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MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.101 OF THE LISTING RULES

Reference is made to the announcements of the Company dated 21 February 2024 and 3 June 2024 in relation to, *inter alia*, the proposed disposal of 20% equity interest in KEX by BNS and the Company (each as a Seller) to JIA (as the Purchaser) and the Closing.

The Marketing Agreement

On 21 February 2024, the Company and JIA entered into the Marketing Agreement, which shall take effect from the Closing Commencement for the Ten-year Term. As Closing has taken place as at the date of this announcement, the Marketing Agreement and the transactions contemplated thereunder have become continuing connected transactions of the Company (as detailed below).

Pursuant to the Marketing Agreement, the Group shall supply, and the JIA Group shall procure, 1.5 million tonnes per annum of coal products (including (1) HCC, (2) SSCC, (3) washed thermal coal or any other coal product as mutually agreed) in the first five years commencing from the Closing Commencement; and 2.0 million tonnes per annum of coal products in the next following five years, totaling no more than 17.5 million tonnes during the Ten-year Term.

Listing Rules Implications

Following the Closing, JIA has come to own 20% equity interest in KEX. Accordingly, as at the date of this announcement, JIA is a connected person of the Company at the subsidiary level, and the continuing transactions contemplated under the Marketing Agreement between (i) the Group on the one hand, and (ii) JIA Group, on the other hand, have (subsequent to the Closing) become continuing connected transactions of the Company.

As (i) JIA is a connected person of the Company at the subsidiary level; (ii) the Directors (including independent non-executive Directors) have approved the Marketing Agreement and the transactions contemplated thereunder (including the Annual Caps); and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Marketing Agreement are fair and reasonable, are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Marketing Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Opinion of the Independent Financial Adviser

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Marketing Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is normal business practice for agreements of this type to be of such duration.

The Independent Financial Adviser is of the view and confirms that (i) the duration of the Marketing Agreement is a normal commercial term for a transaction of this nature; and (ii) it is normal business practice for agreements of this type to be of such duration.

CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.101 OF THE LISTING RULES

Introduction

Reference is made to the Announcements. On 21 February 2024, the Company and JIA entered into the Marketing Agreement, which shall take effect from the Closing Commencement for the Ten-year Term.

As Closing has taken place as at the date of this announcement, the Marketing Agreement and the transactions contemplated thereunder have become continuing connected transactions of the Company.

The principal terms of the Marketing Agreement are set out below.

The Marketing Agreement

Date: 21 February 2024

Parties: (i) the Company; and
(ii) JIA, a connected person of the Company at the subsidiary level as at the date of this announcement.

Term: Ten (10) consecutive years, or until such time that the delivery of coal products totalling 17.5 million tonnes has been completed, whichever is later, commencing from the Closing Commencement.

Subject matter: The Group shall supply, and the JIA Group shall procure, 1.5 million tonnes per annum of coal products (including (1) HCC, (2) SSCC, (3) washed thermal coal or any other coal product as mutually agreed) in the first five years commencing from the Closing Commencement; and 2.0 million tonnes per annum of coal products in the next following five years, totaling no more than 17.5 million tonnes during the Ten-year Term.

The Company and JIA shall agree on coal products volume (by each coal product) to be transacted during each year of the Ten-year Term based on the business plan of the Company. The confirmed quantities shall be supplied and purchased in twelve (12) equal batches.

Basis of pricing: The terms to the Marketing Agreement was determined and agreed between the parties on an arm's length basis.

Unless the parties agreed otherwise, pursuant to the Marketing Agreement, the Mongolian Stock Exchange ("MSE") coal auction prices for the same coal product during preceding 20 MSE trading days shall be taken as a base price (the "**Reference Price(s)**") to determine the selling price (the "**Selling Price**") for each delivery batch.

Specifically, the Selling Price for each delivery batch of a particular coal product will be adjusted to reflect costs related to coal imported from Mongolia to the People's Republic of China, including (but not limited to) any value-added tax and import duties imposed by the relevant rules and regulations, transportation and logistics to delivery point, financing, and quality adjustments.

