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## **MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

### **BUSINESS UPDATE ON**

### **MONGOLIA TAX AUDIT**

This announcement is made by Mongolia Energy Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the Company’s announcements dated 21 August 2023, 7 November 2023 and 28 February 2024 (the “**Announcements**”). Unless otherwise defined in this announcement, capitalised terms shall have the same meanings as defined in the Announcements. As disclosed in the Announcements, in July 2023, MoEnCo received a notice of tax findings from the Mongolia General Tax Office (“**GTO**”) for the tax period between 2017 and 2020 on certain tax items, and the Additional Taxes payable by MoEnCo for the relevant period were approximately US\$52.1 million. Subsequently, MoEnCo filed an appeal notice against the tax findings. The Tax Dispute Resolution Committee of Mongolia (“**TDRC**”) hearing took place on 29 January 2024. At the hearing, the TDRC ordered reinvestigation of the Reinvestigation items.

On 21 May 2024, MoEnCo received a revised demand letter from the GTO (the “**Revised Tax Demand Letter**”), stating that MoEnCo is required to pay further additional taxes and penalty for the tax years from 2017 to 2020. Based on certain findings and revised assessment as stated in the Revised Tax Demand Letter, the additional taxes and penalty have been revised from approximately US\$52.1 million to approximately US\$119.2 million (“**Revised Additional Taxes**”). The revision is mainly due to, among others, the GTO’s assertions of MoEnCo’s under-reporting of the sales revenues which is a transfer pricing issue under dispute at the TDRC hearing held on 29 January 2024. MoEnCo is given to understand that the assessment made by the GTO is based on its data of market price for coal which has been fully washed and processed, while MoEnCo’s coal for export was raw in nature (which required further washing and processing), and therefore, could only be sold at a lower price, as compared to the market price for coal as asserted by the GTO.

MoEnCo's position is that it disagrees with the basis of calculation and the resulted amount demanded for payment of the Revised Additional Taxes under the Revised Tax Demand Letter. Upon receipt of the Revised Tax Demand Letter, MoEnCo has the right to file an appeal to the TDRC within 30 days. TDRC shall reconsider and hear our appeal within 60 days, which may be extended, if necessary. Currently, the date of rehearing of the TDRC appeal has not been fixed. In any event, if MoEnCo does not agree with the final decision of the TDRC after the rehearing, it may make further appeal to the Mongolia court within 30 days upon receipt of the final decision from the TDRC. The Group is seeking further professional advice from its Mongolian tax and legal advisors.

As the Company is still in the process of finalizing the Group's annual results for the year ended 31 March 2024, apart from the partial provision of HK\$249.6 million already made for the Additional Taxes, the Company has yet to determine any additional provision for the Revised Additional Taxes in its financial statements. Should additional provisions be required after the Group's further assessment, such provision will be incorporated in the financial results of the Group (if necessary).

The Company will make further announcement(s) to keep its shareholders and potential investors informed of any progress in due course as and when appropriate.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

By order of the Board  
**Mongolia Energy Corporation Limited**  
**Tang Chi Kei**  
*Company Secretary*

Hong Kong, 23 May 2024

*As at the date of this announcement, the board of directors of the Company comprises nine directors, including Mr. Lo Lin Shing, Simon, Ms. Yvette Ong, Mr. Lo, Rex Cze Kei and Mr. Lo, Chris Cze Wai as executive directors, Mr. To Hin Tsun, Gerald and Mr. Lo, James Cze Chung as non-executive directors, and Mr. Tsui Hing Chuen, William JP, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank as independent non-executive directors.*