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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2025

The board of directors (the “**Board**”) of Mongolia Energy Corporation Limited (the “**Company**”) announces the condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2025 (the “**Financial Period**”) together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2025

		Six months ended 30 September	
		2025	2024
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	871,143	1,699,926
Cost of sales		(786,742)	(1,059,215)
Gross profit		84,401	640,711
Other income	4	13,178	3,490
Other gains and losses	5	39,388	(6,497)
Administrative expenses		(130,788)	(150,113)
Changes in fair value on derivative component of convertible notes	13(a)	(216,927)	164,952
Loss on derecognition of convertible notes	13(a)	(2,339)	—
Changes in fair value on loan note		172,900	—
Impairment losses on property, plant and equipment	10	(322,598)	(541,403)
Impairment losses on right-of-use assets	10	(1,940)	(526)
Impairment losses on intangible assets	10	(30,891)	(56,564)

		Six months ended	
		30 September	
		2025	2024
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(unaudited)
Reversal of impairment losses on financial assets		1,373	4,432
Finance costs	6	<u>(276,944)</u>	<u>(345,432)</u>
Loss before taxation	7	(671,187)	(286,950)
Income tax expense	8	<u>(68,965)</u>	<u>(155,956)</u>
Loss for the period attributable to owners of the Company		<u>(740,152)</u>	<u>(442,906)</u>
Loss per share attributable to ordinary equity holders of the Company	9		
– basic and diluted (loss) per share (HK\$)		<u>(3.93)</u>	<u>(2.35)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2025

		Six months ended	
		30 September	
		2025	2024
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Loss for the period		(740,152)	(442,906)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of group companies		11,737	11,230
– Fair value changes on debt instruments at fair value through other comprehensive income (“FVTOCI”)		<u>(1,000)</u>	<u>(4,236)</u>
Other comprehensive income for the period		<u>10,737</u>	<u>6,994</u>
Total comprehensive expense for the period attributable to owners of the Company		<u>(729,415)</u>	<u>(435,912)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2025

		30 September 2025 <i>HK\$'000</i> (unaudited)	31 March 2025 <i>HK\$'000</i> (audited)
	Notes		
Non-current assets			
Property, plant and equipment	10	605,668	921,415
Right-of-use assets	10	11,011	9,328
Intangible assets	10	52,077	85,660
Exploration and evaluation assets		4,994	4,939
Interest in an associate		–	–
Deferred tax assets		61,814	59,421
Long-term receivable		201,748	205,297
		<u>937,312</u>	<u>1,286,060</u>
Current assets			
Trade and bills receivables	11	856,484	1,092,671
Inventories		338,506	444,860
Other receivables, prepayments and deposits		124,293	116,847
Prepaid taxation		196	78
Financial asset at fair value through profit or loss ("FVTPL")		66,823	46,522
Amount due from an associate		–	–
Cash and cash equivalents		156,105	88,283
		<u>1,542,407</u>	<u>1,789,261</u>
Current liabilities			
Trade payables	12	271,482	301,305
Other payables and accruals		923,832	1,109,183
Contract liabilities		48,294	16,496
Tax liabilities		266,310	211,274
Advances from a Director		856,432	845,357
Short-term bank loan		–	37,960
Convertible notes	13(a)	–	3,892,989
Loan note	13(b)	–	655,210
Lease liabilities		5,694	3,696
Deferred income		183	278
		<u>2,372,227</u>	<u>7,073,748</u>
Net current liabilities		<u>(829,820)</u>	<u>(5,284,487)</u>
Total assets less current liabilities		<u>107,492</u>	<u>(3,998,427)</u>

		30 September 2025	31 March 2025
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Convertible notes	13(a)	4,327,209	–
Loan note	13(b)	506,787	–
Deferred income		479	555
Deferred tax liabilities		40,612	39,814
Lease liabilities		2,342	815
Provision for rehabilitation		36,547	37,458
		<u>4,913,976</u>	<u>78,642</u>
Net liabilities		<u>(4,806,484)</u>	<u>(4,077,069)</u>
Financed by:			
Capital and reserves			
Share capital		3,763	3,763
Reserves		<u>(4,810,247)</u>	<u>(4,080,832)</u>
Capital deficiencies attributable to owners of the Company		<u>(4,806,484)</u>	<u>(4,077,069)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2025

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In preparing the condensed consolidated financial statements, the directors of the Company (the “**Directors**”) have given careful consideration to the future liquidity of the Group. The Directors have reviewed the Group’s cash flow projections prepared by the management. The cash flow projections cover a period of at least 12 months from 30 September 2025. The cash flow projections have been determined using the estimation of future cash flows to be generated from the Group’s operating activities and its working capital needs.

As at 31 March 2025, the Group has total provision of HK\$988.6 million, including tax provision and penalty arising from the completion of the tax audit covering the fiscal years 2017 to 2020 (the “**2020 Tax Audit**”) of HK\$346.2 million and royalty tax payables of HK\$642.4 million. On 16 April 2025, the Mongolia Tax Authority (“**MTA**”) demanded for a payment relating to the above of HK\$852.2 million due 18 April 2025. The Group has requested to defer part of this payment and proposed a settlement plan of MNT120.8 billion (approximately HK\$279.0 million) for mostly its royalty tax payables of which instalment payments have begun. As at 30 September 2025, remaining balance of the settlement plan is MNT55.4 billion (approximately HK\$120.0 million) and will be settled by way of instalments by end of 2025.

The total tax demand for the fiscal years 2017 to 2020 has also been reassessed to MNT412.3 billion (approximately HK\$902.6 million) in accordance with the written resolution received from the Tax Dispute Resolution Committee of Mongolia (“**TDRC**”) on 24 July 2025. A claim has been filed against the TDRC’s decision to the Administrative Court of Mongolia. Based on the advice from the external legal and tax professionals, management believes that the Group has compelling legal basis to contest the adjudged tax result. The Group has been and will continue to exercise its endeavour to negotiate with the relevant Mongolian authorities for an amicable solution. In this regard, the Group has made a total provision of HK\$955.6 million, including tax provision and penalty arising from the 2020 tax audit of HK\$409.0 million and royalty tax payables of HK\$546.6 million as at 30 September 2025.

In addition, Mr. Lo Lin Shing, Simon (“**Mr. Lo**”), a substantial shareholder who has significant influence over the Group and being the Chairman and Director of the Company, has provided facilities amounting to HK\$1,900.0 million by way of advances to the Group. As at 30 September 2025, advances from Mr. Lo in the sum of HK\$856.4 million comprised the principal amount and accrued interest of HK\$839.6 million and HK\$16.8 million respectively. Excluding the accrued interest of HK\$16.8 million, the balance of the unutilised facilities of HK\$1,060.4 million remains valid until 24 March 2027. Mr. Lo has undertaken not to demand for repayment of the principal amount of the loan and the accrued interest until the Group has sufficient cash to make repayment which will not affect the Group’s liquidity position, and to provide financial support to the Group for the unutilised facilities as and when needed.