The parties shall jointly identify and agree on alternative publicly available sources to determine prevailing market price for coal products in cases where MSE coal auction prices are unavailable due to various reasons or MSE coal auction is interrupted or discontinued.

The Company will ensure that KEX does not sell its coal products to other customers at prices lower than the prevailing market prices at which they are sold to the JIA Group under the Marketing Agreement.

Individual agreements: Separate sales and purchase agreements shall be entered into amongst the relevant member(s) of the Group and the relevant member(s) or affiliate(s) of the JIA Group based on individual batches.

Such separate agreements shall set forth, in detail, the terms and condition for sales, transportation, delivery, payment terms, conditions, quality and quantity.

Proposed Annual Caps

Given the current market conditions and fluctuation in the average price per tonne of coal products, and taking into account the factors set out below, the Annual Caps for the sale of coal products by the Group to the JIA Group pursuant to the Marketing Agreement are as follows:

Financial year ending	Annual caps	Period covered
31 December 2024	US\$141,655,172	8 months from April 19, 2024 to December 31, 2024
31 December 2025	US\$219,416,667	12 months from January 1, 2025 to December 31, 2025
31 December 2026	US\$221,500,000	12 months from January 1, 2026 to December 31, 2026
31 December 2027	US\$221,500,000	12 months from January 1, 2027 to December 31, 2027
31 December 2028	US\$226,708,333	12 months from January 1, 2028 to December 31, 2028
31 December 2029	US\$279,138,095	12 months from January 1, 2029 to December 31, 2029
31 December 2030	US\$276,857,143	12 months from January 1, 2030 to December 31, 2030
31 December 2031	US\$276,857,143	12 months from January 1, 2031 to December 31, 2031
31 December 2032	US\$276,857,143	12 months from January 1, 2032 to December 31, 2032
31 December 2033	US\$276,857,143	12 months from January 1, 2033 to December 31, 2033
31 December 2034	US\$92,285,714	4 months from January 1, 2034 to April 19, 2034
Total	US\$2,509,632,553	

The proposed Annual Caps were determined after taking into account:

(i) in terms of sales volume:

- a. the aggregate sales volume to be transacted under the Marketing Agreement during the Ten-year Term, which shall be no more than 17.5 million tonnes (comprising 1.5 million tonnes per annum of coal products (including (1) HCC, (2) SSCC, (3) washed thermal coal or any other coal product as mutually agreed) in the first five years commencing from the Closing Commencement; and 2.0 million tonnes per annum of coal products in the next following five years);
- b. a break-down allocation of different coal products to be transacted under the Marketing Agreement, which was determined based on (1) the internal projection of the Group's business operations and expected productions for the different coal products during the Ten-year Term; and (2) the sourcing plan of the JIA Group to procure quality coal products and the volume required for different coal products; and
- c. the necessary headroom or buffer required for potential adjustments due to change(s) in the composition of the different coal products to be supplied by the Group (which can be in any proportions of (1) HCC, (2) SSCC, (3) washed thermal coal, or any other coal product mutually agreed upon) which shall be determined, from time to time, based on the available stockpile of the coal products, the business operations and strategies of the Group on the one hand, and the business needs of the JIA Group on the other hand,

(ii) in terms of Selling Price:

- a. the projected price trend of various coal products and RMB/USD exchange rates during the Ten-year Term; and
- b. the monthly volume-weighted average prevailing market prices of different coal products at DAP GM delivery point that are available on the website of MSE (www.mse.mn).

The actual settlement amount shall be calculated based on the actual sale and purchase amount of the respective coal products and the allocation of different coal products as agreed between the parties. Should the actual annual sales amount exceed the above proposed Annual Caps, the Company will revise the Annual Caps in compliance with the relevant requirements under Chapter 14A of the Listing Rules.

