MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)
Stock code: 975

INTERIM REPORT 2022

COMPANY PROFILE

Mongolian Mining Corporation ("**MMC**" or the "**Company**" and together with its subsidiaries, the "**Group**") (Stock Code: 975) is the largest producer and exporter of high-quality washed hard coking coal ("**HCC**") in Mongolia. MMC owns and operates the Ukhaa Khudag ("**UHG**") and the Baruun Naran ("**BN**") open-pit coking coal mines, both located in the Umnugobi aimag (South Gobi province), Mongolia.

CONTENTS

Mission, Vision and Values

OUR MISSION

To undertake safe and profitable mining and processing of mineral resources while promoting the development of Mongolia, through combination of modern technology and human endeavor

OUR VISION

We strive to become a leading mining company in the region by maximising value for our shareholders and for the communities where we operate

OUR VALUE AND OBJECTIVES

We recognise that people are our key asset. Therefore:	MMC places the safety of our personnel the highest priority As a responsible employer, MMC provides equal employment opportunities within a meritocratic workplace
We believe that modern and cost-efficient technology will bring sustainable growth and prosperity. Therefore:	MMC aims to use technology and innovate in the same to produce quality products safely at the lowest cost MMC continues to contribute to the development of technical standards in the global extractive industry
We are committed to environmental sustainability in our operations. Therefore:	MMC strives to minimise the impact of our operations on the environment MMC complies with all required environmental standards, and take further measures to prevent and mitigate potential environmental impact
We are committed to socially responsible mining practices. Therefore:	MMC strives to build mutually beneficial relationships with local communities and officials MMC contributes to social development through community development initiatives and other programmes
We are committed to transparent and fair business practices. Therefore:	MMC fosters mutually beneficial relationships with our suppliers and contractors MMC develops, maintains and values long-term relationships with our customers
We believe sound corporate governance is a cornerstone of MMC's management and operations. Therefore:	MMC complies with the best international practices MMC continues to cultivate a culture of corporate governance as an integral part of its ongoing organisational development

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Odjargal Jambaljamts *(Chairman)*
Battsengel Gotov *(Chief Executive Officer)*

Non-Executive Directors
Od Jambaljamts
Enkhtuvshin Gombo
Myagmarjav Ganbyamba

Independent Non-Executive Directors
Khashchuluun Chuluundorj
Unenbat Jigjid
Chan Tze Ching, Ignatius

REGISTERED OFFICE

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Mongolia

COMPANY SECRETARY

Cheung Yuet Fan

INDEPENDENT AUDITOR

KPMG
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Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
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Investor Services Limited
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Hopewell Centre
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Wanchai, Hong Kong

