs *(Note (i))*	**4,779**	2,434
Depreciation and amortisation	**94,119**	61,708
Net loss/(gain) on disposals of property, plant and equipment	**1,635**	(6)
Auditors' remuneration		
– audit and review services	**641**	639
– tax and other services	**353**	7
	994	646
Cost of inventories *(Note (ii))*	**593,180**	426,686

Notes:

(i) Selling and distribution costs represent fees and charges incurred for importing coal into China, logistics and transportation costs, governmental fees and charges and fixed agent fees associated with sales activities in inland China.

(ii) Cost of inventories includes USD136,876,000 (2022: USD106,300,000) relating to personnel expenses, and depreciation and amortisation which are also included in the respective amounts disclosed separately above for each of these types of expenses. Cost of inventories also includes transportation and stockpile losses amounted to USD11,109,000 (2022: USD479,000).

7 (LOSS)/GAIN FROM REPURCHASE, REFINANCING AND REDEMPTION OF SENIOR NOTES DUE 2024

	2023	2022
	USD'000	*USD'000*
Gain on repurchase of Senior Notes due 2024 *(Note (i))*	**4,691**	23,144
Loss on refinancing and redemption of Senior Notes due 2024 *(Note (ii))*	**(17,666)**	–
	(12,975)	23,144

Notes:

(i) The Group repurchased a total of USD41,160,000 principal amount from senior notes (2022: USD63,591,000 principal amount) with initial principal amount of USD440,000,000 maturing on 15 April 2024 ("**Senior Notes due 2024**") through open market during the year ended 31 December 2023. The excess of derecognised carrying amount of the Senior Notes due 2024 over the consideration to settle the financial liabilities, amounting to approximately USD4,691,000 (2022: USD23,144,000), has been recognised as a gain from repurchase of Senior Notes due 2024 and credited to profit or loss during the year ended 31 December 2023.

(ii) On 28 August 2023, the Company announced an invitation to exchange any and all of the outstanding Senior Notes due 2024 and potential issuance of new senior notes. As at the offer expiration date on 5 September 2023, an aggregate principal amount of USD251,029,000 of the Senior Notes due 2024 has been validly tendered for exchange and accepted in the exchange offer and USD175,713,000 principal amount of new senior notes due 2026 was issued pursuant to the exchange offer ("**Exchange Offer**"). Pursuant to the Company's announcement dated 7 September 2023, the Company and Energy Resources LLC ("**ER**"), an indirect wholly-owned subsidiary of the Company, issued additional USD4,287,000 principal amount of senior notes due 2026 ("**New Money Issuance**"). As a result of the Exchange Offer and New Money Issuance, the outstanding principal amount of the Senior Notes due 2024 and senior notes due 2026 was USD84,220,000 and USD180,000,000, respectively. The senior notes due 2026, issued on 13 September 2023, is listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and bears interest at 12.50% per annum fixed rate, payable semi-annually, and due on 13 September 2026 ("**Senior Notes due 2026**").

On 8 November 2023, the Company and ER redeemed the outstanding USD84,220,000 principal amount of Senior Notes due 2024 in full at redemption price of 102.313% ("**Optional Redemption**").

On 14 December 2023, the Company and ER issued additional USD40,000,000 of senior notes, which is consolidated and formed single series with the Senior Notes due 2026 ("**Additional Issuance**").

As a result of the Exchange Offer, New Money Issuance, Optional Redemption and Additional Issuance, a loss amounting to approximately USD17,666,000 has been recognised in profit or loss during the year ended 31 December 2023.

8 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2023	2022
	USD'000	*USD'000*
Current tax		
Provision for the year	**81,493**	11,194
Over-provision in respect of prior years	**(114)**	(115)
Deferred tax		
Origination and reversal of temporary difference	**13,441**	(15,262)
	94,820	(4,183)

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

	2023	2022
	USD'000	*USD'000*
Profit before taxation	**334,922**	54,708
Notional tax on profit before taxation	**85,142**	14,335
Tax effect of non-deductible items *(Note (iii))*	**11,441**	1,743
Tax effect of non-taxable items *(Note (iii))*	**(1,908)**	(20,678)
Prior year tax loss utilised	**–**	(163)
Tax losses not recognised	**259**	695
Over-provision in respect of prior years	**(114)**	(115)
Actual tax expenses	**94,820**	(4,183)

Notes:

(i) Pursuant to the income tax rules and regulations of Mongolia, the subsidiaries of the Group located in Mongolia are liable to Mongolian Corporate Income Tax at a rate of 10% of the first MNT6 billion taxable income, and 25% of the remaining taxable income for the years ended 31 December 2023 and 2022. According to the Corporate Income Tax Law of China, the Company's subsidiaries in China are subject to statutory income tax rate of 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The Group is not subject to Hong Kong, Luxembourg, and Singapore profits tax as it has no assessable income arising in or derived from Hong Kong, Luxembourg and Singapore during the years ended 31 December 2023 and 2022.

(iii) Non-deductible and non-taxable items mainly include net unrealised exchange gain or loss, other non-deductible expenses and non-taxable income pursuant to the income tax rules and regulations of Mongolia and other related tax source regions during the years ended 31 December 2023 and 2022.

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the adjusted profit attributable to ordinary equity shareholders of the Company of USD228,818,000 (loss attributable to ordinary equity shareholders of the Company of 2022: USD59,177,000) and the weighted average of 1,042,476,786 ordinary shares (2022: 1,042,476,786 ordinary shares) in issue during the year.

The adjusted profit/(loss) attributable to ordinary equity shareholders of the Company is calculated as follows:

	2023	2022
	USD'000	*USD'000*
Profit/(Loss) attributable to ordinary equity shareholders	**239,686**	(59,177)
Allocation of profit of the year attributable to holders of perpetual notes	**(10,868)**	–
Adjusted profit/(loss) attributable to ordinary equity shareholders	**228,818**	(59,177)

(b) Diluted earnings/(loss) per share

For the years ended 31 December 2023 and 2022, basic and diluted earnings/(loss) per share are the same.

No potential dilutive shares existed as at 31 December 2023. The equity-settled share-based payment transactions are anti-dilutive and therefore not included in calculating diluted earnings/(loss) per share for the years ended 31 December 2023 and 2022.

10 SEGMENT REPORTING

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

11 PROPERTY, PLANT AND EQUIPMENT, NET

Mining properties as at 31 December 2023 include stripping activity assets with the carrying amount of USD483,446,000 (2022: USD447,797,000).

Fair value measurement of property, plant and machinery

(i) Fair value hierarchy

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

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

	Fair value as at 31 December	**Fair value measurements as at 31 December 2023 categorised into**		
	2023 *USD'000*	**Level 1** *USD'000*	**Level 2** *USD'000*	**Level 3** *USD'000*
Recurring fair value measurement				
Buildings and plants	**347,762**	**–**	**–**	**347,762**
Machinery and equipment	**108,507**	**–**	**–**	**108,507**
Buildings and plants, machinery and equipment under construction *(Note 12)*	**7,236**	**–**	**–**	**7,236**
Total	**463,505**	**–**	**–**	**463,505**

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

During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

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

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

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

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

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

  - No any functional obsolescence was revealed.

– Machinery and equipment:

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

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

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

(ii) Information about Level 3 fair value measurements

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

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

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

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

	2023	2022
	USD'000	*USD'000*
Buildings and plants	**116,481**	119,085
Machinery and equipment	**25,952**	13,236
Buildings and plants, machinery and equipment under construction	**3,715**	23,670
	146,148	155,991

Impairment of mining related assets

Given the fact that the carrying amount of the Group's net assets exceeded the Group's market capitalisation as at 31 December 2023, according to IAS 36, Impairment of assets, the management has performed impairment assessment on the carrying amount of the Group's property, plant and equipment, construction in progress and intangible assets related to the Ukhaa Khudag ("**UHG**") mine and Baruun Naran ("**BN**") mine operations (collectively referred to as "**UHG and BN Assets**"). For the purpose of this, the UHG and BN Assets are treated as a CGU.