Internal Control

The Company has comprehensive internal control system to ensure that the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. Relevant internal control measures include regular monitoring of actual amounts incurred for the continuing connected transactions; regular internal control tests to evaluate completeness and effectiveness of internal control measures; and regular review by the internal audit department, the audit committee of the Board, the Board, and the independent non-executive Directors.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE MARKETING AGREEMENT

To diversify the Group's sales and distribution channels and to maximize business value of the BN mine through joint development and operation, the Group collaborated with the JIA Group in respect of direct coal sales to JIA and the JIA Group through the Marketing Agreement. The Marketing Agreement is beneficial for the expansion of customer base in the long-term, and for improving the stability of the annual product sales of the Company.

Directors' Views

The Directors (including independent non-executive Directors) of the Company are of the view that the terms of the Marketing Agreement are fair and reasonable, are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Following the Closing, JIA has come to own 20% equity interest in KEX. Accordingly, as at the date of this announcement, JIA is a connected person of the Company at the subsidiary level, and the continuing transactions contemplated under the Marketing Agreement between (i) the Group on the one hand, and (ii) JIA Group, on the other hand, have (subsequent to the Closing) become continuing connected transactions of the Company.

As (i) JIA is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Marketing Agreement and the transactions contemplated thereunder (including the Annual Caps); and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Marketing Agreement are fair and reasonable, are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Marketing Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Marketing Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is normal business practice for agreements of this type to be of such duration. The opinion of the Independent Financial Adviser is set out below in the section headed “*OPINION OF THE INDEPENDENT FINANCIAL ADVISER*” in this announcement.

OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Marketing Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is normal business practice for agreements of this type to be of such duration.

Reasons for the Marketing Agreement having a term exceeding three years

In assessing the reasons and formulating its opinion as to why the Marketing Agreement should have a term exceeding three years, the Independent Financial Adviser has considered that:

- (i) by entering into the long-term Marketing Agreement with JIA in respect of direct coal sales to the JIA Group, the Group will be able to secure a customer who will procure a significant volume of coal products from the Group, amounting to 1.5 million tonnes of coal products per annum in the first five-year period and 2.0 million tonnes of coal products per annum in the second five-year period, representing approximately 15% and 20% of the Group’s total coal sales volume in 2023 of 9.8 million tonnes respectively, thereby enhancing the future revenue of the Group; and
- (ii) it is in the interest of the Company to enter into the Marketing Agreement on a long-term basis, which diversifies the Group’s sales and distribution channels and improves the stability of the Group’s annual product sales in the coming 10 years by agreeing the expected annual sales volume with the JIA Group in advance, with the Selling Price to be agreed with reference to the relevant benchmark market price of coal products from the MSE.

Whether a term exceeding three years is normal business practice

In considering whether it is normal business practice for agreements of a similar nature to the Marketing Agreement to have a term exceeding three years, the Independent Financial Adviser has reviewed:

- (i) the framework agreements that are currently effective in relation to the sales of coal products entered into between the Group and Independent Third Parties, the durations of all such agreements are either 5 years or 10 years (as is the case with the Marketing Agreement), with the exception of one agreement with a duration of one year that has been renewed annually since 2022; and

- (ii) 22 framework agreements in relation to the sale or procurement of coal products as announced in the past ten years (up to the date of this announcement) by companies listed on the Stock Exchange that are principally engaged in mining, production, processing and/or trading of coal products, and the Independent Financial Adviser noted that the duration of such agreements ranged from 1 to 43 years. Accordingly, the duration of the Marketing Agreement falls within the above range.

Opinion of the Independent Financial Adviser

Based on the factors and analyses mentioned above, the Independent Financial Adviser is of the view and confirms that (i) the duration of the Marketing Agreement is a normal commercial term for a transaction of this nature; and (ii) it is normal business practice for agreements of this type to be of such duration.

GENERAL INFORMATION

The Company

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

The Group, through its subsidiaries, is also engaged in the exploration of gold and other precious metals.