COMPANY WEBSITE

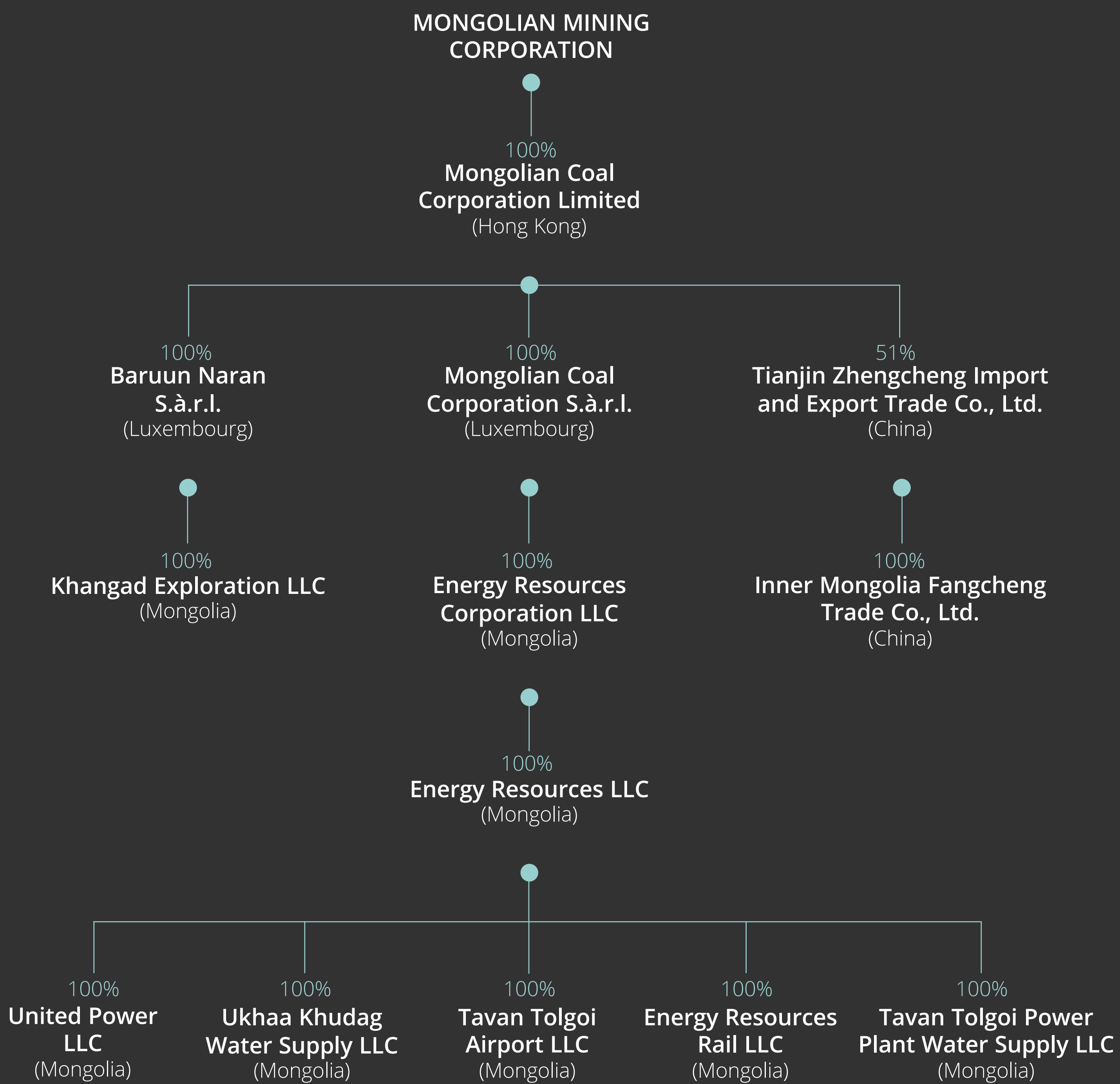
www.mmc.mn

STOCK CODE

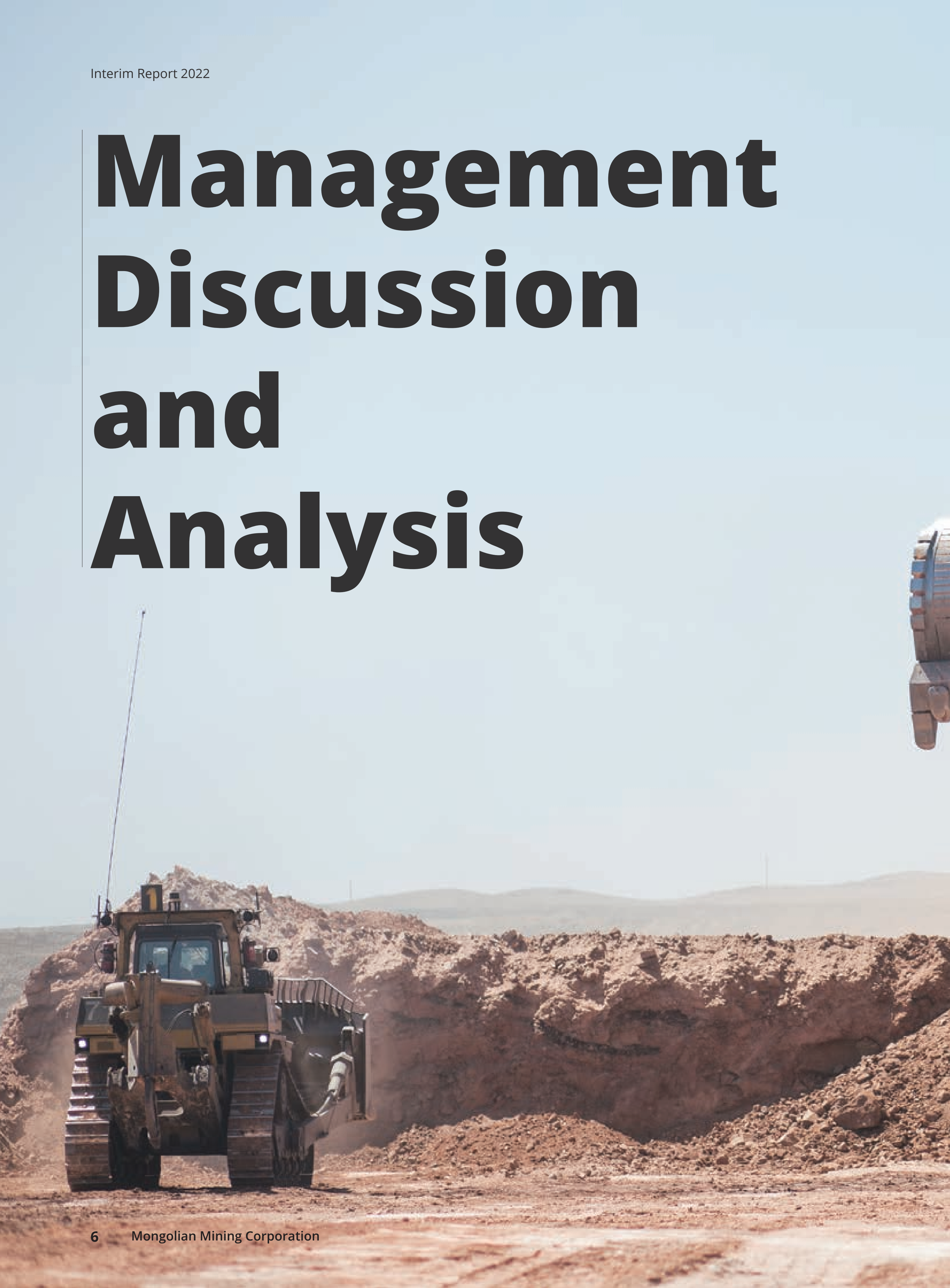
975

Group Structure

(as at 30 June 2022)



Management Discussion and Analysis

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Management Discussion and Analysis

COVID-19 Pandemic and State Response

The Parliament of Mongolia ("**Parliament**") and the Government of Mongolia ("**GoM**") continued to take legislative, economic, and preventive measures in response to the coronavirus ("**COVID-19**") pandemic. The effective period of the Law on Prevention from and Fight against Coronavirus (COVID-19) Pandemic and Mitigating its Social and Economic Impact was extended until 31 December 2022 and the GoM continues to have the authorisation to take respective response measures against the impacts of COVID-19.

On 14 February 2022, the GoM downgraded the color-coded alert level from "orange" to "yellow", under which all types of public activities were permitted while the state of enhanced readiness regime continues to apply at major border checkpoints including Gashuunsukhait, the Mongolian side of the Gashuunsukhait-Ganqimaodu ("**GS-GM**") border checkpoint, to prevent spread of the COVID-19 and disruption to exports and imports.

Industry Overview

Chinese Steel, Coke and Coking Coal Sectors' Performance

The National Bureau of Statistics ("**NBS**") announced that China's GDP grew by 2.5% in the first half of 2022, compared to the same period in the previous year, amidst the continuing COVID-19 pandemic related measures taken by the government. This moderate growth negatively affected the Chinese steel industry and its crude steel production declined to 526.9 million tonnes ("**Mt**") in the first half of the year, representing a year-on-year decrease of 6.5% from the same period in 2021, according to the data released by the World Steel Association. It was estimated by Fenwei Digital Information Technology Co., Ltd ("**Fenwei**") that the domestic apparent crude steel consumption decreased by 5.9%, to 495.9 Mt in the first half of 2022, from 527.1 Mt in the first half of 2021. China exported 33.5 Mt of steel, representing a decrease of 10.4% in the first half of 2022 as compared to 37.4 Mt during the reporting period in 2021.

NBS reported that production of coke in China increased by 1.0% to 239.5 Mt in the first half of 2022, however, China's coke consumption decreased by 3.6% to 231.1 Mt on a year-on-year basis, according to Fenwei estimates. Coke exports from China increased by 20.6% to 4.1 Mt in the first half of 2022 compared to 3.4 Mt exported in the first half of 2021.

China's coking coal consumption was 278.2 Mt in the first half of 2022, according to Fenwei, representing a 1.6% increase from the same period in the previous year. Domestic coking coal production increased to 247.5 Mt, representing a year-on-year increase of 2.6%.

Chinese coking coal import increased by 17.0% year-on-year to 26.1 Mt as compared to 22.3 Mt imported in the first half of 2021. Due to the continuing pandemic related restrictions imposed by the Chinese authorities at various border checkpoints, Mongolian coking coal export to China fell to 7.5 Mt, representing a year-on-year decrease of 9.6%. Russia overtook Mongolia as the largest exporter of coking coal to China, increasing its coal exports to 8.4 Mt compared to 4.4 Mt in the first half of 2021. Mongolia remained as one of the main sources of coking coal exports to China despite border restraints.

According to the data released by the National Statistics Office of Mongolia, in the first half of 2022, Mongolia exported 8.1 Mt of coal to China compared to 9.6 Mt exported during the same period in 2021, representing a 15.6% year-on-year decrease.

Operating Environment

Regulations related to coal exports

On 30 December 2021, the Parliament adopted the "New Revival Policy" to stimulate post-pandemic economic recovery. Pursuant to this policy, the GoM and the Parliament have been implementing measures to increase border checkpoint capacities to further facilitate exports.

The GoM exchanged an official note with the PRC on 5 February 2022 and agreed on a railway intersection point at the GS-GM border checkpoint. Accordingly, during the Chinese Foreign Minister's official visit, a memorandum of understanding for a cross-border railway connection between GS-GM was signed.

On 14 February 2022, a "Procedure to regulate transport at Gashuunsukhait border checkpoint" became effective, outlining additional measures to be continually taken, under which all state organisations, business entities and truck drivers are required to adhere to strict COVID-19 disinfection rules. In accordance with the procedure, entities are required to divide all truck drivers engaging in export and import transportation into groups of 20 people, to ensure minimal interaction with one another and to establish separate camps that meet work and rest requirements as well. The Group has taken all necessary actions in compliance with the procedure.

Regulations related to taxation

On 20 April 2022, the GoM issued Resolution No. 161 to decrease the special import tax rate on diesel fuel imported via all border checkpoints and set the rate at "0%" effective from 22 April 2022 until 31 December 2022.

Business Overview

Coal Resources and Exploration Activities

Ukhaa Khudag (UHG) deposit

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

The most recent Coal Resource estimate has been made in accordance with the requirement of the JORC Code (2012), including in compliance with the most recent Australian Guidelines for the Estimation and Classification of Coal Resources (2014).

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

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

- 1,645 individual boreholes drilled for 208,211m, including 116,709m of HQ-3 (63.1 millimetre ("**mm**") core, 96.0mm hole diameter) and 91,502m of 122mm diameter open hole drilling;
- 43,656 individual analytical samples collected and analysed;
- 71 kilometres ("**km**") of high resolution 2D seismic in-field measurements, collected by Polaris Seismic International Ltd ("**Polaris**") and analysed by Velseis Processing Pty Ltd ("**Velseis**"); and
- results from large-diameter, bulk-sample drilling samples analysed at the ALS Group laboratories in Ulaanbaatar.

JORC compliant Coal Resource estimate figures reported are based upon an in-situ density, at an as-received moisture basis, are summarised in Table 1.

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

Appendix I of the Group's 2021 Annual Report can be referred to for the detailed information required to be presented under the JORC Code (2012) upon release of a JORC (2012) Coal Resource estimate.

Table 1. UHG mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2021 (Notes):

Total Coal Resource	Resource Category (Mt)				
Depth limit from topographic surface	Measured	Indicated	Inferred	Total (M+I)	**Total (M+I+I)**
Subcrop to Base Horizon of Weathering Elevation ("**BHWE**")	7	1	3	8	**11**
BHWE to 100m	64	4	13	68	**81**
From 100m to 200m	96	9	20	105	**125**
From 200m to 300m	134	6	14	140	**154**
From 300m to 400m	88	3	4	91	**95**
Below 400m	85	7	14	92	**106**
Sub-Total above 300m	301	20	50	321	**371**
Sub-Total below 300m	173	10	18	183	**201**
Total	474	30	68	504	**572**
Total (Rounded)	470	30	70	500	**570**

Notes:

(i) Technical information in the UHG Coal Resource estimation report has been compiled by Mr. Byambaa Barkhas, the Group's Chief Geologist of Geology and Geotechnical sub-section. Mr. Barkhas is a member of the Australasian Institute of Mining and Metallurgy (the "**AusIMM**") (Member #318198) and has over 12 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Mr. Barkhas consents to the inclusion and the release of the matters based on this information in the form and context in which it appears in this report. The estimates of the Coal Resource set out in Table 1 presented in this report are considered to be a true reflection of the UHG Coal Resource as at 31 December 2021, and have been carried out in accordance with the principles and guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).

(ii) Mr. Lkhagva-Ochir Said is employed by the Group as Executive General Manager for Mining and Processing. Mr. Said is a member of the AusIMM (Member #316005) and has over 14 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).

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

Baruun Naran (BN) deposit

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

During 2021, the Group's geological team updated the JORC (2012) Coal Resource estimations as at 31 December 2021 for the BN and THG mining licenses.