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

– Recoverable reserves and resources

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

– Growth rate

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

– Coal prices

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

  Preparation basis used for the coal price assumptions for the next five years estimated at the year end of 2023 is consistent with that at the year end of 2022, which was also updated with reference to the latest market forecast. The coal price estimation over a period longer than five years contains no growth rate, except for annual inflation rate.

– Sales quantity/production profile

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

– Operating costs

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

– Capital expenditure

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

– Discount rate

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

Post-tax discount rate of 17% and pre-tax discount rate of 23% were applied to the future cash flows projection at the year end of 2023 (2022: post-tax discount rate of 17% and pre-tax discount rate of 23%). The Directors believe that the discount rates were matching with the latest cash flow projection modelling.

Based on above-mentioned impairment assessment, the carrying amount of the CGU has not exceeded its recoverable amount as at 31 December 2023, and has not resulted in the identification of an impairment loss for the year ended 31 December 2023. The Directors are of the opinion that the impairment provision is adequate as at 31 December 2023 and no additional or reversal of impairment provision is needed in respect of the Group's non-financial assets in this regard.

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

12 CONSTRUCTION IN PROGRESS

	2023	2022
	USD'000	*USD'000*
At 1 January	**47,387**	46,828
Additions	**163**	2,052
Transfer to property, plant and equipment *(Note 11)*	**(38,950)**	(51)
Transfer to materials and supplies	**(1,433)**	–
Exchange adjustments	**69**	(1,442)
At 31 December	**7,236**	47,387

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

13 INTANGIBLE ASSETS

	Acquired mining right *(Note (i))* *USD'000*	Software *USD'000*	GS Terminal *(Note (ii))* *USD'000*	Total *USD'000*
Cost:				
At 1 January 2022	701,557	3,676	3,031	708,264
Addition	–	–	143	143
At 31 December 2022	701,557	3,676	3,174	708,407
Addition	–	–	–	–
At 31 December 2023	701,557	3,676	3,174	708,407
Accumulated amortisation and impairment loss:				
At 1 January 2022	205,540	2,574	64	208,178
Amortisation charge for the year	765	368	1,061	2,194
At 31 December 2022	206,305	2,942	1,125	210,372
Amortisation charge for the year	4,292	367	1,059	5,718
At 31 December 2023	210,597	3,309	2,184	216,090
Carrying amount:				
At 31 December 2023	490,960	367	990	492,317
At 31 December 2022	495,252	734	2,049	498,035

Notes:

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

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

14 TRADE AND OTHER RECEIVABLES

	2023 ***USD'000***	2022 *USD'000*
Trade receivables *(Note (a))*	**33,700**	4,432
Other receivables *(Note (c))*	**111,452**	87,725
	145,152	92,157
Less: allowance for credit losses *(Note (b))*	**–**	–
	145,152	92,157

Notes:

(a) Ageing analysis

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

	2023	2022
	USD'000	*USD'000*
Within 90 days	**28,847**	4,245
90 to 180 days	**4,853**	187
180 to 270 days	**–**	–
	33,700	4,432

(b) Loss allowance for trade receivables

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

As at 31 December 2023, the Group evaluated the loss allowance for ECL and no loss allowance of trade receivables (2022: nil) was made based on the assessment.

(c) Other receivables

	2023	2022
	USD'000	*USD'000*
Amounts due from related parties *(Note (i))*	**22**	3
Prepayments and deposits *(Note (ii))*	**7,232**	53,809
Value added tax ("**VAT**") and other tax receivables *(Note (iii))*	**62,732**	33,150
Others *(Note (iv))*	**41,466**	763
	111,452	87,725

Notes:

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

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

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

(iv) At 31 December 2023, others mainly represent the prepayments made in relation to the acquisition of Erdene Mongol LLC ("**EM**").

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

15 SENIOR NOTES

	2023	2022
	USD'000	*USD'000*
Senior Notes due 2024 *(Note (i))*	**–**	373,756
Senior Notes due 2026 *(Note (ii))*	**213,993**	–
	213,993	373,756

Notes:

(i) On 15 April 2019, the Group issued the Senior Notes due 2024 with a principal amount of USD440,000,000 which was listed on the SGX-ST. The Senior Notes due 2024 bore interest at 9.25% per annum fixed rate, payable semi-annually, and was due on 15 April 2024. During the year ended 31 December 2023, all the outstanding Senior Notes due 2024 were repurchased, redeemed or exchanged to Senior Notes due 2026 (See Note 7). As at 31 December 2023, the outstanding principal amount of Senior Notes due 2024 was nil.

(ii) On 13 September 2023, upon the completion of the Exchange Offer and the New Money Issuance, the Group issued Senior Notes due 2026 with a principal amount of USD180,000,000. Further on 14 December 2023, the Group issued additional Senior Notes due 2026 with a principal amount of USD40,000,000. The Senior Notes due 2026 bears interest at 12.50% per annum fixed rate, payable semi-annually, and is due on 13 September 2026 (See Note 7).

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

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

16 TRADE AND OTHER PAYABLES

	2023	2022
	USD'000	*USD'000*
Trade payables *(Note (i))*	**68,856**	103,987
Amounts due to related parties *(Note (ii))*	**5,249**	3,986
Payables for purchase of equipment	**1,282**	2,013
Interest payable *(Note (iii))*	**8,250**	7,350
Other taxes payables	**34,020**	11,015
Others *(Note (iv))*	**9,079**	8,018
	126,736	136,369

Notes:

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

	2023 USD'000	2022 USD'000
Within 90 days	**68,326**	71,264
90 to 180 days	**254**	–
180 to 365 days	**4**	–
Over 365 days	**272**	32,723
	68,856	103,987

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

(iii) As at 31 December 2023, interest payables for Senior Notes due 2026 was amounting to USD8,250,000. As at 31 December 2022, interest payables for Senior Notes due 2024 was amounting to USD7,350,000.

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

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

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2023 (dividend in respect of the year ended 31 December 2022: nil).

(b) Share capital

	2023		2022	
	Number of shares'000	***USD'000***	*Number of shares'000*	*USD'000*
Ordinary shares, authorised				
At 1 January and 31 December	**1,500,000**	**150,000**	1,500,000	150,000

	2023		2022	
	Number of shares'000	***USD'000***	*Number of shares'000*	*USD'000*
Ordinary shares, issued and fully paid				
At 1 January	**1,042,477**	**104,248**	1,031,577	103,158
Impact of share option exercise	**–**	**–**	10,900	1,090
At 31 December	**1,042,477**	**104,248**	1,042,477	104,248

No share option was exercised during the year ended 31 December 2023 (2022: 10,900,000).

(c) Perpetual notes

The Company issued perpetual notes which were listed on the SGX-ST on 4 May 2017, with a principal amount of USD195,000,000 ("**Perpetual Notes**") and with a fair value of USD75,897,000. Fair value of the Perpetual Notes was valued by the management with reference to a valuation report issued by an independent valuer based on the discounted cash flow method. On 15 April 2019, the Company redeemed a principal amount of USD23,972,000 with a carrying amount of USD9,328,000 through debt refinancing. After the debt refinancing, the outstanding principal amount of Perpetual Notes was USD171,028,000 with a carrying amount of USD66,569,000. Pursuant to the Company's announcements dated 12 July 2022 and 23 November 2022, the Company repurchased a principal amount of USD22,120,000 and USD6,380,000, respectively, with a carrying amount of USD8,610,000 and USD2,483,000. As at 31 December 2023, the outstanding principal amount of the Perpetual Notes was USD142,528,000 with a carrying amount of USD55,476,000.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Chinese Steel, Coke and Coking Coal Sectors' Performance

In 2023, China's steel output once again held above 1,000 million tonnes ("**Mt**"), maintaining this level since first surpassing the mark in 2019. According to the World Steel Association ("**WSA**"), China's crude steel production reached 1,019 Mt in 2023, preserving the same level reported in the previous year (2022: 1,019 Mt).