While recognising that the Group had net liabilities of approximately HK\$4,806.5 million and net current liabilities of approximately HK\$829.8 million as at 30 September 2025 and incurred a loss of approximately HK\$740.2 million for the period then ended, the Directors are of the opinion that, taking into account of the finance from Mr. Lo and the internally generated funds, the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the finance from Mr. Lo will be available. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at fair values at the end of each reporting period.

Other than additional accounting policies resulting from application of amendments to HKFRS Accounting Standards, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2025 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2025.

Application of revised HKFRS Accounting Standards

The Group has adopted the following revised HKFRS Accounting Standards for the first time for the current period's condensed consolidated financial statements:

Amendments to HKAS 21

Lack of Exchangeability

The application of the above revised HKFRS Accounting Standards have no material impact on the Group's condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in mining, processing and sale of coal. Revenue arises from the sale of coal to external customers located in the People's Republic of China (the "PRC") and Mongolia, and is recognised at a point in time when coal is delivered to and accepted by the customers.

The Group's operating activities focus on the coal mining business. Information is reported to the chief operating decision maker (i.e. the Executive Directors) for the purposes of resource allocation and performance assessment. This is also the basis of organisation whereby management has chosen to organise the Group.

The following is an analysis of the Group's revenue and results by operating segment:

For the six months ended 30 September 2025

	Coal mining HK\$'000	Total HK\$'000
Segment revenue	<u>871,143</u>	<u>871,143</u>
Segment loss	<u>(332,169)</u>	(332,169)
Unallocated expenses (<i>Note</i>)		(37,999)
Other income		11
Other gains and losses		20,405
Changes in fair value on derivative component of convertible notes		(216,927)
Loss on derecognition of convertible notes		(2,339)
Changes in fair value on loan note		172,900
Impairment loss on financial asset		(5)
Finance costs		<u>(275,064)</u>
Loss before taxation		<u>(671,187)</u>

For the six months ended 30 September 2024

	Coal mining <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>1,699,926</u>	<u>1,699,926</u>
Segment loss	<u>(76,440)</u>	(76,440)
Unallocated expenses (<i>Note</i>)		(26,450)
Other income		114
Other gains and losses		(5,964)
Changes in fair value on derivative component of convertible notes		164,952
Impairment loss on financial assets		(14)
Finance costs		<u>(343,148)</u>
Loss before taxation		<u>(286,950)</u>

Note:

Unallocated expenses mainly included staff costs for corporate office, office rental and legal and professional fees for both periods.

The following is an analysis of the Group's assets by operating segment:

	30 September 2025 <i>HK\$'000</i>	31 March 2025 <i>HK\$'000</i>
Coal mining	<u>2,346,242</u>	<u>2,964,025</u>

4. OTHER INCOME

	Six months ended 30 September	
	2025	2024
	HK\$'000	HK\$'000
Interest income	9,936	452
Government grants	1,701	862
Sundry income	1,541	2,176
	<u>13,178</u>	<u>3,490</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2025	2024
	HK\$'000	HK\$'000
Changes in fair value on long-term receivable	(8,065)	–
Changes in fair value on financial asset at FVTPL	20,301	(5,921)
Gain on disposal of property, plant and equipment	9	84
Net exchange gain (loss)	27,143	(660)
	<u>39,388</u>	<u>(6,497)</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2025	2024
	HK\$'000	HK\$'000
Interest on advances from a Director	34,584	39,727
Interest on lease liabilities	287	255
Interest on bank borrowing	556	–
Effective interest expense on convertible notes (<i>Note 13(a)</i>)	215,797	241,442
Effective interest expense on loan note	24,477	61,848
Effective interest expense on provision for rehabilitation	1,243	2,160
	<u>276,944</u>	<u>345,432</u>

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	Six months ended 30 September	
	2025	2024
	HK\$'000	HK\$'000
Employee benefit expenses, including Directors' emoluments (net of reimbursement from a related party)	89,731	77,621
Less: employee benefit expenses capitalised in inventories	<u>(35,952)</u>	<u>(37,664)</u>
	<u>53,779</u>	<u>39,957</u>
(Reversal of impairment losses) impairment losses on:		
Trade and bills receivables	(1,378)	(4,446)
Amount due from an associate	<u>5</u>	<u>14</u>
	<u>(1,373)</u>	<u>(4,432)</u>
Depreciation of property, plant and equipment	15,681	49,933
Depreciation of right-of-use assets	3,119	2,960
Amortisation of intangible assets	<u>2,695</u>	<u>6,187</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2025	2024
	HK\$'000	HK\$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	36,684	67,639
Mongolian corporate income tax (<i>Note</i>)	34,432	95,044
Deferred taxation	<u>(2,151)</u>	<u>(6,727)</u>
	<u>68,965</u>	<u>155,956</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profits for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% on the estimated assessable profits (if any) for both periods.

Mongolian corporate income tax was calculated at 10% to the first Mongolian Tugrik 6 billion of annual taxable income and 25% on the remaining annual taxable income for both periods.

The Company is not subject to any taxation in Bermuda. Bermuda levies no tax on the income of the Group.

Note:

On 28 July 2023, one of the Group's subsidiaries, MoEnCo LLC ("**MoEnCo**"), received a tax demand letter ("**First Tax Demand Letter**") from the MTA, arising from the completion of the tax audit covering the fiscal years 2017 to 2020, imposing a total tax demand (including additional taxes and penalties) of approximately HK\$406.4 million (US\$52.1 million) on a number of tax matters, including mainly transfer pricing, treatment of unrealised exchange differences and royalty tax, etc.

MoEnCo filed an appeal notice against the First Tax Demand Letter and a hearing took place on 29 January 2024, of which the TDRC ordered for a reinvestigation on a number of tax matters identified in the First Tax Demand Letter.

As a result of the reinvestigation, on 21 May 2024, MoEnCo received a revised tax demand letter from the MTA, imposing a revised total tax demand of MNT413.4 billion (approximately HK\$929.8 million). The revision is mainly due to, among others, the MTA 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.

In addition, on 6 May 2024, MoEnCo received another demand notice from the MTA for an amount of HK\$403.3 million for additional tax relating to mainly royalty tax for the period from 2022 to 2024.

On 24 July 2025, MoEnCo received the written decision resolution from the TDRC re-hearing that took place on 25 June 2025, where the representatives of MoEnCo attended for an appeal against the reassessment of the tax audit by the MTA regarding a revised total tax demand of MNT413.4 billion (approximately HK\$929.8 million) for the fiscal years 2017 to 2020 (the "**reassessment tax**"). According to the decision, MoEnCo has to pay the reassessment tax in the sum of MNT412.3 billion (approximately HK\$902.6 million).

The Group has engaged with independent external tax consultants and legal advisor in assessing the findings and further disagrees on a number of matters and its calculation included in the reassessment tax on 24 July 2025. On 22 August 2025, MoEnCo initiated the legal process by filing relevant claims with the Administrative Court against TDRC to annul the entire reassessment tax. An assessment has been made on the uncertain tax position and tax provision of HK\$34.3 million (2024: HK\$29.9 million) was provided for the period ended 30 September 2025.