KEX

KEX is a limited liability company organized and existing under the laws of Mongolia. It is principally engaged in mining, transporting and selling coal products produced from BN mine. Following the Closing, KEX is owned as to 80% by the Group, and 20% by JIA. KEX remains as a subsidiary of the Company.

JIA

JIA is a company incorporated under the laws of the People's Republic of China and its A shares are publicly traded on the Main Board of the Shanghai Stock Exchange (Stock Symbol: 603871). It is principally engaged in domestic and international multimodal transport, logistics infrastructure investment and operation and supply chain trade.

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

DEFINITIONS

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

“Announcements”	the announcements of the Company dated 21 February 2024 and 3 June 2024 in relation to the Disposal
“Annual Caps”	the maximum aggregate annual value of coal products to be sold by the Group to the JIA Group under the Marketing Agreement as estimated and proposed by the Board, details of which are set out in the section headed “ <i>Proposed Annual Caps</i> ” in this announcement
“associate”	has the meaning ascribed to it under the Listing Rules
“BNS”	Baruun Naran S.a.r.l, a company incorporated under the laws of Grand Duchy of Luxembourg and an indirect wholly-owned subsidiary of the Company
“BN mine”	the area of the Baruun Naran deposit that can be mined by open-pit mining methods
“Board”	the board of Directors
“Closing”	the closing of the sale and purchase of the Sales Shares under the Share Purchase Agreement
“Closing Commencement”	has the meaning as ascribed to it in the section headed “ <i>Conditions precedent to the Closing Commencement</i> ” in the announcement of the Company dated 21 February 2024, which occurred on 19 April 2024
“Company”	Mongolian Mining Corporation, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 975)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“DAP GM”	the delivery-at-place Ganqimaodu
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sales Shares to the Purchaser by the Seller as contemplated under the Share Purchase Agreement
“Group”	the Company and its subsidiaries
“HCC”	washed hard coking coal
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong), which has been appointed as the independent financial adviser of the Company for the purpose of Rule 14A.52 of the Listing Rules
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected person(s) of the Company within the meaning of the Listing Rules
“JIA Group”	JIA, together with any affiliate(s) designated by JIA
“KEX”	Khangad Exploration LLC, a limited liability company organized and existing under the laws of Mongolia and an indirect non-wholly owned subsidiary of the Company following the Closing and as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Marketing Agreement”	the marketing agreement dated 21 February 2024 and entered into amongst the Company and JIA, which shall take effect for the Ten-year Term from the Closing Commencement
“MSE”	has the meaning ascribed to it in the section headed “ <i>The Marketing Agreement</i> ” in this announcement
“Purchaser” or “JIA”	Jiayou International Logistics Co., Ltd.* (嘉友國際物流股份有限公司), a company incorporated under the laws of the People’s Republic of China and its A shares are publicly traded on the main board of the Shanghai Stock Exchange (Stock Symbol: 603871)
“Reference Price”	has the meaning ascribed to it in the section headed “ <i>The Marketing Agreement</i> ” in this announcement
“Sales Shares”	the 6,906,480 shares of KEX, which represent 20% of the issued and outstanding share capital of KEX immediately prior to Closing
“Seller”	collectively, BNS and the Company (as the context so requires)
“Selling Price”	has the meaning ascribed to it in the section headed “ <i>The Marketing Agreement</i> ” in this announcement
“Shareholders”	the shareholders of the Company

“Share Purchase Agreement”	the shares sale and purchase agreement dated 21 February 2024 entered into by BNS and the Company (each as the Seller) and JIA in relation to the Disposal
“SSCC”	washed semi soft coking coal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Ten-year Term”	the term of the Marketing Agreement, which shall be for ten (10) consecutive years, or until such time that the delivery of coal products totalling 17.5 million tonnes has been completed, whichever is later, commencing from the Closing Commencement
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

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

Hong Kong, 3 June 2024

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

* *For identification purposes only*