Industry sources reported that resilient demand and the absence of a government-imposed cap on output allowed steel mills to boost operating rates. Robust demand from the shipbuilding, solar photovoltaic and automotive sectors partially offset a shortfall in demand from the property sector. Moreover, China's steel exports reached 90.3 Mt in 2023, representing a notable surge of 34.1% from the previous year, and such higher-than-expected steel exports also helped steel mills to maintain a relatively high production output in 2023.

According to the WSA, India's steel output increased by 11.8% in 2023 to 140.2 Mt from 125.4 Mt in the previous year. Japan's output declined by 2.5% to 87.0 Mt from 89.2 Mt in 2022. The USA's steel output saw a slight increase of 0.2% to 80.7 Mt in 2023. Russian and South Korean output rose by 5.6% and 1.3% to 75.8 Mt and 66.7 Mt, respectively.

Chinese domestic crude steel consumption decreased by 2.1% year-on-year ("**YoY**") to 928.3 Mt during the reporting year compared to 948.2 Mt recorded in 2022 based on the estimates made by Fenwei Digital Information Technology Co., Ltd. ("**Fenwei**"). China Metallurgical Industry Planning and Research Institute forecasts a further decline in steel demand of 1.7% in 2024, following a 3.3% decrease in 2023.

According to the National Bureau of Statistics, coke production reached 492.6 Mt in 2023, marking a 4.1% YoY increase from 473.4 Mt recorded in 2022. Fenwei estimates indicate that coke consumption grew by 2.9% YoY to 470.6 Mt in 2023, compared to 457.2 Mt in 2022. Coke exports from China remained at the same level at 8.9 Mt as the previous year.

According to Fenwei, China's coking coal consumption was 591.5 Mt in 2023, an increase of 6.3% from the previous year, and domestic coking coal production dropped to 491.4 Mt, representing a 0.4% decrease from 2022.

Chinese Coking Coal Imports and Mongolian Coal Exports Dynamics

Coking coal imports to China increased to a record high of 102.5 Mt in 2023, representing 60.7% YoY increase compared to 63.8 Mt imported in 2022 as per data compiled by the General Administration of Customs of China. Coking coal imports from Mongolia increased by 110.9% to reach 54.0 Mt in 2023. Mongolia was the main source for coking coal imported to China with 52.7% market share.

According to data from the National Statistics Office of Mongolia, the country exported 69.6 Mt of coal to China in 2023, representing 118.9% increase compared to 31.8 Mt reported in 2022.

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

Countries	2023	Market Share	2022	Change
Mongolia	**54.0**	**52.7%**	25.6	+110.9%
Russia	**26.6**	**26.0%**	21.0	+26.7%
Canada	**7.6**	**7.4%**	7.9	-3.8%
USA	**5.9**	**5.8%**	4.4	+34.1%
Australia	**2.8**	**2.7%**	2.2	+27.3%
Others	**5.6**	**5.5%**	2.8	+100.0%
Total	**102.5**	**100.0%**	63.8	+60.7%

Source: Fenwei

Notes:

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

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

OPERATING ENVIRONMENT

Legal Framework

Regulations related to taxation

On 21 June 2023, the GoM issued Resolution No. 244, extending the period for the complete waiver of excise tax on imported gasoline and diesel fuel to 1 January 2025, which was previously set until 1 July 2023.

On 13 September 2023, the GoM issued Resolution No. 345 and resolved to use trading prices from the Mongolian Stock Exchange JSC ("**MSE**") for royalty calculations for coal, iron and fluorspar exported and traded through MSE's minerals' exchange platform starting from 1 October 2023.

On 20 December 2023, the GoM issued Resolution No. 453, instructing that minerals can only be exported if the transportation agreement for exported minerals is duly registered with the unified customs and tax management and control system, effective starting from 1 February 2024.

Labor related Law and Regulation

On 7 July 2023, the Parliament of Mongolia revised the General Law on Social Insurance, the Law on Providing Pensions from the Social Insurance Fund, the Law on Providing Allowances from the Social Insurance Fund, and the Law on Providing Pensions, Allowances and Payments for Industrial Accidents and Occupational Diseases from the Social Insurance Fund (together the "**Social Insurance Code**"), replacing the previous versions adopted in 1994. The Social Insurance Code came into effect on 1 January 2024 and the Group does not expect any material impact on its operational and financial position since its current operational policies and practices duly comply with the regulations.

On 13 October 2023, the National Trilateral Committee of Labor and Social Consensus issued Resolution No. 12, which set the minimum wage rate for 2024 at MNT 660,000, which was previously set at MNT 550,000. As a result, the minimum monthly wage of employees working in the mining sector increased to MNT 1,320,000, doubling the national minimum wage as per the "Collective (Tariff) Agreement of the Geology, Mining and Heavy Industry Sector" for 2023 to 2024. The Group does not expect any material impact on its current remuneration policies and practices.

BUSINESS OVERVIEW

Coal Resources and Exploration Activities

Ukhaa Khudag (UHG) deposit

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

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

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

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

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

- 43,656 individual analytical samples collected and analysed;

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

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

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

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

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

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

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

Notes:

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

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

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

Baruun Naran (BN) deposit

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

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

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

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

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

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

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

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

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

Summary of the updated Coal Resources statement as at 31 December 2023 for BN and THG mining licenses areas are shown in Table 3 and Table 4. The figures in these tables represent calculation based upon in situ density at an assumed 5% moisture basis.

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

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

Table 4. THG mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2023 (Notes):

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

Notes:

(i) Technical information in the BN deposit Coal Resource estimation report has been compiled by Mr. Byambaa Barkhas, employed by the Group as General Manager, Project Management – Mining. Mr. Barkhas is a member of the AusIMM (Member #318198) and has over 14 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Mr. Barkhas consents to the inclusion in the release of the matters based on this information in the form and context in which it appears in this announcement. The estimates of the Coal Resource set out in Table 3 and Table 4 presented in this announcement are considered to be a true reflection of the BN deposit Coal Resource as at 31 December 2023, and have been carried out in accordance with the principles and guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).

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

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

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

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

As part of the prospecting work, BNG drilled three wells with a total depth of 1,903.8m and conducted respective logging and permeability tests in 2023. Within the prospecting work scope, 106 samples were extracted from coal seams, and gas desorption was identified in the N, K, J, I, H, and G coal seams. The average gas content of the gas-bearing coal seams (N, K, J, I, H, and G) was estimated to be in range 9.4-15.2 cubic meters per tonne.

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

Coal Reserves

Ukhaa Khudag (UHG) deposit

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

Pit optimisation software was used to generate a series of nested pit shells corresponding to varying revenue factors, simulating incrementally different economic scenarios as impacted by mining cost or coal price variance. The pit algorithms used included for incorporation of:

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

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

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

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

The run-of-mine ("**ROM**") raw coal tonnages resulting from the updated statement of the JORC (2012) Coal Reserve estimate for the UHG deposit as at 1 January 2024 based upon an as-received basis total moisture with 3.64% for coking and 2.68% for thermal coal types, are shown in Table 5.

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

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

Notes:

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

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

Baruun Naran (BN) deposit

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

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

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

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

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

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

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

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

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

Notes:

(i) The estimate of Coal Reserve presented in Table 6 has been carried out in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Technical information in the BN Coal Reserve estimation report has been compiled by Mr. Naranbaatar Lundeg, who is a member of the AusIMM (Member #326646). He is the General Director and Executive Consultant of Glogex. He holds a bachelor's degree in mining industrial management and a master's degree of business administration in the field of financial management. He has extensive experience in the mining industry, having worked with major mining companies and as a consultant for over 22 years. During this time, he has either managed or contributed significantly to numerous mining studies related to the estimation, pit optimisation, mine planning, assessment, evaluation and economic extraction of coal in Mongolia. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify him as a Competent Person as defined under the JORC Code (2012). Mr. Lundeg consents to the inclusion in the release of the matters based on this information in the form and context in which it appears in this announcement.