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

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

- total of 135 exploration boreholes at BN, with a total of 36,875m drilled, of which 16,102m were HQ-3, 9,640m were PQ-3 (83.0 mm core, 122.6mm hole diameter) and 11,133m were 122mm diameter open boreholes;
- total of 32 exploration boreholes at THG, with a total of 9,970m drilling at THG, of which 5,900m were HQ-3, 3,610m were PQ-3 and 460m were 122mm open boreholes;
- total of 12,502 (BN) and 3,824 (THG) coal samples collected and analysed; and
- total of 75 km of 2D seismic survey captured by Polaris over the BN mining license, and analysed by Velseis.

Internal peer review was conducted by Mr. Lkhagva-Ochir Said, the Group's Executive General Manager of Mining and Processing. These peer reviews confirmed compliance of the Group's work to update the Coal Resource estimations in compliance with the requirements of the JORC Code (2012).

Summary of the updated Coal Resources statement as at 31 December 2021 for BN and THG mining license areas are shown in Table 2 and Table 3. The figures in these tables represent calculation based upon in situ density at an assumed 5% moisture basis.

Table 2. BN mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2021 (Notes):

Total Coal Resource	Resource Category (Mt)				
Depth limit from topographic surface	Measured	Indicated	Inferred	Total (M+I)	**Total (M+I+I)**
Subcrop to BHWE	7	1	1	8	**9**
BHWE to 100m	62	9	5	71	**76**
From 100m to 200m	88	12	8	100	**108**
From 200m to 300m	89	13	8	102	**110**
From 300m to 400m	87	16	9	103	**112**
Sub-Total above 300m	246	35	22	281	**303**
Sub-Total below 300m	87	16	9	103	**112**
Total	333	51	31	384	**415**
Total (Rounded)	330	50	30	380	**410**

Table 3. THG mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2021 (Notes):

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

Notes:

(i) Technical information in the BN deposit Coal Resource estimation report has been compiled by Mr. Byambaa Barkhas, the Group's Chief Geologist of Geology and Geotechnical sub-section. Mr. Barkhas is a member of the AusIMM (Member #318198) and has over 12 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Mr. Barkhas consents to the inclusion and the release of the matters based on this information in the form and context in which it appears in this report. The estimates of the Coal Resource set out in Table 2 and Table 3 presented in this report are considered to be a true reflection of the BN deposit Coal Resource as at 31 December 2021, and have been carried out in accordance with the principles and guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).

(ii) Mr. Lkhagva-Ochir Said is employed by the Group as Executive General Manager for Mining and Processing. Mr. Said is a member of the AusIMM (Member #316005) and has over 14 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012).

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

Coal Reserves

Ukhaa Khudag (UHG) deposit

The Group engaged Glogex Consulting LLC ("**Glogex**") to prepare an updated JORC (2012) Coal Reserve statement and life-of-mine ("**LOM**") study as at 1 January 2022 for the UHG deposit. The process used was the same as that used to prepare the previous JORC (2012) Coal Reserve estimate, with the updated JORC (2012) Coal Reserve estimate again based on open cut, multi seam, truck and excavator mining methods. Updated Coal Resource estimate served as a base to prepare such updated Coal Reserve estimate. It shall be noted that Reserve in Proved and Probable category are derived from Resource in Measured and Indicated category only. As such, increase in Resource estimate under Measured and Indicated category is expected to lead to increase in Reserve estimate.

Pit optimisation software was used to generate a series of nested pit shells corresponding to varying revenue factors, simulating incrementally different economic scenarios as impacted by mining cost or coal price variance. Due to the increase in the measured resource concerning the coal seam structure accuracy improvement and movement of the unclassified, inferred, and indicated coal resource to the measured coal resource, the coal reserve increased. The pit algorithms used included for incorporation of:

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

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

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

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

The run-of-mine ("**ROM**") raw coal tonnages, resulting from the updated statement of the JORC (2012) Coal Reserve estimate for the UHG deposit as at 1 January 2022 based upon an as-received basis with 3.64% total moisture for coking coal and 2.68% for thermal coal types, are shown in Table 4.

Table 4. UHG mining license JORC (2012) Coal Reserve estimate, as at 1 January 2022 (Notes):

ROM Coal Reserve	Reserve Category (Mt)		
Coal Type	Proved	Probable	Total
Coking	341	10	351
Thermal	20	0	20
Total	**361**	**10**	**371**

Notes:

(i) The estimate of Coal Reserve presented in Table 4 has been carried out in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Technical information in the UHG Coal Reserve estimation report has been compiled by Mr. Naranbaatar Lundeg, who is a member of the AusIMM (Member #326646). He is the General Director and Executive Consultant of Glogex. He holds a bachelor's degree of mining industrial management and a master's degree of business administration in the field of financial management. He has extensive experience in the mining industry, having worked with major mining companies and as a consultant for over 20 years. During this time, he has either managed or contributed significantly to numerous mining studies related to the estimation, pit optimisation, mine planning, assessment, evaluation and economic extraction of coal in Mongolia. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify him as a Competent Person as defined under the JORC Code (2012). Mr. Lundeg consents to the inclusion and the release of the matters based on this information in the form and context in which it appears in this report.

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

Baruun Naran (BN) deposit

Coal Reserve statement and LOM study for the BN deposit was prepared by Glogex with the resulting statement dated 1 January 2022. The LOM mining plan prepared to underpin the current JORC (2012) Coal Reserve estimate for the BN deposit was based upon open cut, multi seam, truck and excavator mining methods. Pit optimisation software was used to generate a series of nested pit shells corresponding to varying revenue factors, simulating incrementally different economic scenarios as impacted by operating cost and coal revenue variance.

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

- limitation of open pit depth to 360m from surface, and overall slope angle restrictions, based upon geotechnical advice received from Mr. John Latilla of AMC;
- categorisation of coal seams for scheduling purposes on basis of propensity for coking or thermal coal production, based upon recommendations made by Mr. John Trygstad of Norwest Corporation ("**Norwest**");
- cost input assumptions based on stripping and blasting estimates derived from the current mining contractors; and
- revenue input assumptions derived from an updated market study of the principal coking and thermal coal markets in China, completed by Fenwei.

The JORC (2012) Coal Reserve estimate for the BN deposit prepared on basis of the above is summarised in Table 5, with tonnage estimation based on an as-received basis with 1.8% total moisture for coking coal and 2.62% for thermal coal types.

Table 5. BN mining license JORC (2012) Coal Reserve estimate, as at 1 January 2022 (Notes):

ROM Coal Reserve	Reserve Category (Mt)		
Coal Type	Proved	Probable	Total
Coking	246	23	269
Thermal	10	1	11
Total	**256**	**24**	**280**

Notes:

(i) The estimate of Coal Reserve presented in Table 5 has been carried out in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code (2012). Technical information in the BN Coal Reserve estimation report has been compiled by Mr. Naranbaatar Lundeg, who is a member of the AusIMM (Member #326646). He is the General Director and Executive Consultant of Glogex. He holds a bachelor's degree of mining industrial management and a master's degree of business administration in the field of financial management. He has extensive experience in the mining industry, having worked with major mining companies and as a consultant for over 20 years. During this time, he has either managed or contributed significantly to numerous mining studies related to the estimation, pit optimisation, mine planning, assessment, evaluation and economic extraction of coal in Mongolia. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify him as a Competent Person as defined under the JORC Code (2012). Mr. Lundeg consents to the inclusion and the release of the matters based on this information in the form and context in which it appears in this report.

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

Production and Transportation

Coal Mining

The Group adjusted its coal mining operations at UHG and BN mines in line with the COVID-19 pandemic situation during the first half of 2022.

The UHG mine has produced 0.9 Mt of ROM coal in the first half of 2022 and 5.6 million bank cubic metres ("**bcm**") of prime overburden was removed, resulting in an actual stripping ratio of 6.2 bcm per ROM tonne for the period. The coal mining operations at BN mine remained suspended during the first half of 2022.

The Group's combined semi-annual mine production from UHG and BN mines for the last three semi-annual periods is shown in Figure 1.

Coal Processing

The Group adjusted its coal processing activities due to the ongoing COVID-19 situation in the first half of 2022.

The Group has processed a total of 0.9 Mt of ROM coking coal sourced from UHG mine in the first half of 2022. The coal handling and preparation plant ("**CHPP**") has produced 0.4 Mt of washed coking coal as a primary product at 47% yield, and 0.2 Mt of washed thermal coal as a secondary product at 22% yield. As coal mining operations at the BN mine remained suspended during this period, no coal sourced from the BN mine was processed.

The Group's washed coal production in the first half of 2022 was adjusted to coal transportation and sales profile impacted by the COVID-19 outbreak and comparative figures for the last three semi-annual periods are shown in Figure 2.