As at 30 September 2025, the Group has total provision of HK\$955.6 million, including tax provision and penalty arising from the 2020 Tax Audit of HK\$409.0 million and royalty tax payables of HK\$546.6 million included in other payables.

9. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	Six months ended 30 September	
	2025	2024
	HK\$'000	HK\$'000
Loss		
Loss attributable to ordinary equity holders of the Company, as used in the calculation of basic and diluted loss per share	<u>(740,152)</u>	<u>(442,906)</u>
	Six months ended 30 September	
	2025	2024
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	188,126	188,126
Effect of dilutive potential ordinary shares (<i>Note</i>):		
Convertible notes	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>188,126</u>	<u>188,126</u>

Note:

The computation of diluted loss per share for the period ended 30 September 2025 and 2024 did not assume the exercise of share options and the conversion of the convertible notes.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

Property, Plant and Equipment

The following is an analysis of the Group's addition to property, plant and equipment:

	Six months ended 30 September	
	2025	2024
	HK\$'000	HK\$'000
Mining structures	–	22,831
Construction in progress	20,040	837
Computer equipment	112	472
Furniture, fixtures and office equipment	25	148
Plant, machinery and other equipment	476	13,142
Motor vehicles	950	4,034
	<u>21,603</u>	<u>41,464</u>

Intangible Assets

The intangible assets consist of software, exclusive right of use of a paved road and club membership.

There were no significant capital expenditures spent on intangible assets for either periods.

Recoverable Amount Assessment on the Khushuut Related Assets

At the end of the reporting period, there was an indicator of impairment and the Group engaged an independent qualified professional valuer (the “**Independent Valuer**”) to determine the recoverable amount of its property, plant and equipment, right-of-use assets and intangible assets related to the Khushuut mine operations (collectively referred to as the “**Khushuut Related Assets**”).

For the purposes of impairment testing, the Khushuut Related Assets are treated as a cash-generating unit, which represents the Group's coking coal mining operation in Western Mongolia. The recoverable amount of the Khushuut Related Assets has been determined based on a value in use calculation.

The Group performed an impairment test of the Khushuut Related Assets as at 30 September 2025, of which the recoverable amount determined by the Independent Valuer was lower than their carrying values, and an impairment loss amounting to HK\$355,429,000 (2024: HK\$598,493,000) was recognised in the condensed consolidated statement of profit or loss for the period ended 30 September 2025.

Carrying values of the Khushuut Related Assets as at 30 September 2025:

	Carrying values before impairment loss <i>HK\$'000</i>	Impairment loss <i>HK\$'000</i>	Carrying values after impairment loss <i>HK\$'000</i>
Property, plant and equipment	912,425	(322,598)	589,827
Right-of-use-assets	5,113	(1,940)	3,173
Intangible assets	81,391	(30,891)	50,500
	998,929	(355,429)	643,500

Carrying values of the Khushuut Related Assets as at 30 September 2024:

	Carrying values before impairment loss <i>HK\$'000</i>	Impairment loss <i>HK\$'000</i>	Carrying values after impairment loss <i>HK\$'000</i>
Property, plant and equipment	2,029,025	(541,403)	1,487,622
Right-of-use-assets	1,925	(526)	1,399
Intangible assets	207,103	(56,564)	150,539
	2,238,053	(598,493)	1,639,560

The reason for the impairment loss being recognised in profit or loss for the period ended 30 September 2025 was mainly due to the changes in the average current coking coal price per tonne (2024: the changes in the average current coking coal price per tonne). The above changes have had a significant impact on the value in use assessment performed by the Directors in both periods with the cash flows expected to be received.

11. TRADE AND BILLS RECEIVABLES

	30 September 2025 HK\$'000	31 March 2025 HK\$'000
Trade receivables	155,535	515,798
Bills receivables	<u>701,095</u>	<u>577,360</u>
	856,630	1,093,158
Less: allowance for credit losses	<u>(146)</u>	<u>(487)</u>
	<u><u>856,484</u></u>	<u><u>1,092,671</u></u>

The Group generally allows a credit period of 30 to 45 days to its customers upon the issue of invoices, except for new customers, where payment in advance is normally required.

An ageing analysis of trade and bills receivables (net of impairment loss) based on the overdue date that are neither individually nor collectively considered to be impaired is as follows:

	30 September 2025 HK\$'000	31 March 2025 HK\$'000
Not past due	837,457	929,200
Less than 30 days past due	13,861	135,409
30 – 60 days past due	–	28,058
61 – 90 days past due	5,166	–
Over 90 days	<u>–</u>	<u>4</u>
	<u><u>856,484</u></u>	<u><u>1,092,671</u></u>

12. TRADE PAYABLES

The ageing analysis of trade payables presented based on invoice date at the end of the reporting period is as follows:

	30 September 2025 HK\$'000	31 March 2025 HK\$'000
0 to 30 days	114,827	82,840
31 to 60 days	20,085	59,593
61 to 90 days	17,060	44,770
Over 90 days	<u>119,510</u>	<u>114,102</u>
	<u><u>271,482</u></u>	<u><u>301,305</u></u>

The trade payables are normally settled on 30-day terms.

13. CONVERTIBLE NOTES AND LOAN NOTE

(a) Convertible notes

The movement of the debt and derivative components of convertible notes for the period/year is set out below:

	Debt component HK\$'000	Derivative component HK\$'000	Total HK\$'000
At 1 April 2024	3,491,687	172,512	3,664,199
Interest charge	498,872	–	498,872
Gain on derecognition of convertible notes	–	(172,512)	(172,512)
Gain on modification of convertible notes	(97,570)	–	(97,570)
At 31 March 2025	3,892,989	–	3,892,989
Derecognition of convertible notes	(3,977,221)	–	(3,977,221)
Loss on derecognition of convertible notes	2,339	–	2,339
Issuance of convertible notes	2,931,610	1,045,611	3,977,221
Transaction costs on issuance of convertible notes	(843)	–	(843)
Interest charge	215,797	–	215,797
Changes in fair value of derivative component	–	216,927	216,927
At 30 September 2025	<u>3,064,671</u>	<u>1,262,538</u>	<u>4,327,209</u>

2020 Convertible Notes with maturity date 6 March 2025

In prior years, the Company issued 3% convertible notes with a principal amount of HK\$2,424,822,000, HK\$542,315,000 and HK\$499,878,000 to Chow Tai Fook Nominee Limited (“CTF”), Golden Infinity Co., Ltd. (“**Golden Infinity**”) and another independent third party (“**ZV**”) respectively (the “**2014 Convertible Notes**”). These convertible notes matured on 21 November 2019.

On 6 March 2020, the Company issued 3% convertible notes with a principal amount of HK\$2,809,671,052 and HK\$628,387,371 to CTF and Golden Infinity respectively (the “**2020 Convertible Notes**”) to replace 2014 Convertible Notes. The 2020 Convertible Notes matured on 6 March 2025.