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

PRODUCTION AND TRANSPORTATION

Coal Mining

The Group's total ROM coal production was 14.6 Mt in 2023, of which 12.1 Mt and 2.5 Mt of ROM coal was produced from the UHG mine and BN mine, respectively.

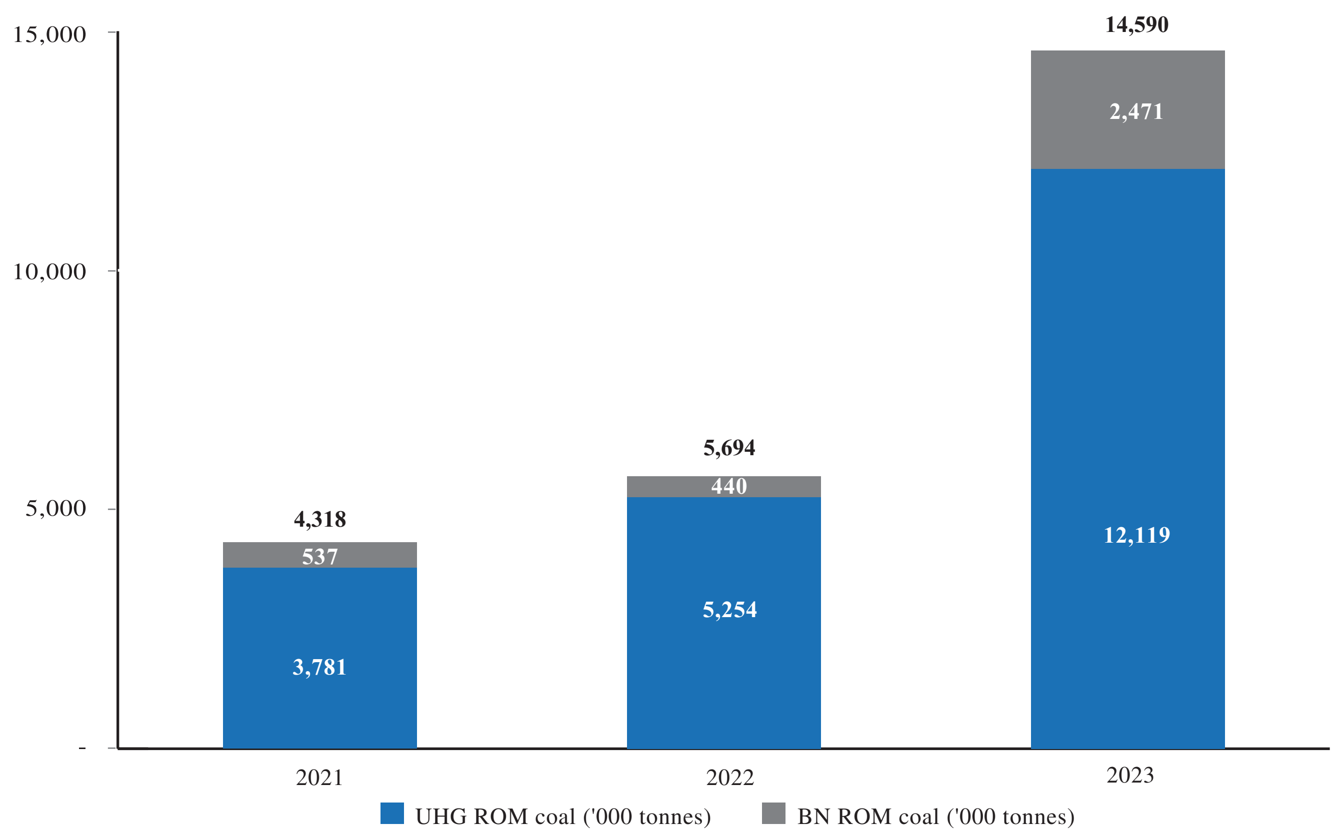
A total of 54.8 million bank cubic metres ("**bcm**") of prime overburden was removed, resulting in an actual stripping ratio of 4.5 bcm per ROM coal tonne for the reporting year at UHG mine.

At BN mine, a total of 20.2 million bcm of prime overburden was removed, resulting in an actual stripping ratio of 8.2 bcm per ROM coal tonne for the reporting year.

Both mines were fully operational throughout the reporting year following the post-COVID recovery in cross-border logistics situation.

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

Figure 1. The Group's annual ROM coal production volumes (in thousand tonnes) for 2021-2023:

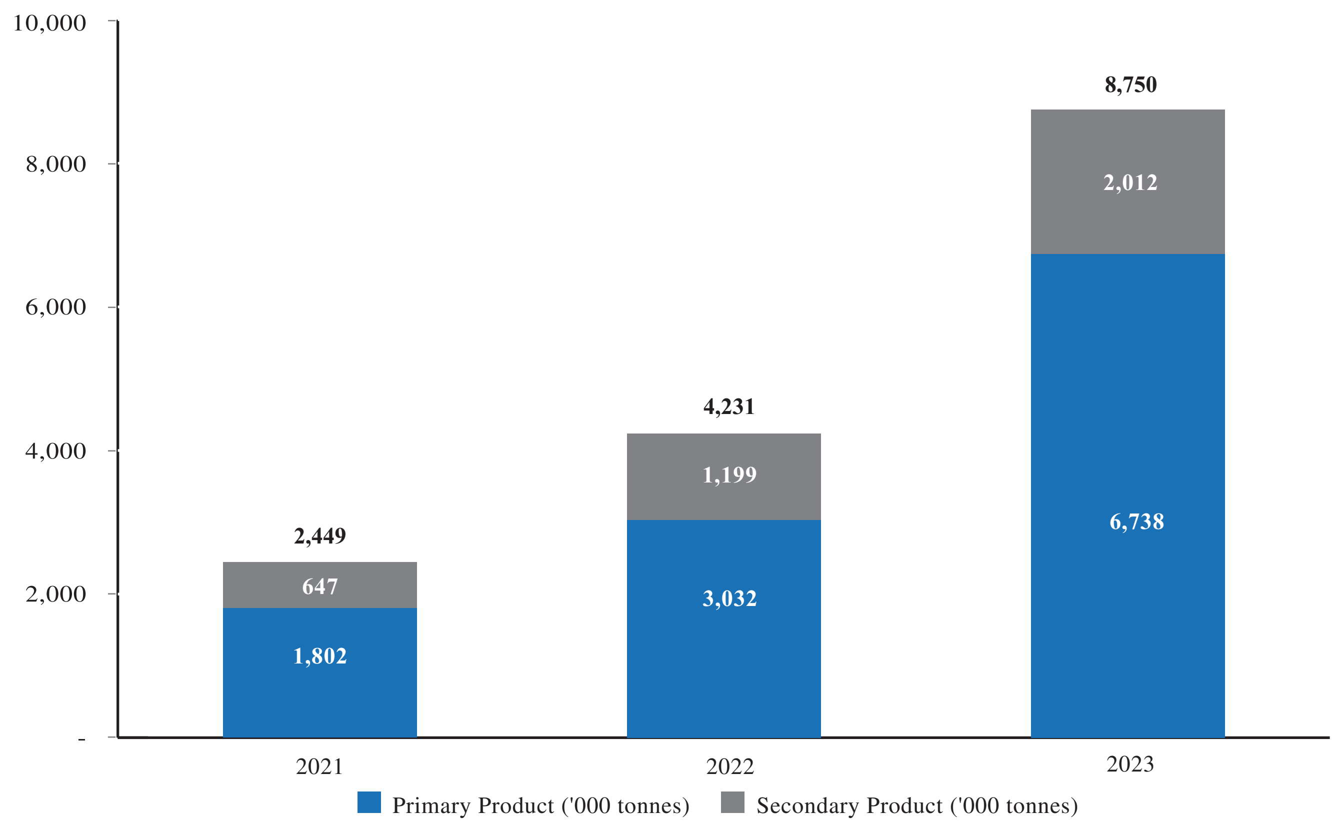


Coal Processing

The Group processed a total of 14.1 Mt ROM coking coal in 2023, of which 11.9 Mt and 2.2 Mt was sourced from the UHG and BN mines, respectively. The CHPP has produced 6.7 Mt of washed coking coal as a primary product at 48% yield and 2.0 Mt of middlings as a secondary product at 14% yield.