Figure 1. The Group's semi-annual ROM coal production volumes for 2021-2022 (in kt):

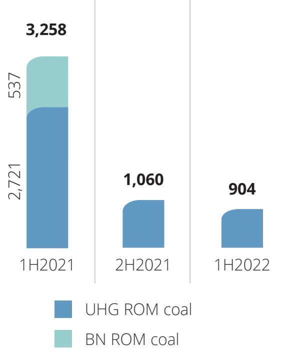
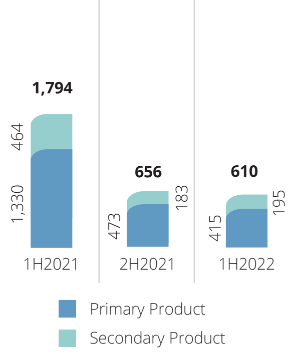


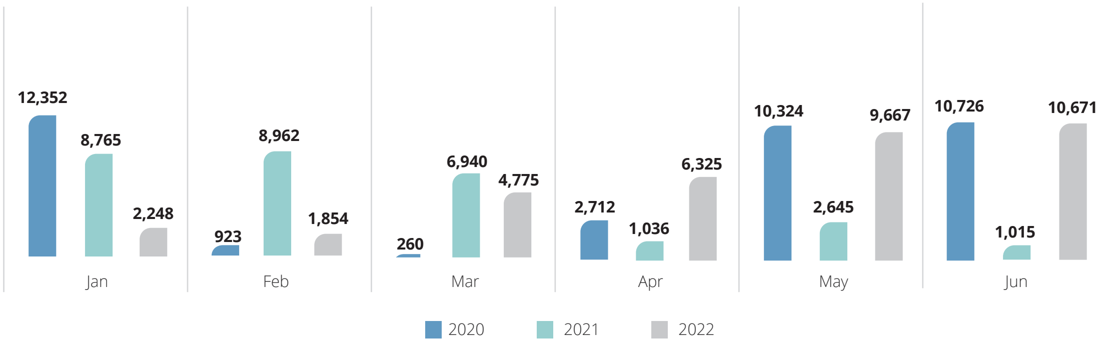
Figure 2. The Group's semi-annual processed coal production volumes for 2021-2022 (in kt):



Transportation and Logistics

As a result of the continuing impact of the COVID-19 pandemic, coal export transportation remained subject to stringent procedures and requirements set by Chinese Authorities during the first half of 2022. These requirements started to slowly ease towards the end of the second quarter of 2022, allowing improvement in cross border throughput via GS-GM checkpoint, leading to gradual increase in coal export shipments as well. The number of coal-loaded trucks throughput via GS-GM increased by 21% during the first half of 2022 compared to the same period in 2021.

Figure 3. Total monthly coal-loaded trucks throughput via GS-GM in 2020-2022:



The Group shipped all its coal products for exports to China by utilising its trans-shipping facility at Tsagaan Khad ("**TKH**") and GS terminal, except the volume sold under ex-works ("**EXW**") UHG term. Coal was transported from UHG to TKH and from TKH to GS Terminal exclusively by the Group's own trucking fleet. Coal was stockpiled at TKH and after export clearance by Mongolian Customs, shipped further by trucks from TKH to GM. The transportation of coal from TKH to GM was performed by the Group's own trucking fleet and by third party contractors while coal exported from GS Terminal was transported by third party contractors. The Group's export shipment (including EXW shipments) from Mongolia to China was 0.8 Mt in the first half of 2022, which consisted of: (i) 0.7 Mt of HCC; and (ii) 0.1 Mt of SSCC.

Occupational Health, Safety and Environment

The Group continued to take measures to protect the health, safety and well-being of its employees and their families. Despite the easing of restrictions across the country, preventive measures implemented organisation-wide remained in effect throughout the first half of 2022, including: (i) limiting personal meetings and interactions to the minimum extent possible; (ii) regular temperature checks and records; (iii) frequent sanitisation and cleaning; (iv) providing personal protective gear, equipment and tools in line with job requirements; and (v) implementing other recommendations issued by health authorities in relation to workplace hygiene.

During the reporting period, approximately 2.3 million man-hours were recorded as worked by employees, contractors, and sub-contractors of the Group, as compared to 3.5 million man-hours worked during the same period in 2021. During the first half of 2022, no occurrence of Lost Time Injury ("**LTI**") was recorded, resulting in a Lost Time Injury Frequency Rate ("**LTIFR**") of 0.0 LTIs per million man-hours worked equivalent being recorded as compared to 0.0 LTIs per million man-hours worked recorded during the same period in 2021. This represents the fifth semi-annual period of zero LTI being recorded by the Group since the commencement of the Company's public reporting and resulted in a 12-month rolling average LTIFR of 0.0 LTI per million man-hours worked equivalent being realised.

The Total Recordable Injury Frequency Rate ("**TRIFR**") for the period was at 0.0 Total Recordable injuries ("**TRI**"), resulting in a 12-month rolling average TRIFR of 0.21 per million man-hours worked equivalent being realised, as compared to 1.42 TRIs per million man-hours worked during the same period in 2021.

Risk assessment and safety analysis were conducted during the reporting period to minimise or eliminate work-related hazards and to enhance awareness of daily safety routines among the Group's employees. Routine working condition inspections and checks were performed, including heat, noise, lighting, vibration, dust, and toxic gases monitoring.

The Group continued to deliver Occupational Health, Safety and Environment ("**OHSE**") specific training to employees, contractors, sub-contractors, and visitors, with 3,648 training sessions to individuals, totaling 17,242 man-hours in the first half of 2022.

The Group has an internal rating scale for environmental incidents based on their severity, which was last updated in July 2019. Accordingly, the risk rating scale uses five classifications which are low, minor, moderate, high, and extreme. More specific classifications were developed for each environmental risk subjects including oil spills, waste disposal, land disturbance, air emissions, fatal injury and others.

In the first half of 2022, the Group has recorded no environmental incidents.

Sales and Marketing

The Group's sales and distribution activities in China were restrained by measures undertaken by PRC authorities as a response to COVID-19 pandemic during the first half of the year. In order to ensure sufficient liquidity, the Group continued to pre-sell its coal products during the first half of 2022.

Washed coking coal products are exported from Mongolia to designated customs bonded yards at GM. Once import customs clearance and quality inspections are completed by relevant authorities in PRC, washed coking coal products are delivered to ultimate customers under FOT GM terms. In order to maintain stable sales operations, the Group initiated sales under EXW UHG, Free Carrier ("**FCA**") TKH and GS terms. With improvement of border throughput at GS-GM checkpoint, coal was sold under Delivery-at-Place ("**DAP**") GM terms and FOT GM terms once import customs clearance and quality inspections are completed by relevant authorities in the PRC. In addition, coal products are also supplied and sold to local customers located in Mongolia.

Despite disruptions in export transportation having restrained the sales and distribution operations, the Group sold a total of 0.9 Mt of self-produced coal in the first half of 2022, representing a 10.5% year-on-year increase, split by product type as follows: (i) 0.7 Mt of HCC; (ii) 0.1 Mt of SSCC; and (iii) 0.1 Mt of thermal coal.

Outlook and Business Strategies in 2022

The global impact of the COVID-19 virus outbreak since early 2020 has brought uncertainties to the Group's operating environment. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures, such as temporary adjustment to levels of production. The Group will keep contingency measures under review as the situation evolves.

Although the COVID-19 virus outbreak has negatively impacted the Group's financial results for the six months ended 30 June 2022, the Board continues to believe that the Group remains well positioned to pursue its strategic objectives and operational targets, once the COVID-19 situation is under control and business activities return to normal.

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

Financial Review

Revenue

The COVID-19 pandemic continued to affect the border throughput at the GS-GM checkpoint, significantly impacting the Group's operating environment and business performance during the six months ended 30 June 2022.

The Group sold approximately 0.9 Mt of coal products and generated a total revenue of USD106.5 million during the six months ended 30 June 2022, compared to 0.8 Mt of coal products sold and USD95.2 million of total revenue generated during the six months ended 30 June 2021. Total sales volume during the reporting period includes approximately 0.7 Mt of HCC, 0.1 Mt of SSCC and 0.1 Mt of thermal coal, compared to 0.6 Mt of HCC, 48.2 Kt of SSCC and 0.2 Mt of thermal coal sold during the first half of 2021.

The Group's average selling price ("**ASP**"), which represents the price exclusive of applicable VAT in China, for HCC under FOT GM, DAP GM and EXW UHG terms were USD161.7 per tonne, USD144.3 per tonne and USD126.1 per tonne, respectively, during the six months ended 30 June 2022. The Group sold HCC only under FOT GM term during the six months ended 30 June 2021 at ASP of USD142.7 per tonne. Historically, delivery period from signing of sales contracts to revenue recognition upon delivery averaged around 1-2 weeks with minimal difference between the ASP and market price. Due to the reduced border throughput, the delivery period prolonged to 239-256 days during the reporting period which created a difference between the realised ASP from the presale contracts upon delivery and the market price.

During the reporting period, the Group derived individually more than 10.0% of its revenue from three customers, with purchase amounts of approximately USD24.8 million, USD19.5 million and USD13.2 million. For the six months ended 30 June 2021, the Group derived individually more than 10.0% of its revenue from three customers, with purchase amounts of approximately USD27.0 million, USD15.6 million and USD12.6 million.

Cost of Revenue

The Group's cost of revenue consists primarily of mining costs, processing and handling costs, transportation and logistics costs, and costs related to site administration, stockpile and transportation loss, and governmental royalties and fees.