2025 Convertible Notes with maturity date 28 May 2028

On 6 March 2025, the Company entered into a conditional subscription agreements with CTF and Golden Infinity at the subscription price which would be used for full settlement of the outstanding principal amount and accrued interests of the 2020 Convertible Notes held by the noteholders at the maturity date due on 6 March 2025 and such subscription agreements were completed on 28 May 2025.

On 28 May 2025, the Company issued 3% convertible notes with a principal amount of HK\$3,250,289,055 and HK\$726,932,284 to CTF and Golden Infinity respectively (the “**2025 Convertible Notes**”) to replace the 2020 Convertible Notes.

2025 Convertible Notes have a maturity period of three years from the date of issue to 28 May 2028. They can be converted into 1 ordinary share of the Company of HK\$0.02 each for every HK\$0.65 at the holders’ option at any time since the issue date up to the date immediately prior to their maturity date. The outstanding principal amount would be redeemed at par value on the maturity date or at the issuer’s option redeemed at par plus outstanding coupon payment at any time between the issue date and the maturity date. Interest of 3% per annum on the principal amounts would be paid in arrears on the maturity date.

The 2025 Convertible Notes contain two components, a debt component and a derivative component with a conversion option derivative of the holders and a redemption option derivative of the issuer. The effective interest rate of the debt component is 13.92%. The Company may at any time before the maturity date by written notices to the holders, redeem the principal amount of the 2025 Convertible Notes (in whole or in part) with accrued interest. The conversion option and the redemption option are treated as a simple compound embedded derivative measured at fair value.

The major inputs into the model which is used for the valuation of the derivative component were as follows:

	28 May 2025	30 September 2025
Stock price	HK\$0.52	HK\$0.70
Exercise price	HK\$0.65	HK\$0.65
Volatility (<i>Note (i)</i>)	84.72%	83.53%
Dividend yield	0%	0%
Option life (<i>Note (ii)</i>)	3 years	2.66 years
Risk free rate	1.92%	2.49%

Notes:

- (i) The volatility used in the model was determined by reference to the historical volatility of the Company’s share price.
- (ii) The option life was based on the maturity date of the notes.

The fair value of the derivative component of the 2025 Convertible Notes was determined with reference to a valuation report carried out by an Independent Valuer.

No conversion was made during both periods.

(b) Loan Note

On 21 November 2019, Mr. Lo took up the full amount of the convertible note owing to ZV through Ruby Pioneer Limited (“**Ruby Pioneer**”). Subsequently, the Company and Ruby Pioneer entered into a standstill agreement pursuant to which Ruby Pioneer agreed to extend the note for five years from 21 November 2019 to 21 November 2024 and further extend to 30 June 2025 at a coupon rate of 3% per annum (the “**2019 RP Loan Notes**”).

On 28 May 2025, the Company and Ruby Pioneer entered into a loan note subscription agreement pursuant to which the Company agreed to issue and Ruby Pioneer agreed to subscribe for a new loan note (the “**2025 RP Loan Note**”) for full settlement of the outstanding principals and accrued interests of the 2019 RP Loan Notes. The 2025 RP Loan Note with principal amount of HK\$657,565,542 carrying 3% coupon interest per annum for 3 years was issued on the same date pursuant to the loan note subscription agreement.

Both loan notes contain no conversion option. Mr. Lo and Mr. Lo, Rex Cze Kei are directors of Ruby Pioneer.

INTERIM DIVIDEND

The Directors do not recommend payment of an interim dividend for the Financial Period (2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS ANALYSIS

Revenue

The persistent decline in coking coal prices in the PRC since 2023 showed no signs of recovery during the Financial Period. In response to these challenging market conditions, the Group adopted defensive strategies to mitigate the impact. Despite our concerted efforts, we experienced a decrease in both sales volume and average selling prices. As a result, revenue for the Financial Period fell to HK\$871.1 million, representing a 48.8% decline compared to HK\$1,699.9 million in the corresponding period of 2024. During the Financial Period, the Group sold approximately 851,000 tonnes (2024: 1,006,900 tonnes) of clean coking coal, approximately 109,300 tonnes (2024: 138,300 tonnes) of thermal coal and approximately 51 tonnes (2024: 28 tonnes) of raw coal. The average selling prices of clean coking coal, thermal coal and raw coal net of sales tax were approximately HK\$1,016.4 (2024: HK\$1,685.7), HK\$51.6 (2024: HK\$16.7) and HK\$391.4 (2024: HK\$719.9) per tonne respectively.

Cost of Sales

The cost of sales comprises mining expenses, coal processing costs, transportation charges, coal refuse disposal fees, and other relevant operating expenditures. For the Financial Period, the cost of sales amounted to HK\$786.7 million, compared to HK\$1,059.2 million in 2024. In response to prevailing market conditions, the Group implemented various cost-reduction measures, including renegotiating more favorable transportation terms with trucking companies. The cost of sales was divided into cash costs of HK\$765.5 million (2024: HK\$1,027.6 million) and non-cash costs of HK\$21.2 million (2024: HK\$31.6 million).

Gross Profit

The gross profit margin was approximately 9.7% (2024: 37.7%), primarily due to a decline in the average selling price of coking coal. The rate of decrease in the average selling price outpaced the Group's efforts to reduce the cost of sales, leading to a sharp drop in gross profit margin.

Other Income

A significant portion of the interest income of HK\$9.9 million (2024: HK\$0.5 million) was attributable to interest receivable from discounted VAT receivables awaiting recovery during the Financial Period. The interest receivable is a non-cash accounting item arising from the discounting of VAT receivables.

Other Gains and Losses

One of the components under other gains and losses was a fair value loss of HK\$8.1 million (2024: Nil) recognized on VAT receivables due from the MTA. The refund of these receivables was suspended pending the conclusion of a tax audit by the MTA. The Group expects that recovery of the VAT receivables will proceed upon final resolution of the current tax dispute. However, given the prolonged delay in settlement, the VAT receivables were discounted to the expected recovery period. The other key components comprised a fair value gain of HK\$20.3 million (2024: fair value loss of HK\$5.9 million) from an investment in a listed company in Hong Kong, and a net exchange gain of HK\$27.1 million (2024: net exchange loss of HK\$0.7 million).

Changes in Fair Values on Derivative Component of Convertible Notes

The convertible notes issued by the Company in 2025 (the “**2025 Convertible Notes**”) contain both debt and derivative components. The conversion option derivative of the 2025 Convertible Notes requires remeasurement at the end of each reporting period and a resulting loss in fair value change amounting to HK\$216.9 million was recognized in the Financial Period (2024: fair value gain of HK\$165.0 million). The major inputs into the valuation model to work out the valuation of the conversion option derivative for the Financial Period were stated in Note 13(a) to the condensed consolidated financial statements.