The Group's washed coal production was consistently stable in 2023 and the CHPP was operating at average rates close to 15.0 million tonnes per annum ("**Mtpa**") installed name-plate capacity. The comparative figures for the Group's processed coal production for the last three years are shown in Figure 2.

Figure 2. The Group's annual processed coal production volumes (in thousand tonnes) for 2021-2023:



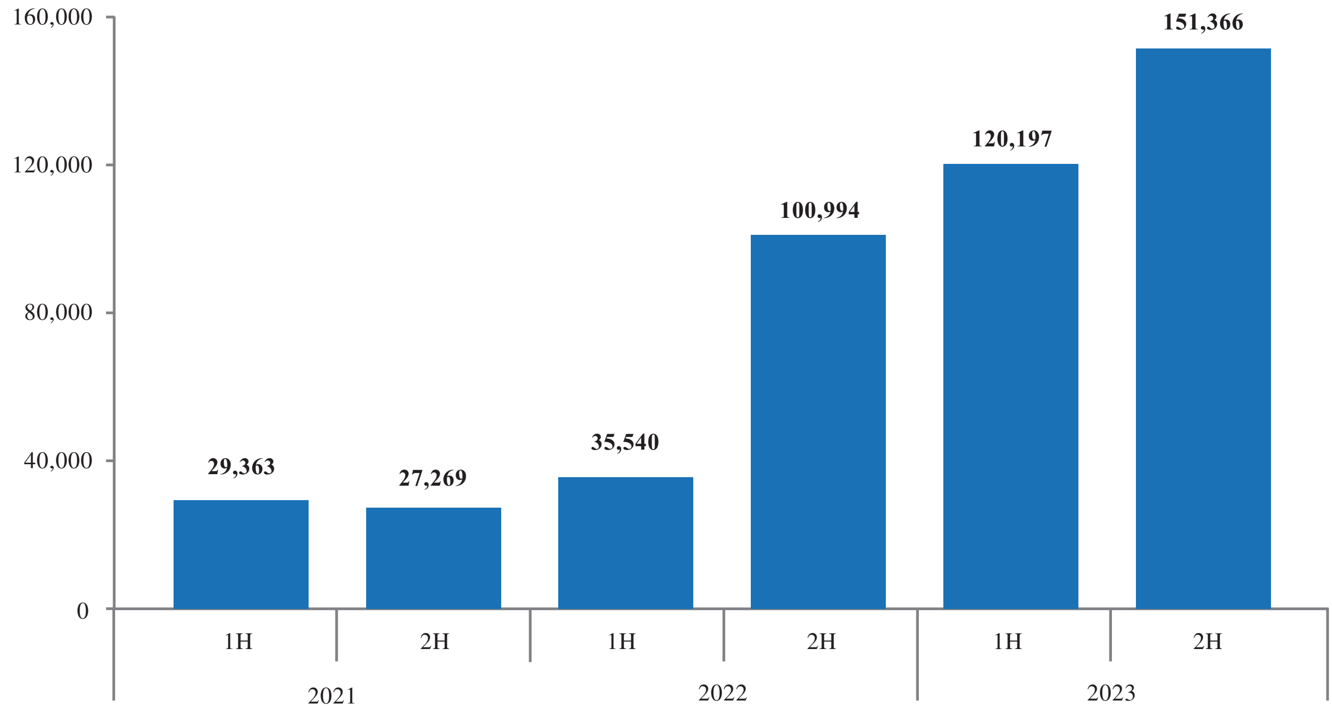
Transportation and Logistics

The Group predominately shipped its coal products for exports to China via Ganqimaodu ("**GM**") port upon export clearance made by Mongolian Customs by utilising trans-shipping facilities at TKH and GS Terminal ("**GST**"). Coal was transported from UHG to TKH, UHG to GST exclusively by Group's own trucking fleet, whereas, transport from TKH or GST to GM was mainly performed by third-party contractors' trucking fleet and supplemented by Group's own trucking fleet.

In addition, the Group shipped its coal products by railway from UHG to Khangi ("**KHA**"). Coal products were unloaded at designated customs bonded yards at KHA for export clearance by Mongolian Customs and further exported to China via Mandula port entirely by third-party contractors sourced by customers.

In 2023, a total of 271,563 coal-loaded trucks passed through Gashuunsukhait ("**GS**") -GM border crossing from Mongolia to China, representing 98.9% YoY increase as compared to 136,534 coal-loaded trucks reported for 2022. According to the data compiled by the Group and its customers, a total of 60,327 coal-loaded trucks passed through the GS-GM border crossing by carrying the Group's coal products in the reporting year, representing 106.7% YoY increase from 29,189 coal-loaded trucks recorded in 2022.

Figure 3. Total number of coal-loaded trucks crossing via GS-GM border for 2021-2023:



Occupational Health, Safety and Environment

During the reporting year, 12.8 million man-hours were recorded as worked by employees, contractors, and sub-contractors of the Group. In 2023, seven occurrences of Lost Time Injuries ("**LTI**") was recorded, resulting in a lost time injury frequency rate of 0.80 LTIs per million man-hours worked equivalent being recorded as compared to 0.43 LTIs per million man-hours worked equivalent being recorded during 2022.

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

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

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

The Group continued to deliver Occupational Health, Safety and Environment specific training to employees, contractors and sub-contractors, with 20,115 training sessions to individuals, totaling 84,796 man-hours in 2023.

The Group records all types of safety and environmental incidents, conducts incident investigations, and plans and implements corrective actions to prevent the recurrence of incidents.

In 2023, the Group recorded no environmental incidents with "high" or above classifications. Four incidents occurred with "low" and "moderate" classification which were related to oil and fuel spillage. For all incidents, full investigations were carried out to identify the root causes, and corrective and preventive actions were taken to prevent re-occurrences.

In accordance with the Law on Environmental Protection, an external audit on environmental management was conducted by the Environment and Tourism Department of Umnugobi aimag (province) at the Group's mine site in November 2023 with the results in the areas of environmental management and legal compliance rated at 93.4% out of 100.0% (2022: 96.5% out of 100.0%). Moreover, in October 2023, the Group engaged an independent third-party for an audit consisting of documentation review and site inspections, whereby our environmental legal compliance of operations was rated at 97.0%.

The Group provides all employees with adequate health and personal accident insurance coverage.

SALES AND MARKETING

In 2023, the Group sold coal products under the following terms: (i) ex-works ("**EXW**") UHG; (ii) free carrier ("**FCA**") TKH, GST and KHA; (iii) delivery-at-place ("**DAP**") GM; and (iv) FOT GM.

Under EXW UHG term, the Group sold its coal products at the UHG coal stockyard and which was mostly applicable for coal products sold to local customers in Mongolia. FCA TKH, GST and KHA terms refer to exported coal products sold from designated customs bonded yards located in Mongolia. DAP GM terms refers to exported coal products delivered to designated customs bonded yards located at GM. FOT GM terms applies for coal products sold from designated customs bonded yards located at GM after completing import customs clearance and quality inspections by relevant authorities in China.

The Group sold a total of 9.8 Mt of coal products in 2023, which represents a 109.3% YoY increase. Sales split by product type as follows: (i) 6.7 Mt of primary products, including 5.5 Mt of HCC and 0.7 Mt of SSCC; and (ii) 3.1 Mt of secondary products.