The Group continued to closely monitor the evolving situation caused by the COVID-19 pandemic and made downward adjustments to production levels and temporarily suspended mining and processing operations during the reporting period. As a result, idling cost of USD24.4 million was recorded during the six months ended 30 June 2022, of which USD10.6 million is attributable to depreciation and amortisation. During the six months ended 30 June 2021, idling cost of USD2.5 million was recorded, from which USD0.9 million was attributable to depreciation and amortisation.

During the six months ended 30 June 2022, the total cost of revenue increased to USD126.4 million, including idling cost, compared to USD70.5 million during the six months ended 30 June 2021. Increase in cost of revenue was mainly attributable to increase in royalty fees, transportation cost, and depreciation and amortisation due to higher value of underlying assets as a result of fixed asset revaluation performed at the end of 2021.

From the total cost of revenue, USD109.9 million was attributable to coal products sold from the UHG mine and USD16.5 million was attributable to coal products sold from the BN mine.

Table 6. Total and individual costs of revenue:

	Six months ended 30 June	
	2022	2021
	(USD'000)	(USD'000)
Cost of revenue	**126,425**	70,537
Idling cost	**24,379**	2,470
Cost of revenue excluding idling cost	**102,046**	68,067
Mining cost	**26,942**	22,610
Variable cost	**13,615**	11,194
Fixed cost	**8,016**	6,528
Depreciation and amortisation	**5,311**	4,888
Processing cost	**7,332**	5,712
Variable cost	**1,765**	1,804
Fixed cost	**1,459**	1,037
Depreciation and amortisation	**4,108**	2,871
Handling cost	**1,592**	2,362
Transportation cost	**31,454**	22,471
Logistic cost	**3,664**	1,519
Variable cost	**2,114**	878
Fixed cost	**734**	510
Depreciation and amortisation	**816**	131
Site administration cost	**6,157**	5,255
Transportation and stockpile loss	**856**	1,557
Royalties and fees	**24,049**	6,582
Royalty	**23,115**	5,683
Air pollution fee	**568**	523
Customs fee	**366**	376

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

The Group identifies components of the mine in accordance with the mine plan. Accounting of the unit mining cost is based on the accounting stripping ratio applicable to each component of the mine, which was mined during the respective reporting periods. The average accounting stripping ratio for components mined during the six months ended 30 June 2022 was 3.9 bcm per tonne (first half of 2021: 3.9 bcm per tonne).

Unit mining cost, excluding idling cost, was USD16.8 per ROM tonne during the reporting period, compared to USD16.4 per ROM tonne during the same period in 2021.

Mining costs are not only recorded in the income statement but also cost of pre-stripped overburden, which is associated with the coal to be mined, processed, transported and sold in the future, is capitalised in the balance sheet as mining structure and subsequently amortised once the attributable ROM coal is extracted according to the mining operations progress.

Table 7. Unit mining cost per ROM tonne, excluding idling cost:

	Six months ended 30 June	
	2022	2021
	(USD/ROM tonne)	(USD/ROM tonne)
Mining cost	**16.8**	16.4
Blasting	**1.0**	0.9
Plant cost	**5.2**	5.1
Fuel	**2.2**	2.1
National staff cost	**1.1**	1.0
Expatriate staff cost	**0.3**	0.2
Contractor fee	**3.5**	3.3
Ancillary and support cost	**0.2**	0.2
Depreciation and amortisation	**3.3**	3.6

Processing costs primarily include costs associated with operations of the CHPP including power generation and water extraction costs. During the six months ended 30 June 2022, the Group's processing costs were approximately USD7.3 million (first half of 2021: USD5.7 million), of which approximately USD4.1 million was related to the depreciation and amortisation of the CHPP, USD0.1 million was costs related to power generation and distribution, and USD0.2 million was costs incurred for water extraction and distribution related to the washed coal sold during the reporting period.

Unit processing cost, excluding idling cost, calculated per ROM coal in-feed tonne was USD4.6 for the six months ended 30 June 2022 compared to USD4.2 per ROM tonne for the six months ended 30 June 2021. The increase in unit processing cost is mainly due to higher depreciation and amortisation as a result of fixed asset revaluation performed at the end of 2021.

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

	Six months ended 30 June	
	2022	2021
	(USD/ROM tonne)	(USD/ROM tonne)
Unit processing cost	**4.6**	4.2
Consumables	**0.3**	0.3
Maintenance and spares	**0.6**	0.6
Power	**0.1**	0.3
Water	**0.1**	0.1
Staff	**0.4**	0.4
Ancillary and support	**0.5**	0.4
Depreciation and amortisation	**2.6**	2.1

The handling costs are related to feeding ROM coal from coal stockpiles to the CHPP, raw and thermal coal handling, and the removal of course reject (primarily rock and sediment separated from coal) after coal processing. During the reporting period, the Group's handling costs decreased to approximately USD1.6 million (first half of 2021: USD2.4 million) as a result of lower volume of handling works.

Logistics costs are associated with loading and unloading of coal products at UHG, TKH and GS. The Group's logistics costs were USD3.7 million during the reporting period, compared to USD1.5 million during the first half of 2021. Increase in logistics costs was mainly attributable to costs incurred at the containerised GS terminal.

During the six months ended 30 June 2022, the Group's transportation costs were USD31.5 million (first half of 2021: USD22.5 million) including fees paid for the usage of the UHG-GS paved road.

The Group used two-step shipment for coal export transportation from the mine area to GM during the reporting period. The first step is around 240 km long-haul section from UHG to TKH, the transshipment yard on the Mongolian side of the border. The Group used solely its own double-trailer trucking fleet on the long-haul section with transportation cost of USD8.8 per tonne during the six months ended 30 June 2022 compared to USD8.0 per tonne during the six months ended 30 June 2021. Increase in unit transportation cost on the long-haul section was mainly attributable to increase in fuel cost and staff cost.

The second step is around 20 km cross border short-haul shipment between TKH and GM, the Chinese side of the Sino-Mongolian border crossing. During the reporting period, on this short-haul section, the Group utilised a combination of its own trucking fleet, third party contractors fleet, as well as the containerised GS terminal. The border throughput limitations and volatility in daily operations level during the reporting period increased the third party contractor fee, resulting in the overall transportation cost to increase to USD40.2 per tonne (first half of 2021: USD33.8 per tonne).

For the six months ended 30 June 2022, the Group recorded a total transportation loss of around USD0.1 million (first half of 2021: USD0.3 million), and unrealised inventory loss of USD0.7 million for ROM coal and washed coal product stockpiles (first half of 2021: USD1.3 million). The inventory losses or gains are assessed based on periodic survey measurements of the Group's ROM coal stockpile inventories at the mine sites and product coal stockpile inventories at UHG, TKH and inland China. Survey of coal quantity is a measurement of volume, and as for every bulk commodity, the conversion to tonnage requires the application of density assumption, which involves natural variance. Hence, the measurement of stockpile quantities is an estimation in which errors are inherent.

Site administration costs are primarily associated with the site support facilities, such as overall supervision and management of the Group's mining, processing, transportation, and laboratory activities. During the six months ended 30 June 2022, the site administration costs were USD6.2 million compared to USD5.3 million during the first half of 2021.

Governmental royalties and fees are related to royalties, air pollution fees and customs fees paid in accordance with the applicable laws and regulations of Mongolia. The progressive royalty rate is applied in the range of 5% to 8% for exported processed coal products and 5% to 10% for exported raw coal products based on monthly reference price determined by the relevant governmental authorities of Mongolia, which increased rapidly following the market price increase during the reporting period. Historically, there were minimal differences between realised prices used in revenue recognition upon delivery and reference prices used for progressive royalty rate. Since the second half of 2021, reference prices have increased substantially while delivery period of coal products prolonged as a result of border throughput limitations, which led to a substantial difference between ASP and the reference prices. As a result, the Group's effective royalty rate for the six months ended 30 June 2022 increased to approximately 21.7% for coal exported from Mongolia based on customs clearance documentation (first half of 2021: 6.5%).

Gross Loss

During the six months ended 30 June 2022, the Group incurred gross loss of USD19.9 million (30 June 2021: gross profit of USD24.6 million). The gross loss position was primarily driven by increased transportation cost and royalty fees recorded during the reporting period.

Non-IFRS Measure

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

The Group's adjusted LBITDA for the reporting period was approximately USD8.7 million, compared to the adjusted EBITDA of approximately USD37.9 million recorded for the same period in 2021.

Selling and Distribution Costs

The Group's selling and distribution costs were USD0.6 million for the six months ended 30 June 2022 (first half of 2021: USD5.3 million) which was associated with inland China sales activities and include expenses relating to fees and charges incurred for importing coal into China, logistics, transportation, governmental fees and charges and agent fees. The selling and distribution costs are associated with the sales volume realised under FOT GM term for inland China sales activities. Decrease in selling and distribution costs is mainly attributable to lower sales volume under FOT GM term compared to the prior reporting period.

General and Administrative Expenses

The Group's general and administrative expenses relate primarily to head office staff costs, share option expenses, consultancy and professional fees, donations, depreciation and amortisation of office equipment and other expenses. For the six months ended 30 June 2022, the Group's general and administrative expenses were approximately USD7.4 million (first half of 2021: USD6.7 million).