Changes in Fair Value on Loan Note

On 28 May 2025, the Company issued a loan note with a principal amount of HK\$657,565,542 bearing a 3% annual coupon over a three-year term, to Ruby Pioneer Limited (“**Ruby Pioneer**”) as full settlement of a previously outstanding loan note payable. In accordance with Hong Kong accounting standards, the loan note was initially recognized at its fair value on the date of issuance, determined as the present value of all future cash flows – including coupon payments and principal repayment – discounted using the effective interest rate applicable to instruments with similar characteristics at that time. The difference between the fair value and the principal amount was recognized as a gain on fair value of the loan note.

Recoverable Amount Assessment on Khushuut Related Assets (“Mine Assets”)

At the end of the Financial Period, the Group engaged an independent qualified professional valuer to assess the recoverable amount of the Mine Assets. This assessment was conducted using a discounted cash flow model, incorporating the management’s best estimates on key factors such as coking coal price trends, coking coal ore grades, production capacity and rates, future capital expenditures, inflation, and operating costs over the life of the mine. The cash flow projection covers the full operational lifespan of the mine. Critical assumptions including selling price trends, capital and operating costs, sales volume, inflation rates, and discount rate play a significant role in the valuation, and the recoverable amount is particularly sensitive to changes in these assumptions.

Key assumptions used in the discounted cash flow model as at 30 September 2025 and 31 March 2025 are set out below:

	<i>Notes</i>	30 September 2025	31 March 2025
Discount rate	(a)	25.17%	25.61%
Average current coking coal price per tonne	(b)	US\$135	US\$153
Inflation rate	(c)	1.66%	2.02%
Predicted average annual growth rate of the coking coal price for the forthcoming four-year period since period/year ended	(d)	5.34%	4.60%
Annual projected sales volume (tonnes)		1.9 million	1.9 million

Notes:

- (a) The discount rate is a pre-tax discount rate and is derived from the Group's weighted average cost of capital ("WACC") with appropriate adjustments made to reflect the risks specific to the Khushuut Coal Mine. The computation of WACC takes into account both cost of debt and equity, and weighted based on the Group's and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors and 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 comparable peer companies. The change of discount rate from last year was a combined result of the updates on the WACC including the risk-free rate and other risk premium factors. The risk-free rate adopted was the yield of China 10-year government bond as at 30 September 2025. The risk premium factors are to reflect the business risks of the Khushuut Coal Mine;
- (b) The average current coking coal price was updated based on latest sales contracts signed by around 30 September 2025;
- (c) Inflation rate was updated by reference to external market research data; and
- (d) The predicted average annual growth rate was updated based on the latest publicly available market data as at 30 September 2025. For the remaining year of the discounted cash flow model, the growth rate is the same as the inflation rate.

Pursuant to the recoverable amount assessment, an impairment loss amounting to HK\$355.4 million was recognized in the Financial Period (2024: HK\$598.5 million). The primary factor contributing to the decrease in the Mine Assets' recoverable amount is the approximately 39.7% decline in the average current coking coal price compared to 2024.

Finance Costs

The major components of finance costs were the effective interest expenses on convertible notes, interest charge on advances from a Director and a loan note. The interest charge on the debt component of the convertible notes issued by the Company was calculated at an effective interest rate of 13.92% per annum (2024: 14.26%). The interest charge on advances from a Director was calculated at the Hong Kong prime rate plus 3% per annum, which was same as previous financial years. The interest of the loan note was charged at an effective interest rate of 13.92% per annum (2024: 22.37%).

MARKET REVIEW

Coking coal, also known as metallurgical coal, is principally used in steel industry. It is a vital ingredient in the steel making process. Our coking coal demand is predominantly from China; therefore, the steel market performance in China in turn affects our production and planning.

Against the backdrop of heightened global economic uncertainties and volatility, China's economy has shown robust resilience. In the first half of 2025, China recorded a gross domestic product growth rate of 5.2%. According to the latest release from the National Bureau of Statistics of China, China achieved a 4.8% growth in the third quarter.

Among various sectors, profits of China's major industrial firms increased 3.2% in first nine months of 2025. China's manufacturing sector sales revenue grew 4.7%, and the positive performance was driven by policy support measures such as tax and fee reductions, according to the State Taxation Administration. Service output achieved 5.4% growth in the first three quarters. Retail sales, a main gauge of consumption, recorded a 4.5% growth year-on-year. In the first three quarters, the investment in fixed assets was up by 3.0% without inclusion of real estate development. Specifically, the investment in infrastructure grew by 1.1% year-on-year, manufacturing grew by 4.0%, while property sector investment declined by 13.9%.

According to the World Steel Association, the world's total crude steel production up to September 2025 was 1,373.8 million tonnes, falling 1.6% year-on-year. China remained the biggest crude steel producing country in the world during this period, with 746.3 million tonnes, down 2.9% year-on-year.

Apart from broader economic challenges, including sluggish growth and trade barriers, steel production decline in China is driven by overcapacity, weak domestic demand, especially from construction and property sectors, which have a significant impact on steel demand, and stricter environmental regulations. China has intensified its green transition, enforcing stricter environmental controls on heavy industries. These regulations have constrained production capacity, forcing steel mills to reduce output to meet carbon and pollution targets. With the domestic construction and property sectors faltering, steel producers are aggressively targeting foreign markets to maintain production levels and profitability. China's steel exports have surged in the first three quarters of 2025 to 88 million tonnes, a year-on-year increase as producers seek overseas markets to absorb excess supply. In the nine months of the year, China's average steel export price dropped by 9.5% year-over-year, reflecting a strategy of volume growth through lower pricing.

China's total raw coal production in the first nine months of 2025 was 3.57 billion tonnes, up 2% year-on-year. According to the data of General Administration of Customs of the PRC, China imported over 345.9 million tonnes of coal in the first nine months this year, a drop of 11.1% year-on-year. Among the coal imported, of which 83.51 million tonnes were coking coal, representing a fall of 6.4% year-on-year. The major coking coal supplying countries to China were Mongolia, Russia, Canada, Australia and the United States. Coal exports for China in the first nine months of 2025 reached 5.37 million tonnes, up 4.2% year-on-year.

According to Mongolia's National Statistics Office, Mongolia's industrial output fell by 3.6% year-on-year in the first three quarters of 2025 to approximately US\$8.54 billion. This decline was primarily driven by a sharp decline in coal production, which fell 32.3% during the same period. The downturn in coal output also contributed to reduced export revenues and broader economic pressures, despite a rebound in agriculture and other sectors.

Coal and other mineral resources are an important pillar of Mongolia's economy. According to the Mongolian Customs Services, during the first nine months of 2025, 62.61 million tonnes of Mongolian coal were exported, a 2.3% increase year-on-year. China remained Mongolia's major market for coal. China imported 41.74 million tonnes of coking coal from Mongolia in the first nine months of the year, a decrease of 3.85% from the same period in 2024, and it accounted for 49.9% of total coking coal imports of China. Downside risks to the outlook persists, stemming from uncertainties in Chinese coal demand and larger-than-expected declines in coal prices. Despite the downturn of China's steel industry, Mongolia has been able to maintain or even increase its market share on its affordable raw material price.