In 2023, ER, the Group's main operating subsidiary, supplied free-of-charge 0.4 Mt of middlings under EXW UHG terms to Tavan Tolgoi Tulsh LLC ("**TTT**") as part of its commitment to socially responsible operations. TTT is a state-owned entity, designated for manufacturing and distributing coal briquettes to Ulaanbaatar residents under the GoM's program to reduce air pollution and improve air quality during the winter heating season.

According to the Law on Mining Commodity Exchange, which became effective from 30 June 2023, state owned entities that undertake export mineral products are required to trade their products through the commodity exchange, whereas private entities are allowed to trade their mineral products through the commodity exchange on a voluntary basis. On 8 February 2023, the GoM issued Resolution No. 59 and assigned to MSE the right to undertake minerals trade activities under the Law on Mining Commodity Exchange.

MSE trading platform is designed to follow market trends by establishing open and transparent pricing mechanism by linking Mongolian exporters with buyers.

The Group supported GoM's initiative by actively trading through auctions via MSE platform, and ER and KEX, its operating subsidiaries, sold 1.8 Mt of coal products under FCA GST and DAP GM terms in 2023.

All key information (including product price and volume) related to minerals traded by MSE during 2023 is publicly available under link: https://mse.mn/en/content/list/371.

OUTLOOK AND BUSINESS STRATEGIES IN 2024

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

FINANCIAL REVIEW

Revenue

The Group sold approximately 9.8 Mt of coal products and generated a record high revenue of USD1,034.8 million during the year ended 31 December 2023, compared to a total revenue of USD546.2 million during the year ended 31 December 2022. Total sales volume for 2023 comprised of approximately 6.7 Mt of primary products and 3.1 Mt of secondary products, compared to 3.8 Mt of primary products and 0.9 Mt of secondary products sold during the same period in 2022.

The Group's average selling price ("**ASP**") for HCC, excluding applicable VAT in China was USD160.2 per tonne during the reporting year, compared to USD147.1 per tonne during the year ended 31 December 2022. During 2023, the Group sold a substantial amount of HCC under FCA TKH term at ASP of USD153.8 per tonne. The Group's ASP of HCC under FOT GM, FCA GST, DAP GM, FCA KHA and EXW UHG terms were USD168.2, USD166.7, USD165.0, USD158.3 and USD118.6 per tonne, respectively, in 2023. The period from signing of sales contracts to delivery and revenue recognition shortened to 109 days in 2023, compared to 150 days in 2022.

Since January 2023, the Group has been selling coal products through the MSE commodities exchange platform. The ASP of HCC sold through the MSE's platform under DAP GM and FCA GST terms were USD198.3 and USD173.1 per tonne, respectively, during 2023.

During the reporting year, the Group derived individually more than 10.0% of its revenue from one customer, with purchase amount of approximately USD194.6 million. For the year ended 31 December 2022, the Group derived individually more than 10.0% of its revenue from two customers, with purchase amounts of approximately USD81.2 million and USD79.6 million.

Cost of Revenue

The Group's cost of revenue consists primarily of mining costs, processing and handling costs, transportation and logistics costs, and costs related to site administration, stockpile and transportation loss, and governmental royalties and fees. During the year ended 31 December 2023, the total cost of revenue was USD593.2 million, compared to USD451.1 million during the year ended 31 December 2022. The increase in cost of revenue was mainly due to higher sales volume.

From the total cost of revenue, USD498.5 million was attributable to coal products produced from the UHG mine and USD94.7 million was attributable to coal products produced from the BN mine.

Table 7. Total and individual costs of revenue:

	Year ended 31 December	
	2023	2022
	(USD'000)	*(USD'000)*
Cost of revenue	**593,180**	451,131
Idling cost	**–**	24,445
Cost of revenue excluding idling cost	**593,180**	426,686
Mining cost	**250,465**	147,846
Variable cost	**156,598**	74,045
Fixed cost	**38,544**	46,707
Depreciation and amortisation	**55,323**	27,094
Processing cost	**63,456**	43,734
Variable cost	**26,202**	16,182
Fixed cost	**13,962**	7,172
Depreciation and amortisation	**23,292**	20,380
Handling cost	**17,095**	9,960
Transportation cost	**92,291**	100,942
Logistic cost	**12,626**	9,589
Variable cost	**6,319**	5,633
Fixed cost	**4,752**	2,326
Depreciation and amortisation	**1,555**	1,630

	Year ended 31 December	
	2023	2022
	(USD'000)	*(USD'000)*
Site administration cost	**27,203**	26,373
Transportation and stockpile loss	**11,109**	479
Royalties and fees	**118,935**	87,763
Royalty	**113,902**	84,047
Air pollution fee	**871**	1,833
Customs fee	**4,162**	1,883

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

The Group identifies components of the ore body in accordance with the mine plan. Accounting of the unit mining cost is based on the accounting stripping ratio applicable to each component of an ore body, which was mined during the respective reporting period. The average accounting stripping ratio for components mined was 4.4 bcm per tonne for the year ended 31 December 2023 (2022: 4.7 bcm per tonne).

Unit mining cost was USD18.1 per ROM tonne during the reporting year, compared to USD17.8 per ROM tonne during the same period in 2022. Increase in unit mining cost is mainly due to increase in plant cost and fuel cost.

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

	Year ended 31 December	
	2023	2022
	(USD/ROM tonne)	*(USD/ROM tonne)*
Mining cost	**18.1**	17.8
Blasting	**1.4**	1.0
Plant cost	**6.1**	5.0
Fuel	**3.8**	2.9
National staff cost	**0.9**	1.3
Expatriate staff cost	**0.2**	0.3
Contractor fee	**1.6**	3.9
Ancillary and support cost	**0.1**	0.1
Depreciation and amortisation	**4.0**	3.3

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

Processing costs primarily include costs associated with operations of the CHPP including power generation and water extraction costs. During the year ended 31 December 2023, the Group's processing costs were approximately USD63.5 million (2022: USD43.7 million), of which approximately USD23.3 million was related to the depreciation and amortisation of the CHPP, USD6.5 million was costs related to power generation and distribution and USD2.8 million was costs incurred for water extraction and distribution related to the washed coal sold during the reporting year.

Unit processing cost, calculated per ROM coal in-feed tonne was USD4.6 per ROM tonne for the year ended 31 December 2023 compared to USD5.2 per ROM tonne during 2022. The decrease in unit processing cost was mainly due to a higher volume of ROM coal in-feed during the reporting year compared to the same period in 2022, which resulted in a lower depreciation and amortisation cost per ROM tonne basis.

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

	Year ended 31 December	
	2023	2022
	(USD/ROM tonne)	*(USD/ROM tonne)*
Unit processing cost	**4.6**	5.2
Consumables	**0.5**	0.4
Maintenance and spares	**0.7**	0.7
Power	**0.5**	0.6
Water	**0.2**	0.2
Staff	**0.3**	0.3
Ancillary and support	**0.7**	0.5
Depreciation and amortisation	**1.7**	2.5

Handling costs are associated with feeding ROM coal from ROM coal stockpiles to the CHPP, handling both raw and thermal coal, and the removal of course reject (primarily rock and sediment separated from coal) after coal processing. The Group's handling costs increased to approximately USD17.1 million during the year ended 31 December 2023, compared to USD10.0 million recorded during the same period in 2022, mainly as a result of increased sales volume.

During the year ended 31 December 2023, the Group's transportation costs were USD92.3 million (2022: USD100.9 million) including fees paid for the usage of the UHG-GS paved road.

The Group used two-step shipment for coal export transportation from the mine area to GM during the reporting year. The first step is around 240 km long-haul section from UHG to TKH, the transshipment yard on the Mongolian side of the border. The transportation cost on the long-haul section was USD7.2 per tonne, remaining at the same level as in 2022.