Net Finance Costs

Net finance costs for the six months ended 30 June 2022 were approximately USD24.6 million (first half of 2021: USD23.7 million). Net finance costs are comprised of (i) accrued interest expense of 9.25% per annum on the Senior Notes due 2024 with outstanding principal amount of USD440,000,000, (ii) accrued interest expense of 5% to 8% per annum based on benchmark coal price on the Senior Notes due 2022 with outstanding principal amount of USD14,912,012, (iii) change in fair value of the derivative component of the Senior Notes due 2022, including the interest rates linked to the benchmark coal price index and cash sweep premium, (iv) amortisation of the difference between the fair value and the principal amounts due on the Senior Notes due 2022 and the Senior Notes due 2024 using the effective interest rate method, and (v) foreign exchange net loss.

Income Tax Expenses

Due to the net loss incurred, the Group had income tax credit of USD22.4 million as a result of recognised deferred tax asset for the first six months ended 30 June 2022 (first half of 2021: income tax credit of USD0.5 million).

Loss for the Period

The loss attributable to equity shareholders of the Company for the six months ended 30 June 2022 amounted to approximately USD32.4 million (first half of 2021: USD13.6 million). Major contributing factors of the increase in net loss were lower sales volume, higher transportation cost and royalty fees recorded during the reporting period.

Liquidity and Capital Resources

For the six months ended 30 June 2022, the Group's cash needs were primarily related to working capital requirements. The Group placed high priority on its liquidity position and took several measures such as temporary suspension of operations and pre-sales of its washed coal products.

Cash balance of USD50.8 million as at 30 June 2022 stated in Table 9 below consists of (i) consolidated cash balance of USD24.2 million at ER, an indirect wholly-owned subsidiary of the Company, which includes ER and Energy Resources Corporation LLC and their respective subsidiaries ("**ER Group**"), (ii) cash balance of USD15.1 million at Khangad Exploration LLC, an indirect wholly-owned subsidiary of the Company, and (iii) cash balance of USD11.5 million at the remaining investment holding and trading subsidiaries of the Company. Cash and cash equivalents are mainly held in USD, RMB and MNT.

The gearing ratio (calculated based on the fair value of total bank and other borrowings as stated in the consolidated financial statements of the Group as at 30 June 2022 divided by total assets) of the Group as at 30 June 2022 was 24.3% (30 June 2021: 25.3%). All borrowings are denominated in USD.

Table 9. Combined cash flows:

	Six months ended 30 June	
	2022	2021
	(USD'000)	(USD'000)
Net cash generated from operating activities	**80,332**	53,112
Net cash used in investing activities	**(36,116)**	(34,290)
Net cash used in financing activities	**(17,694)**	(20,644)
Net increase/(decrease) in cash and cash equivalents	**26,522**	(1,822)
Cash and cash equivalents at the beginning of the period	**25,937**	38,904
Effect of foreign exchange rate changes	**(1,620)**	352
Cash and cash equivalents at the end of the period	**50,839**	37,434

Note: USD36.1 million used for investing activities comprises of USD27.5 million incurred for payments of deferred stripping activity, USD8.6 million used for acquisition of property, plant and equipment and other assets and USD0.01 million generated from interest income.

Indebtedness

As at 30 June 2022, the Group had USD454.9 million outstanding principal payments consisting of (i) USD14.9 million Senior Notes due 2022 and (ii) USD440.0 million Senior Notes due 2024.

Credit Risk

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

As at 30 June 2022, the Group had approximately USD3.9 million in trade receivables and USD67.0 million in other receivables. As at 31 December 2021, the Group had approximately USD14.0 million in trade receivables and USD85.5 million in other receivables.

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

With regards to other receivables of USD67.0 million, this amount is mainly related to USD46.2 million of other deposits and prepayments, and USD20.2 million of VAT receivables. The remaining amounts are deposits, advances, prepayments and other receivables in the ordinary course of business. The management believes that there is no issue in the collectability of such receivables.

Foreign Exchange Risk

Cash and cash equivalents denominated in the currency other than the functional currency of the entity to which they relate as at 30 June 2022 and 31 December 2021 amounted to USD29.7 million and USD22.7 million, respectively. Total borrowings denominated in the currency other than the functional currency of the entity to which they relate amounted to nil as at 30 June 2022 and 31 December 2021.

Contingent Liabilities

As at 30 June 2022, the Company has contingent liability in respect of the consideration adjustments for the acquisition of BN mine pursuant to the share purchase agreement (the "**Share Purchase Agreement**") entered into by the Company and its subsidiary Mongolian Coal Corporation Limited with Quincunx (BVI) Ltd. and Kerry Mining (Mongolia) Limited on 31 May 2011 in relation to the acquisition of the entire share capital of Baruun Naran Limited (formerly known as QGX Coal Ltd.) (the "**Acquisition**"), which may arise from the royalty provision. Under the royalty provision, an additional LOM payment of USD6 per tonne may be payable in each semi-annual period after 1 June 2011 commencing on 1 January and ending on 30 June and commencing on 1 July and ending on 31 December, in the event that the actual amount of coal extracted from the BN mine exceeds a specified semi-annual production target fixed on the date of the determination of the total reserves.

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

Financial Instruments

The Company's share option scheme, adopted on 17 September 2010 ("**Share Option Scheme**"), became effective on the Listing Date on 13 October 2010, in which the Board is authorised, at its discretion, to grant to eligible participants options to subscribe for shares ("**Share Options" or "Options**") subject to the terms and conditions stipulated therein as incentives or rewards for their contributions to the Company. The Share Option Scheme expired on 12 October 2020, however, the provisions of the Share Option Scheme remain in force to the extent necessary to give effect to any Options granted or exercised thereto or otherwise as may be required.

On 8 May 2017, the Company granted 40,000,000 and 100,000,000 Share Options to a director and employees, respectively, at the exercise price of HKD0.2392. The outstanding number of the Share Options was adjusted to 13,740,000 Share Options and the exercise price was adjusted to HKD2.392 due to the share consolidation in August 2019. On 8 May 2022, the Share Options granted on 8 May 2017 lapsed after 5 years since the allocation and a total number of 10,900,000 Share Options were exercised during the six months ended 30 June 2022.

On 16 June 2021, the Company adopted a new share option scheme ("**New Share Option Scheme**"), in which the Board is authorised, at its discretion, to grant to eligible participants options to subscribe for shares subject to the terms and conditions stipulated therein as incentives or rewards for their contributions to the Company. There is no Share Options granted under the New Share Option Scheme during the six months ended 30 June 2022.

Capital Commitments and Capital Expenditures

As at 30 June 2022, the capital commitments outstanding on the respective dates on the balance sheet were as follows:

Table 10. Capital commitments:

	As at 30 June 2022 (USD'000)	As at 31 December 2021 (USD'000)
Contracted for	**565**	763

Table 11. The Group's historical capital expenditure for the periods indicated:

	Six months ended 30 June	
	2022	2021
	(USD'000)	(USD'000)
CHPP	**155**	237
Investment in associate company	**6,951**	–
Others	**1,467**	6,977
Total	**8,573**	7,214

Significant Investments Held

As at 30 June 2022, the Company did not hold any significant investments. Save as disclosed in this interim report, the Company has no future plans for material investment or capital assets in the coming year.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

For the six months ended 30 June 2022, the Company did not have any material acquisitions and disposals of subsidiaries and associated companies.

Other and Subsequent Events

Subsequent to the end of the reporting period with reference to the Company's announcement published on 12 July 2022, the Company repurchased an aggregate principal amount of USD22,120,234 of its perpetual notes from the open market for a consideration in an aggregate amount of USD7,742,081.90, with the repurchase price being USD350 for each USD1,000 principal amount of the perpetual notes. The repurchased perpetual notes have been cancelled accordingly. Following the cancellation of the repurchased perpetual notes, the outstanding principal amount of the perpetual notes were USD148,907,920. Save as disclosed in this interim report, there have been no events subsequent to 30 June 2022 which require adjustment to or disclosure in this interim report.

Employees

As at 30 June 2022, the number of employees of the Group was 1,783, compared with 1,964 employees as at 30 June 2021.

The Group's employees are remunerated with reference to the individual performance, experience, qualification and the prevailing salary trends in the local market, which is subject to review from time to time. With reference to the Group's financial and operational performance, employees may also enjoy other benefits such as discretionary bonus and Share Options pursuant to the Company's Share Option Scheme.

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

Training and development programs shall be designed for the interest and welfare of the Company and employees. An employee who has completed his/her training is expected to apply the knowledge into practice and share the newly gained experience with co-workers. The immediate management shall be responsible for the support and supervision of the process.

As at 30 June 2022, a total of 7,615 employees attended different professional trainings, out of which 3,648 employees attended occupational, health, and safety training, 3,967 employees attended professional development training. Considering the development of the global pandemic, the Group implemented precautionary measures and requirements with respect to physical distancing when providing all trainings.