BUSINESS REVIEW

Coal Sales

We recorded a revenue of HK\$871.1 million from the sales of coking coal, thermal coal and raw coal to our customers in China and Mongolia in the Financial Period, representing a decline of 48.8% compared with the previous financial period.

Coal Production

During the Financial Period, approximately 4,433,800 bank cubic meters ("**BCM**") of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works (2024: 8,759,300 BCM). Production volumes of run-of-mine coking coal ("**ROM coking coal**") and thermal coal were approximately 1,680,800 tonnes and 895,100 tonnes, respectively (ROM coking coal and thermal coal in 2024: 2,035,600 tonnes and 2,208,700 tonnes respectively).

Coal Processing

During the Financial Period, approximately 1,530,700 tonnes of run-of-mine coal (“**ROM coal**”) (2024: 1,236,200 tonnes), including approximately 1,055,400 tonnes were processed by the dry coal processing plant (“**DPP**”) and approximately 475,300 tonnes were processed by the new Khushuut Intelligent Processing Plant (“**IPP**”) which has been in stages of trial operation since June 2025, produced approximately 1,195,500 tonnes of raw coking coal (2024: 978,900 tonnes) including approximately 839,400 tonnes by the DPP and approximately 356,100 tonnes by the IPP. The average recovery rate were 79.5% and 74.9% for DPP and IPP, respectively. The raw coking coal would then stand for export to Xinjiang for further washing before delivery to our customers.

In Xinjiang, approximately 1,385,300 tonnes of raw coking coal (2024: 1,700,700 tonnes) were processed by the washing plant, producing approximately 942,500 tonnes of clean coking coal (2024: 1,134,400 tonnes). The average recovery rate was 68%.

Coal Shipping

Apart from the field work contractors, we hired external coal trucking companies with heavy duty trucks to provide coal transportation services for our coal export. During the Financial Period, approximately 1,348,400 tonnes of raw coking coal (2024: 1,662,300 tonnes) were shipped from Mongolia to Xinjiang.

Customers and Sales

No master coal contracts were signed with our customers during the Financial Period. The actual sales including price and the quantity of coal to be delivered were negotiated and mutually agreed from time to time between us and the customers, monthly in general, during this period. Our sales contract clearing is based on the actual clean coking coal delivered after washing.

During the Financial Period, we sold approximately 488,100 tonnes of clean coking coal to our largest customer and it accounted for approximately 61.3% of our revenue in the Financial Period. In general, our production and shipment of coal are closely linked to the market and other conditions, and shipment negotiations between us and the customers from time to time. Apart from our largest customer, we had six other customers in Xinjiang and five customers in other areas of China for our coking coal during the Financial Period.

Licences

During the Financial Period, the Group had ten mineral licences including nine mining licences, of which eight are for our Khushuut operations and one is for an area not within Khushuut, and one exploration licence. Please refer to the section in the most recent annual report headed “Exploration and Mining Concessions of the Group”.

Legal and Political Aspects

Due to its high dependence on the mining sector for state income, and amid a downturn in both volume and price of coal in China, resulting in decreased coal export revenue, Mongolia's fiscal position remained under considerable pressure during the first half of the year.

The slowdown was largely driven by reduced demand from China and logistical bottlenecks at border crossings, directly affecting state revenue inflows. The shortfall in coal-related revenues led to tightening of fiscal space and delayed implementation of several public investment and infrastructure programs. Despite moderate growth in copper exports, the overall budget balance remained weak, forcing the government to rely more heavily on domestic borrowings and external concessional financing to maintain expenditure commitments.

This high interdependence between the state budget and coal sector continues to expose Mongolia to commodity-price volatility. Low coal export prices immediately constrain public finances, reduce foreign currency inflows, and place downward pressure on the national currency. The situation underscores the structural vulnerability of the fiscal framework, in which cyclical revenue swinging from coal exports translates directly into fluctuations in budget performance and macroeconomic stability.

To mitigate these risks, fiscal analysts and international partners have recommended the establishment of stronger counter-cyclical fiscal rules, enhancement of the Sovereign Wealth Fund's stabilization function, and to accelerate diversification of export commodities and revenue sources. Without such measures, Mongolia's fiscal resilience will remain heavily dependent on the global coal market cycle.

During the Financial Period, Mongolia experienced significant political developments marked by civic mobilization, executive transition, and subsequent reform initiatives. In response to sustained public pressure and internal divisions within the ruling Mongolian People's Party, Prime Minister L. Oyun-Erdene resigned on 2 June 2025 following a parliamentary vote of no confidence.

In July 2025, the newly constituted government announced a "100-Day Action Plan" designed to rebuild public confidence and reinforce institutional legitimacy. The plan prioritized anti-corruption initiatives, greater transparency through open data policies, enhanced citizen participation in policymaking, and comprehensive administrative reforms.

During the same period, Mongolia actively engaged in international diplomacy and economic dialogue. The country hosted two major events – the Mongolia Forum 2025 in June, which addressed peace and regional cooperation in Northeast Asia, and the Mongolia Economic Forum 2025 in July, which brought together policymakers, investors, and experts to discuss sustainable development, mining sector governance, and diversification of the national economy.

Mining Week 2025, held from 11 to 13 September in Ulaanbaatar, served as Mongolia's premier platform for advancing sustainable growth and investment in the mining sector. Organized by the Ministry of Mining and Heavy Industry in cooperation with national and international partners, the event underscored Mongolia's commitment to responsible resource governance and global partnership.

Under the theme “Mining Momentum in Mongolia: Driving Progress and Responsibility”, the forum focused on critical minerals, clean-energy transitions, and ESG standards. It strengthened engagement between government, investors, and industry, promoting innovation, transparency, and sustainable development. The event reaffirmed Mongolia’s strategic role in the global minerals market and enhanced investor confidence in the country’s long-term economic stability and policy reforms.

The main legal challenges in Mongolia’s mining sector during the Financial Period focus on licensing and land use, governance of strategic deposits and state involvement, regulations surrounding mining product trading and exports, transparency and benefit-sharing frameworks, and managing legal and investment risks for large-scale mining operations.

Government Resolution No. 55, adopted in September 2025, introduced significant reforms to Mongolia’s mineral royalty framework. The resolution redefines the calculation method for mining royalties by linking them to domestic market prices rather than international benchmarks. It requires mining companies to sell a minimum of 25 percent of their annual mineral output through the domestic commodity exchange, and royalties are to be calculated based on the weighted average of those domestic trading prices.

The reform aims to enhance transparency, reduce under-reporting of export prices, and to ensure royalty payments more accurately reflect the real value of mineral sales within Mongolia. It also seeks to stimulate domestic market development by encouraging active use of the national mineral exchange system.

While the government views this change as a step towards fairer revenue distribution and improved governance, mining companies have expressed concerns regarding implementation, compliance complexity, and potential cost volatility tied to fluctuating domestic prices.