The second step is around 20 km cross border short-haul shipment between TKH and GM, the Chinese side of the Sino-Mongolian border crossing. During the reporting year, for this short-haul section the Group utilised a combination of its own trucking fleet, third party contractors' fleet, as well as the GS container terminal. The average daily border throughput in 2023 surpassed pre-pandemic levels, resulting in lower contractor tariffs. Consequently, the transportation cost on the short-haul section decreased to USD10.6 per tonne in 2023 from USD27.8 per tonne recorded in 2022.

During the reporting year, majority of the coal products were sold on the Mongolian side of the border. As a result, the total unit transportation cost decreased to USD13.8 per tonne in 2023, compared to USD26.9 per tonne in 2022.

For the year ended 31 December 2023, the Group recorded a total transportation loss of around USD1.3 million (2022: USD1.1 million), and net unrealised inventory loss of USD9.8 million for ROM coal and washed coal product stockpiles (2022: net unrealised inventory gain of USD0.6 million). The inventory losses or gains are assessed based on periodic survey measurements of the Group's ROM coal stockpile inventories at the mine sites and coal stockpile inventories at UHG, TKH and inland China. Survey of coal quantity is a measurement of volume, and as for every bulk commodity, the conversion to tonnage requires the application of density assumption, which involves natural variance. Hence, the measurement of stockpile quantities is an estimation in which errors are inherent.

Site administration costs are primarily associated with the site support facilities, such as overall supervision and management of the Group's mining, processing, transportation, and laboratory activities. During the year ended 31 December 2023, the site administration costs were USD27.2 million compared to USD26.4 million during 2022.

Logistics costs are associated with loading and unloading of coal products at UHG, TKH and GST. The Group's logistics costs were USD12.6 million during the reporting year, compared to USD9.6 million in 2022. Main factor for the increase in logistics costs was the higher sales volume.

Governmental royalties and fees are related to royalties, air pollution fees and customs fees paid in accordance with the applicable laws and regulations of Mongolia. The progressive royalty rate is applied in the range of 5% to 8% for exported processed coal products and 5% to 10% for exported raw coal products based on monthly reference price determined by the relevant governmental authorities of Mongolia. Effective from 1 October 2023, royalty calculation of coal products traded through the MSE's platform are being based on the corresponding monthly average open trade price as published by the MSE. Historically, the Group's ASP was more closely aligned with the reference prices. However, since July 2021, as a result of prolonged delivery period and the lack of spot trades due to border throughput issues, the reference prices set by the authorities substantially deviated from the contract prices. As a result, the royalties charged to the Group were higher than historical levels since July 2021. With the improvement in border throughput, the gap between reference prices and contract prices started to narrow, and the effective royalty rate was 11.1% in 2023 based on customs clearance documentation (2022: 15.4%).

Gross Profit

The Group's gross profit for the year ended 31 December 2023 was approximately USD441.6 million, representing an increase of 364.4% compared to USD95.1 million of gross profit recorded for the year ended 31 December 2022. The increase in gross profit was mainly driven by higher sales volume and ASP, as well as lower transportation costs and royalty fees recorded during the reporting year.

Non-IFRS Measure

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

The Group's adjusted EBITDA for the year ended 31 December 2023 was approximately USD509.0 million, compared to the adjusted EBITDA of approximately USD133.8 million recorded for the year ended 31 December 2022.

Selling and Distribution Costs

The Group's selling and distribution costs were USD4.8 million for the year ended 31 December 2023 (2022: USD2.4 million) which was associated with inland China sales activities and include expenses relating to fees and charges incurred for importing coal into China, logistics, transportation, governmental fees and charges and agent fees. The selling and distribution costs are associated with the sales volume realised under FOT GM term for inland China sales activities. The increase in selling and distribution costs was mainly attributable to higher sales volume realised under FOT GM term compared to the prior reporting year.

General and Administrative Expenses

The Group's general and administrative expenses relate primarily to head office staff costs, consultancy and professional fees, donations, depreciation and amortisation of office equipment and other expenses. For the year ended 31 December 2023, the Group's general and administrative expenses were approximately USD57.3 million (2022: USD24.8 million). Increase of USD24.1 million in general and administrative expenses was attributable to the transfer of mining equipment from the Group's mining contractor. The mining equipment was transferred to the Group at the assets' net book value, with some portion of the consideration was paid in cash and the remaining portion set-off against prepayments recognised in previous reporting periods. Based on the components of the transferred assets' net book value, which includes the assets' cost, related insurance fees and other indirect costs, the Group capitalised the portion that met the asset recognition criteria and the remaining portion was recognised as general and administrative expenses in the statement of profit or loss.

During the reporting year, the Group recorded USD12.4 million of general and administrative expenses in relation to donations of coal, which included 0.4 Mt of middlings supplied free of charge to TTT, designated for manufacturing and distributing coal briquettes to Ulaanbaatar residents under the GoM's program to reduce air pollution and improve air quality during the winter heating season (2022: USD7.4 million of expense recorded for coal donations, including, 0.5 Mt of middling supplied).

Net Finance Costs

Net finance costs for the year ended 31 December 2023 were approximately USD40.1 million (2022: USD40.8 million). Net finance costs comprised (i) accrued interest expense of 9.25% per annum on the Senior Notes due 2024; (ii) accrued interest expense of 12.50% per annum on the Senior Notes due 2026 with outstanding principal amount of USD220,000,000; (iii) amortisation of the difference between the fair value and the principal amounts due on the Senior Notes due 2024 and the Senior Notes due 2026 using the effective interest rate method; (iv) foreign exchange net loss; and (v) interest income accrued on cash and cash equivalents. The Group's total interest expense of its senior notes decreased to USD34.7 million in 2023, from USD45.4 million recorded during 2022. Conversely, the Group incurred foreign exchange net loss of USD6.0 million in 2023, compared to foreign exchange net gain of USD3.0 million recorded in 2022.

Breakdown of the net finance costs is set out in note 6 to the consolidated financial statements.

Income Tax Expenses

The Group's income tax expenses for the year ended 31 December 2023 were approximately USD94.8 million, compared to approximately USD4.2 million income tax credit incurred for the year ended 31 December 2022. The increase was mainly attributable to the increase in taxable income due to increased sales revenue.

Profit for the Year

The profit attributable to equity shareholders of the Company for the year ended 31 December 2023 amounted to approximately USD239.7 million, representing an increase of 304.9% compared to the profit attributable to equity shareholders of the Company of approximately USD59.2 million for the year ended 31 December 2022.

Liquidity and Capital Resources

For the year ended 31 December 2023, the Group's cash needs were primarily related to working capital requirements.

Table 10. Combined cash flows:

	Year ended 31 December	
	2023	2022
	(USD'000)	*(USD'000)*
Net cash generated from operating activities	**481,879**	233,779
Net cash used in investing activities	**(172,300)**	(87,916)
Net cash used in financing activities	**(197,583)**	(103,874)
Net increase in cash and cash equivalents	**111,996**	41,989
Cash and cash equivalents at the beginning of the year	**64,695**	25,937
Effect of foreign exchange rate changes	**(892)**	(3,231)
Cash and cash equivalents at the end of the year	**175,799**	64,695

Note: USD172.3 million used for investing activities comprises of (i) USD92.5 million incurred for payments of deferred stripping activity, (ii) USD40.0 million prepayment for acquisition of a subsidiary, (iii) USD41.3 million used for acquisition of property, plant and equipment and other assets, (iv) USD1.3 million generated from interest income, and (v) USD0.2 million dividend receipt from an associate.

The gearing ratio (calculated based on the fair value of total bank and other borrowings as stated in the consolidated financial statements of the Group as at 31 December 2023 divided by total assets) of the Group as at 31 December 2023 was 10.7% (31 December 2022: 20.5%). All borrowings are denominated in USD. Cash and cash equivalents are mainly held in USD, RMB and MNT.