The Group utilised the online safety training, launched in 2019, for all employees and contractors. The Group was able to increase the number of total employees attending trainings by utilising online training methods during the reporting period. In order to improve the skills and methods of the Group's training instructors, they were enrolled in different ISO module trainings as well as given first aid training and additional general skills training.

For the six months ended 30 June 2022, the Group's staff costs were USD10.3 million, compared to USD12.7 million for the six months ended 30 June 2021.

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

For the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

Dividend

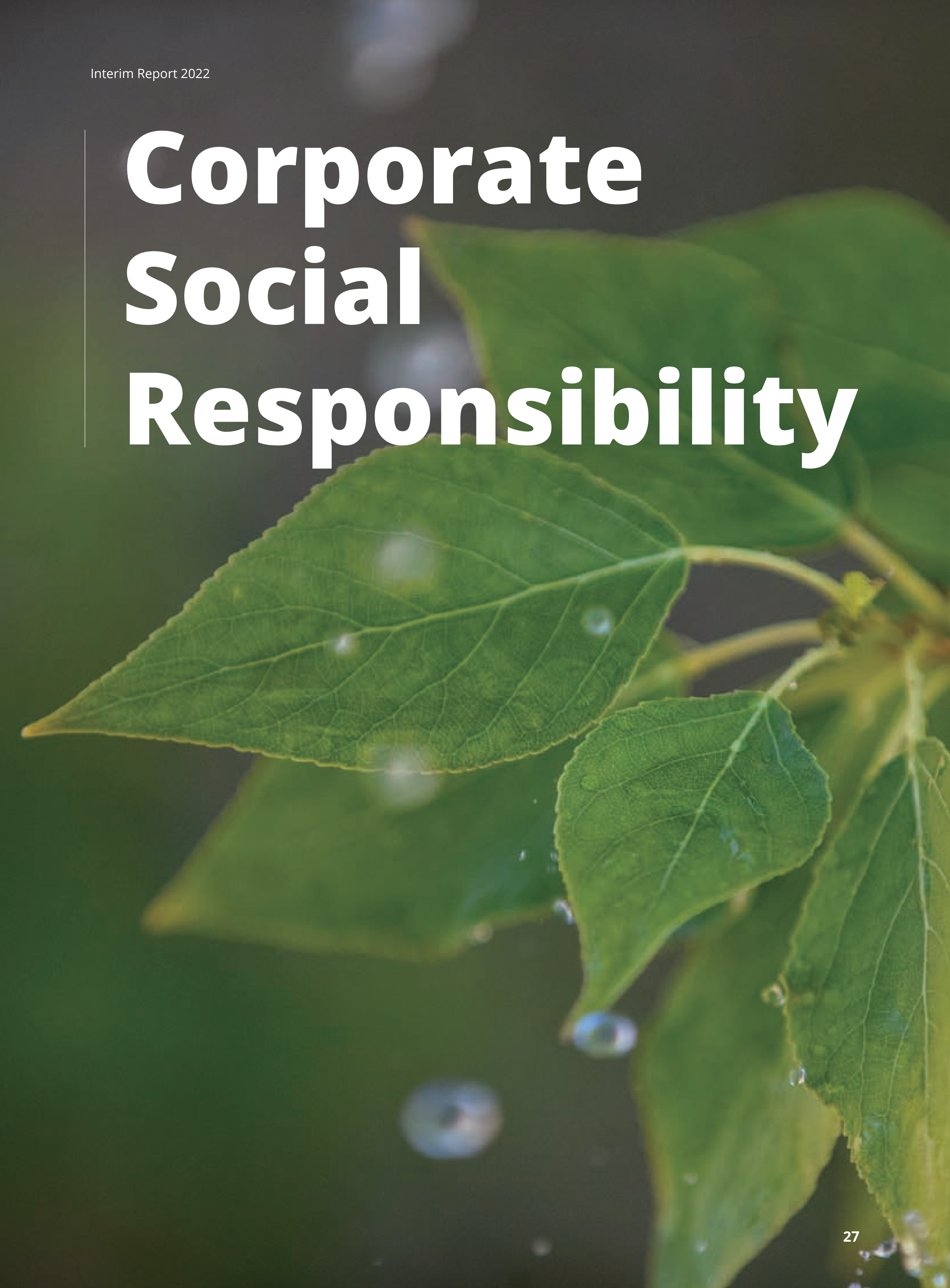
The Board does not recommend the payment of dividend in respect of the six months ended 30 June 2022 (dividend for the six months ended 30 June 2021: nil).

Review by Audit Committee

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

The Audit Committee of the Company, together with the management, have reviewed the accounting principles and practice adopted by the Group, and also discussed issues related to financial reporting, including the review of the Group's unaudited interim results for the period under review. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and legal requirements, and that adequate disclosures have been made.

Corporate Social Responsibility



Corporate Social Responsibility

Through our sustainability policy, corporate social responsibility ("**CSR**") policy and code of conduct which define our objectives and ways of work towards sustainability, we emphasise strong commitments for our host communities in Umnugobi, the environment and our multi-stakeholders, whilst putting the health, safety and well-being of our employees as the utmost priority. In line with the policies, we work to create tangible and lasting contributions for our host communities and the socio-economic development of the country as a whole. We continue with our efforts to ensure that CSR is embedded within all aspects of our business and aim to maintain a corporate culture that encourages ethical behaviour and transparency. Although small percentage of our spendings in CSR areas are directed at monetary donations and charitable causes every year, we continue to prioritise long-term programs and partnerships over one-time grants and donations, so that our efforts can bring lasting positive impacts in the long run. Accordingly, we have a long-term cooperation agreement signed with the Umnugobi aimag Governor's office, based on which our community-based projects and long-term programs are carried out.

As COVID-19 continues to impact the economy, causing companies and organisations to operate in a radical uncertainty, we remain committed to putting strong emphasis on our employee relations, safety protocols and timely communication with the local stakeholders. At the same time, we are taking further structured approach towards setting up a balanced and flexible work environment where the safety and well-being of our people and the host communities can be best assured. As at the end of June 2022, we had 1,783 direct full-time employees while providing jobs to approximately 3,000 people through our major contractors and sub-contractors. Despite the hardships caused by the pandemic, the local Umnugobi employees constitute over 40% of the total number of our direct employees, and we continued with the implementation of our community development programs as well as active engagement with our stakeholders at various levels.

People and safety

- The Company successfully implemented and adopted integrated management system in 2018 for the first time in Mongolia. The system covered international standards ISO 9001:2015 (quality management), ISO 14001:2015 (environmental management) and ISO 45001:2018 (occupational health and safety management) and was certified by AFNOR Group, an international standardisation body based in France. Since three years have passed since the original certification was issued, we broadened the scope of our system implementation, and had our whole operations audited for re-certification in the first half of 2022. This time, the re-certification is to be issued by three internationally certified ISO standardisation bodies:

    1. AFNOR Group, an international certifying body based in France;

    2. MonCertf, an internationally accepted certifying body based in Mongolia; and

    3. UICC, an international certifying body based in China.

- During the reporting period, 2.3 million man-hours were recorded as worked by our employees, contractors, and sub-contractors. This represents about 65% decrease from the same period of the previous year, mainly due to the temporary adjustments and operational suspensions that took place within the reporting period. With no occurrence of LTI recorded, LTIFR was 0.0 LTI in the first half of 2022 and the 12-month rolling average LTIFR was 0.0 LTI per million man-hours worked. The TRIFR of 1.42 TRIs per million man-hours worked recorded in the first half of 2021 was reduced to 0.0 TRI in the reporting period. The 12-month rolling average TRIFR was 0.21 per million man-hours worked.

- Risk assessments and workplace safety analysis were carried out to further maximise our safety routines while Occupational Health, Safety and Environment specific trainings were delivered on a regular basis. A total of 3,648 training sessions were carried out, totaling 17,242 man-hours in the first half of 2022. As part of the COVID-19 preventive measures, most of the trainings and inductions were organized through distance-learning platforms and online methods, where applicable.

CSR and community development programs

- The Company continued to support the 3x3 national and professional teams in Mongolia, within its status as the official partner of the Mongolian Basketball Association, and a long-term vision to build a resilient and young urban sports community. Through its Energy 3x3 Club, we support a total of six professional teams, providing them with an access to international and local tournaments, sports facilities and proper training and practice opportunities. Aspiring players are encouraged through a series of professional events where they can realise their potential and challenge themselves for the next level tournaments.

- In support of local small and medium businesses in South Gobi amidst the current economic challenges, we continued with the implementation of our Sustainable Livelihood Support Program. The program primarily focuses on supporting local small and medium enterprises and provides interest-free loans to eligible participants, enabling them to start new businesses or expand their existing ones. 10 new applicants received interest-free loans through our project in the first half of 2022, increasing the total number of the project beneficiaries to 74.

- As the public quarantine and lockdown requirements were lifted, local schools in Tsogttsetsii soum resumed normal operations starting from the autumn of 2021. Accordingly, our local education support program was continued with a primary focus on the uninterrupted free-of-charge provision of online math program accesses to the local students.