Tax

Mongolian Tax

MoEnCo, an indirect wholly-owned subsidiary of the Company, was under two tax demands from the MTA during the Financial Period: (i) a revised tax demand of approximately HK\$929.8 million for the tax period between 2017 and 2020 (“**2017-2020 tax demand**”) mainly on transfer pricing and royalties issues; and (ii) a tax demand of approximately HK\$403.3 million for the period between 2022 and 2024 (“**2022-2024 tax demand**”) mainly on royalties.

2017-2020 tax demand

We strongly disagree with the basis of tax calculation by the MTA as it was based on its own data of market price for coal which has been fully washed and processed, while MoEnCo's coal for export is raw in nature (which requires further washing, processing, handling, transporting and following up); and therefore, could only be sold at a lower price, as opposed to its own market data of fully processed clean coal.

An appeal against the 2017-2020 tax demand was lodged with the TDRC. As disclosed in the Company's announcement dated 25 July 2025, the TDRC ruled that MoEnCo has to pay the reassessment tax for the tax years 2017 to 2020 in the sum of MNT412.3 billion (approximately HK\$902.6 million). On 22 August 2025, MoEnCo initiated the legal process by filing relevant claims with the Administrative Court of Mongolia against TDRC to annul the entire reassessment tax.

2022-2024 tax demand

In respect of the royalty assessment by the MTA which requires the use of public price reference, MoEnCo submitted a claim to the Administration Court of Mongolia for resolution.

As disclosed in the Company's announcement dated 2 July 2025, MoEnCo agreed to make partial settlement with the MTA in a total sum of MNT120.8 billion (approximately HK\$279.0 million (the **"Settlement Amount"**)), representing mostly the royalty tax payables for the tax years of 2022 and 2023 by way of six (6) instalments within six (6) months. Up to the date of this report, MoEnCo has made instalment payments in accordance with the settlement proposal.

Notwithstanding the legal proceedings above, we remain committed to explore all possible avenues with the relevant authorities for amicable settlement in hopes of reaching a mutually agreeable outcome.

We will closely monitor the developments and to keep the board informed of any progress in due course.

Uncertainties Relating to Going Concern

As disclosed in the Company's annual report for the year ended 31 March 2025 (**"FY2025"**) published on 24 July 2025, the Company's auditor (the **"Auditor"**) did not express an opinion on the consolidated financial statements of the Group for FY2025 (the **"Disclaimer of Opinion"**) due to multiple uncertainties relating to the Group's ability to continue as a going concern, including the expiry of the 2020 Convertible Notes, the advances from a director and the Mongolian tax issues.

While the director has expressed his intention not to demand immediate repayment of his advances to the Company, the 2020 Convertible Notes were successfully redeemed through the issue of the 2025 Convertible Notes during the Financial Period. In addition, the Company has placed all tax disputes to be resolved by the Mongolian Court and, in parallel, to engage constructively with the MTA for amicable resolution and to continue to seek supports from, among others, the Mongolian government officials in relation to the ongoing tax disputes to address the Disclaimer of Opinion.

During the Financial Period, the Company had taken the following actions:

1. As disclosed in the Company's announcement dated 2 July 2025, MoEnCo agreed to make the Settlement Amount to the MTA in a total sum of MNT120.8 billion (approximately HK\$279 million), representing mostly the royalty tax payables for the tax years 2022 and 2023 by way of six (6) instalments within six (6) months. In this regard, MoEnCo had made instalment payments in accordance with the partial settlement plan during the Financial Period.
2. As disclosed in the Company's announcement dated 25 July 2025, the TDRC ruled that MoEnCo has to pay the reassessment tax for the tax years 2017 to 2020 in the sum of MNT412.3 billion (approximately HK\$902.6 million), and in accordance with the applicable Mongolian laws, MoEnCo is entitled to file a claim against the TDRC's decision to the Administrative Court of Mongolia within 30 days from the date of receiving the decision resolution. In this regard, on 22 August 2025, MoEnCo initiated the legal process by filing relevant claims with the Administrative Court against TDRC to annul the entire reassessment tax.
3. Since July 2025, the senior management of the Group has travelled extensively in China and Mongolia to meet the respective government officials to seek their supports and to explore possible settlement avenues with the MTA in relation to our Mongolian tax issues.

The Group will continue to use its best endeavours to address its tax issues with an aim to resolving the Disclaimer of Opinion as soon as possible.

FINANCIAL REVIEW

Liquidity and Financial Resources

In preparing the condensed consolidated financial statements, the Directors have given careful consideration of the future liquidity of the Group. While recognising that the Group approximately had net liabilities of HK\$4,806.5 million and net current liabilities of HK\$829.8 million as at 30 September 2025 and incurred a loss of approximately HK\$740.2 million for the Financial Period, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future given that: (1) Mr. Lo, a substantial shareholder and chairman of the Company who has significant influence over the Group, has provided facilities amounting to HK\$1,900.0 million. The balance of the unutilised facilities of HK\$1,060.4 million as at 30 September 2025 remains valid until 24 March 2027; (2) Mr. Lo does not intend to demand immediate repayment of his advances to the Company; and (3) the internally generated funds. The borrowings of the Group as at 30 September 2025 were the convertible notes, loan note and advances from Mr. Lo in aggregate of HK\$5,690.4 million (31 March 2025: HK\$5,393.6 million).

Property, Plant and Equipment

The decrease in the carrying values of the property, plant and equipment was due to the impairment loss amounting to HK\$355.4 million (2024: HK\$598.5 million). During the Financial Period, the Group had incurred capital expenditures of approximately HK\$21.6 million (2024: HK\$41.5 million).

Long-Term Receivables

It represented a prepaid value-added tax of HK\$201.7 million (31 March 2025: HK\$205.3 million), which is expected to be either refunded by the Government of Mongolia or offset against future taxes and royalties payable to the same authority. The utilisation of this prepaid value added tax is subject to approval by the MTA concerning our Mongolian subsidiary. Due to the uncertainty regarding the exact timing of settlement, the VAT receivables have been discounted based on the anticipated recovery period.

Trade and Bills Receivables

The Group allows a credit period of 30 to 45 days for trade receivables and the maturity dates for bills receivables should be within 180 days or less. As at 30 September 2025, the majority of the trade receivables were within our credit period. For the bills receivables, they were non-interest bearing bank acceptance bills with settlement being guaranteed by the licenced banks in the PRC.

Financial Assets at Fair Value Through Profit or Loss

As at 30 September 2025, the fair value of the financial assets at fair value through profit or loss was HK\$66.8 million (31 March 2025: HK\$46.5 million), which was approximately 2.7% (31 March 2025: 1.5%) of the total assets of the Group. It represents the Group's interest in Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "**Jade Bird**"), a company whose shares are listed on GEM of the Stock Exchange. The principal activities of Jade Bird and its subsidiaries are engaging in the technology research, development, marketing and sale of embedded system products and related products in security and fire alarm systems. The Group's investment is approximately 5.58% (2024: 5.58%) of the total issued share capital of Jade Bird. During the Financial Period, the Group did not receive dividend (2024: HK\$ Nil) from Jade Bird.