Indebtedness

As at 31 December 2023, the Group had USD220.0 million outstanding principal payment of Senior Notes due 2026 (2022: USD376.4 million outstanding principal payment of Senior Notes due 2024).

Credit Risk

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

As at 31 December 2023, the Group had approximately USD33.7 million in trade receivables and USD111.5 million in other receivables. As at 31 December 2022, the Group had approximately USD4.4 million in trade receivables and USD87.7 million in other receivables.

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

With regards to other receivables of USD111.5 million, this amount is mainly related to USD62.6 million of VAT receivables and USD40.0 million payment made to EM. The remaining amounts are deposits, advances, prepayments and other receivables in the ordinary course of business. The management believes that there is no issue in the collectability of such receivables.

Foreign Exchange Risk

Cash and cash equivalents denominated in the currency other than the functional currency of the entity to which they relate as at 31 December 2023 and 31 December 2022 amounted to USD73.3 million and USD21.5 million, respectively. Total borrowings denominated in the currency other than the functional currency of the entity to which they relate amounted to nil as at 31 December 2023 and 31 December 2022.

Contingent Liabilities

As at 31 December 2023, the Company has contingent liability in respect of the consideration adjustments for the acquisition of BN mine pursuant to the share purchase agreement (the "**Share Purchase Agreement**") entered into by the Company and its subsidiary Mongolian Coal Corporation Limited with Quincunx (BVI) Ltd. and Kerry Mining (Mongolia) Limited on 31 May 2011 in relation to the acquisition of the entire share capital of Baruun Naran Limited (formerly known as QGX Coal Ltd.), which may arise from the royalty provision. Under the royalty provision, an additional LOM payment of USD6 per tonne may be payable in each semi-annual period after 1 June 2011 commencing on 1 January and ending on 30 June and commencing on 1 July and ending on 31 December, in the event that the actual amount of coal extracted from the BN mine exceeds a specified semi-annual production target fixed on the date of the determination of the total reserves.

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

Financial Instruments

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

On 3 April 2023 (the "**Grant Date**"), the Company granted 10,000,000 and 23,250,000 Share Options to a director and employees, respectively, at the exercise price of HKD3.260 under the Share Option Scheme.

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

Fair value of Share Options and assumptions:

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

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

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

During the year ended 31 December 2023, USD2.2 million was recognised in administrative expenses and capital reserves in relation to the equity-settled share-based transactions (2022: nil).

Capital Commitments and Capital Expenditures

As at 31 December 2023 and 2022, the capital commitments outstanding were as follows:

Table 11. Capital commitments:

	As at 31 December 2023 ***(USD'000)***	As at 31 December 2022 *(USD'000)*
Contracted for	**21,142**	–
Authorised but not contracted for	**192**	–

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

	Year ended 31 December	
	2023 ***(USD'000)***	2022 *(USD'000)*
CHPP	**313**	155
Trucks and equipment	**31,444**	–
Investment in associate company	**–**	6,951
Others	**9,539**	4,189
Total	**41,296**	11,295

Significant Investments Held

As at 31 December 2023, the Company did not hold any significant investments.

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

For the year ended 31 December 2023, the Company did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures.

Other and Subsequent Events

(i) Completion of the Investment Agreement

All conditions precedent to the closing under an investment agreement entered into by the Company with EM and Erdene Resource Development Corporation on 10 January 2023 (the "**Investment Agreement**") to subscribe for 50% of the share capital of EM have been fulfilled. Accordingly, the closing under the Investment Agreement has taken place in January 2024. As such, the Company (through its wholly-owned subsidiary, Mongolian Mining Corporation Pte. Ltd.) holds a total of 50% equity interest in EM, and EM has become a subsidiary of the Company. Please refer to the announcements of the Company dated 11 January 2023 and 25 January 2024 for further details.

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

On 21 February 2024, BNS (an indirect wholly-owned subsidiary of the Company) and the Company (each as the "**Seller**") and Jiayou International Logistics Co., Ltd* (嘉友國際物流股份有限公司) (the "**Purchaser**"), an independent third party, entered into a share purchase agreement, pursuant to which the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to purchase 20% equity interest in KEX for a consideration of USD88.81 million. 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 such closing and this transaction is not expected to result in a loss of control by the Group over KEX. This transaction 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. Please refer to the announcement of the Company dated 21 February 2024 for further details.

(iii) Payment of distribution and partial redemption of the Perpetual Notes

On 15 September 2023, the Company elected to defer the Perpetual Notes' distribution of USD7,126,396 in whole, which was otherwise scheduled to be paid on 1 October 2023 ("**Deferred Distribution**"). On 29 February 2024, the Company gave notice to its holders of the Perpetual Notes in respect of its election to pay the Deferred Distribution, together with the accrued distribution thereon, and the distribution accrued from 1 October 2023 to 1 April 2024 in whole. In the same notice, the Company informed its holders of the Perpetual Notes of its intention to redeem a principal amount of USD20,000,000 of the Perpetual Notes.

Save as disclosed in this annual results announcement, there have been no other events subsequent to 31 December 2023 which require adjustment to or disclosure in this annual results announcement.

* *For identification purposes only.*

Employees

As at 31 December 2023, the number of employees of the Group was 2,372, compared with 1,979 employees as at 31 December 2022.

The Group's employees are remunerated with reference to the individual performance, experience, qualification and the prevailing salary trends in the local market, which is subject to review from time to time. With reference to the Group's financial and operational performance, employees may also enjoy other benefits such as discretionary bonus and Share Options pursuant to the Company's Share Option Scheme. The share option scheme adopted by the Company on 17 September 2010 which became effective on 13 October 2010 expired on 12 October 2020. On 16 June 2021, at the 2021 Annual General Meeting of the Company, the shareholders approved the resolution to adopt a new share option scheme effective for a period of 10 years.

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

Training and development programs shall be designed for the interest and welfare of the Company and employees. An employee who has completed his/her training is expected to apply the knowledge into practice and share the newly gained experience with co-workers. The immediate management shall be responsible for the support and supervision of the process. During the year ended 31 December 2023, the Company focused on internally sourced trainings rather than trainings provided by external parties. As at 31 December 2023, a total of 11,835 employees attended different professional trainings, out of which 10,324 employees attended occupational, health, and safety training, 1,005 employees attended professional development training and 506 employees attended general skills development training.

During the reporting year, the Group continued online safety training for all office workers. A new series of specific theoretical and practical trainings were provided to 144 mining heavy equipment operators and 35 mining heavy equipment fitters. In order to improve the skills and methods of the training instructors, they were enrolled in different ISO module trainings as well as given first aid training and additional general skills training.

For the year ended 31 December 2023, staff cost was USD46.0 million, compared to USD30.2 million in 2022. The increase in staff cost was mainly due to higher number of employees and manhours worked following increase in mining, processing, transportation and sales volume.

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

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Dividend

The Board does not recommend the payment of a dividend for the year ended 31 December 2023 (dividend for the year ended 31 December 2022: nil).

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

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

Corporate Governance

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 to the Listing Rules as its code of corporate governance and has complied with all applicable code provisions as set out in the CG Code for the year ended 31 December 2023.

Review of Annual Results

The financial figures in respect of the Group's consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income for the year then ended and the related notes thereto as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the auditor on the preliminary announcement.

Closure of the Register of Members

The register of members of the Company will be closed from Friday, 21 June 2024 to Wednesday, 26 June 2024, both days inclusive. During such period, no transfer of shares of the Company will be registered. For the purpose of ascertaining the members' entitlement to attend and vote at the forthcoming AGM of the Company to be held on Wednesday, 26 June 2024, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 20 June 2024.

Review by the Audit Committee

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

The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2023.

Publication of Annual Results and Annual Report

The annual results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.mmc.mn), and the annual report of the Company for the year ended 31 December 2023 will be published on the above-mentioned websites in due course.

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

Hong Kong, 25 March 2024

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