Charge on Group's Assets

As at 30 September 2025, coal inventory at Khushuut mine was provided as collateral with an equivalent carrying value to secure a deferred payment proposal to the MTA (31 March 2025: Coal inventory at Khushuut mine was provided as collateral with an equivalent carrying value to secure a short-term bank loan in Mongolia). Apart from it, there was no charge on the Group's assets as at 30 September 2025 and 31 March 2025 respectively. As at 30 September 2025, the gearing ratio of the Group was 2.29 (31 March 2025: 1.77) which was calculated based on the Group's total borrowings to total assets.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

The Group had no significant investments held, material acquisitions or disposals of subsidiaries, associates or joint venture during the Financial Period.

Future Plans for Material Investments and Capital Assets

As at the date of this announcement, the Group did not have any concrete future plans for material investments or capital assets.

Foreign Exchange

The Group mainly operates in Mongolia, Hong Kong and Mainland China. The Group's assets and liabilities are principally denominated in Mongolian Tugrik, Hong Kong dollar, Renminbi and United States dollar. The Group does not have a foreign currency hedging policy. However, the management will monitor foreign exchange exposure and consider hedging significant currency exposure should the need arise.

Contingent Liabilities

The Group did not have material contingent liabilities as at 30 September 2025 (31 March 2025: Nil).

OUTLOOK

China's economic outlook for the second half of 2025 and into 2026 is influenced by a combination of domestic challenges and external pressures. According to the World Bank Group, China's economy is projected to grow by 4.8 percent in 2025 and 4.2 percent in 2026. Housing market weakness remains a major drag affecting overall growth; other domestic headwinds include weak domestic consumption and employment. Externally, global trade restrictions and uncertainty are weighing on exports, impacting manufacturing investment and hiring.

China's steel industry has encountered significant headwinds in the first half of 2025, and is projected to remain subdued throughout the remainder of the year. The domestic market is facing reduced demand, and heightened competition amid abundant supply. It has been dragged by its weak property sector which continues to struggle with low confidence and high inventory levels. Infrastructure developments, another major source of steel consumption, have shown inconsistent growth patterns, further limiting domestic demand. Steelmakers are struggling to cut steel output to address the overcapacity issues. All are cautious about stockpiling the necessary raw materials, including coking coal.

Domestic coal production in China is expected to increase this year after falling in 2024, which would contribute to lower import requirements. Due to high supply and weak downstream demand, China's coking coal market is experiencing a sustained decline in prices. Oversupply and high inventories are likely to dominate. We anticipate a similar pattern to follow in the coming 2026, unless there are strong governmental policies to stimulate the market demand.

Our state-of-the-art intelligent processing plant for dry coal has been completed recently, marking a significant milestone in our operational capabilities. The facility is currently under a trial run. We are confident that when the plant is ready for full-scale operations, it will enable us to screen out raw coking coal more efficiently in the preliminary process while enhancing our quality for export.

Demand for Mongolia's export minerals, especially coking coal, is expected to remain weak in 2025 to 2026 due to higher tariffs and trade restrictions affecting steel production in China. Under the shrinking coal market of China, the position in the short and medium terms is challenging. Our development and outlook have been constrained by an ongoing tax dispute with the MTA and declining market price in coking coal. Though legal proceedings have been initiated against the MTA for resolution; nevertheless, we remain committed to exploring avenues with the relevant authorities for settlement in hopes of reaching a mutually agreeable outcome and our efforts continue. Under the domestic tax and external market pressures, our production will adopt a flexible, market-driven approach to balance cost and demand, aiming to achieve the most favourable outcome for us, including offering different blends of coal to customers for their needs, decreasing or suspending production temporarily to minimise unnecessary costs from incurring under unfavourable market conditions.

HUMAN RESOURCES

As at 30 September 2025, excluding site and construction workers directly employed by our contractors, the Group employed 780 full-time employees in Hong Kong, Mongolia, and the PRC. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on a periodic basis. Apart from the retirement scheme, year-end bonus, and share options are awarded to the employees according to performance of the Group, assessment of individual performance, and industry practice. Appropriate training programs are also offered for staff training and development.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the Financial Period.

CORPORATE GOVERNANCE

The Board recognises the importance of maintaining a high standard of corporate governance practice to protect and enhance the benefits of the shareholders. The Board and the management of the Company have collective responsibilities to maintain the interest of the shareholders and the sustainable development of the Group. The Board also believes that good corporate governance practices can facilitate growth of a company under a healthy governance structure and strengthen the confidence of the shareholders and investors.

During the Financial Period, the Company had applied the principles of and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix C1 to the Rules (“**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange, save for the following deviations:

- i. Code provision F.1.3 of the CG Code stipulates that the chairman of the board should attend the annual general meeting (“**AGM**”).

Due to another business engagement, the Chairman was unable to attend the 2025 AGM. The chairman of the audit committee (the “**Audit Committee**”) and the remuneration committee of the Company took the chair of the 2025 AGM and answered questions raised by the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Other than the AGM, the shareholders may communicate with the Company through the contact methods listed on the Company’s website.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted its own Code for Securities Transactions by Directors (the “**Code**”), which are on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules (the “**Model Code**”). The Code is sent to each Director on his/her initial appointment and from time to time when the same is amended or restated.

The Company has also established written guidelines on terms no less exacting than the Model Code (the “**Employees’ Guidelines**”) for securities transactions by relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company.

To enhance corporate governance transparency, the Code and the Employees’ Guidelines have been published on the Company’s website at www.mongolia-energy.com.

During the period of sixty days immediately preceding and including the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to and including the publication date of the annual results, all the Directors and the relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published.

During the period of thirty days immediately preceding and including the publication date of the half year results or, if shorter, the period from the end of the half year period up to and including the publication date of the half year results, all the Directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published.

The company secretary and the legal and compliance department of the Company will send reminders prior to the commencement of such periods to all the Directors and relevant employees respectively.

It is stipulated under the Code and/or the Employees’ Guidelines that all dealings of the Company’s securities must be conducted in accordance with the provisions stated therein. Under the Code, the Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company, and in the case of the Chairman himself, he must notify the designated Director and receive a dated written acknowledgement before any dealings.

Having made specific enquiry by the Company, all the Directors confirmed that they had complied with the required standards as set out in the Model Code and the Code regarding directors' securities transactions during the Financial Period. Besides, no incident of non-compliance by the relevant employees was noted by the Company for the six months ended 30 September 2025.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lau Wai Piu (chairman of the Audit Committee), Mr. Tsui Hing Chuen, William *JP*, and Mr. Lee Kee Wai, Frank. Chairman of the Audit Committee has appropriate professional qualifications, accounting and related financial management expertise.

The Audit Committee had reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2025 with no disagreement with the accounting treatment adopted by the Company.

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

Hong Kong, 26 November 2025

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