- The Company created a wind protected area for the Tsogttsetsii soum residents in 2011 to support their vegetable gardening initiatives and combat desertification. Local people who grow vegetables in the area are provided with a cultivated land, an irrigation system and undergo training on vegetable gardening. To date, the wind protected area covers over 10 hectares and provides vegetable gardening opportunities to around 70 people on an annual basis. The participants run small-scale business activities through two farm partnerships since 2021 and supply vegetables to the local markets.

In the reporting period, the following activities were carried out as part of our ongoing community engagement and "Good Neighbor" program:

- Active engagement with the local governing bodies and the host communities continued to take place through our community relations team, community information center and community development councils which serve as a bridge between the Company and the local community members including herdsmen;

- To support the GoM's efforts to combat Ulaanbaatar's air pollution during the winter months, free supply of washed thermal coal for manufacturing of coal briquettes by a state-owned entity continued in the reporting period;

- About 5,600 tonnes of free-of-charge thermal coal was provided to herdsmen and communities in 11 soums of Umnugobi aimag as a support during the harsh winter and spring months. Additionally, 3,000 tonnes of washed thermal coal was provided to about 250 low-income families in Tsogttsetsii soum; and

- During the reporting period, no community complaint was recorded and a total of 21 requests were received from the local communities via our grievance mechanism. All requests were handled and responded to in a timely manner.

Environment

- No environmental incident was recorded during the reporting period.

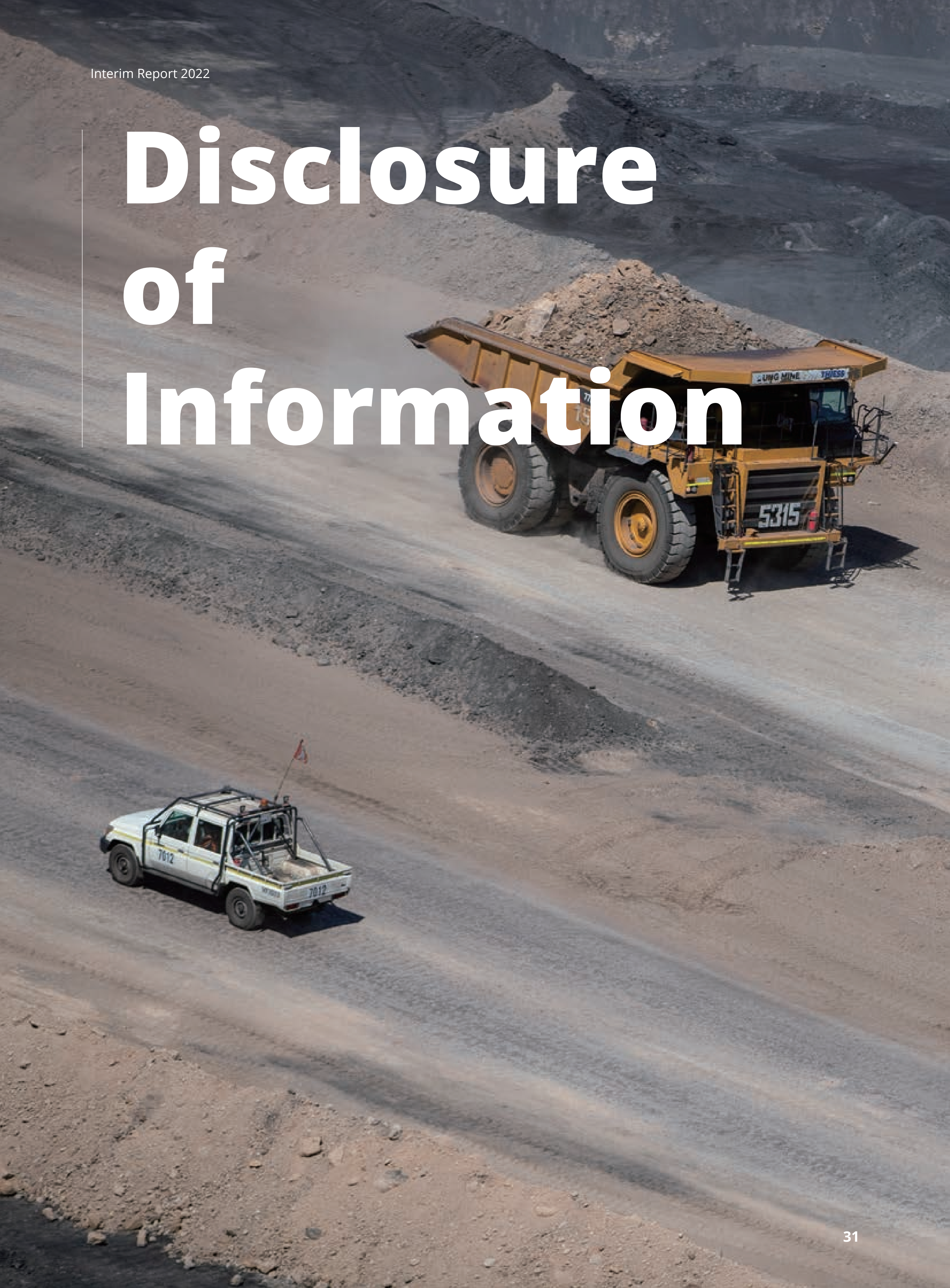
- As part of our rehabilitation and offset activities, a total of 2,300 trees were planted at the UHG and BN mines as well as public and residential areas in Tsogttsetsii soum. Importantly, in line with our Biodiversity Action Plan and efforts to conserve endangered plant species specific to the Gobi region, Popolus diversifolia (Tooroi tree) project implementation successfully continued. As of the first half of 2022, over 2,000 seedlings of Tooroi tree were grown with success rate of approximately 95%. Once the successful seedlings mature in about 2 years, they will be transplanted to Tooroi plantation in their natural habitats.

- Biological rehabilitation in the mine waste dump areas continued to take place in the reporting period and a total of 3 hectares were planted with Gobi specific plants such as shrub species Elaeagnus moorcrofti, Tamarix ramosissima, and Caragana SP etc.

- Dust measurements continued to take place on a monthly basis at a total of 9 points in and around the mine production area. In the reporting period, the measurement results of the dust levels were twice as lower compared to the same period of the previous year. Monthly water monitoring and measurements were also done in 7 boreholes and wells around the mine-site and wastewater dams, with the water levels being consistent with the previous year's measurement results.

- As part of the Earth Day awareness activities, local community members were involved in our environmental monitoring and measurement activities and got introduced with our forest belt and tree nursery fields in Tsogtsetsii soum. An ecological excursion was also organized for the fourth graders of the local school.

Disclosure of Information



Disclosure of Information

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2022.

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

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its code of corporate governance and has complied with all applicable code provisions as set out in the CG Code during the six months ended 30 June 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interest and short positions of the Directors and chief executive of the Company in the shares and underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong (the "**SFO**")) which were required (i) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register required to be kept; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Table 12. Interests in the Shares and underlying Shares:

		Ordinary shares of USD0.10 each	
Name of Director	Nature of interest	Total number of Shares held	Approximate percentage of total issued share capital
Mr. Odjargal Jambaljamts (Note 1)	Beneficial Owner	46,164,754 (L)	4.43%
	Interest of controlled corporation	323,492,188 (L)	31.03%
Mr. Od Jambaljamts (Note 2)	Beneficial Owner	26,576,226 (L)	2.55%
	Interest of controlled corporation	323,492,188 (L)	31.03%
Mr. Myagmarjav Ganbyamba (Note 3)	Beneficial Owner	12,000 (L)	0.0012%

(L) – Long position

Notes:

(1) Mr. Odjargal Jambaljamts is directly interested in approximately 57.28% of MCS Mongolia LLC. MCS Mongolia LLC holds the entire interest of MCS Mining Group LLC which in turn holds 323,492,188 shares in the Company.

(2) Mr. Od Jambaljamts is directly interested in approximately 30.19% of MCS Mongolia LLC. MCS Mongolia LLC holds the entire interest of MCS Mining Group LLC which in turn holds 323,492,188 shares in the Company.

(3) Mr. Myagmarjav Ganbyamba was appointed as a Director on 1 January 2022.

Save as disclosed above, as at 30 June 2022, so far as was known to any Director or chief executive of the Company, neither the Directors nor the chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register required to be kept; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, so far as was known to the Directors and chief executive of the Company and based on the information publicly available, the following persons (other than a Director or chief executive of the Company whose interests are disclosed above) had interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Table 13. Interests in the Shares and underlying Shares:

		Ordinary shares of USD0.10 each	
Name of substantial shareholder	Nature of interest	Total number of Shares held	Approximate percentage of total issued share capital
MCS Mining Group LLC (Note 1)	Beneficial owner	323,492,188 (L)	31.03%
MCS Mongolia LLC (Note 1)	Interest of controlled corporation	323,492,188 (L)	31.03%
Ms. Batmunkh Dashdeleg (Note 1)	Interest of spouse	369,656,942 (L)	35.46%
Ms. Munkhsuren Surenkhuu (Note 1)	Interest of spouse	350,068,414 (L)	33.58%
Kerry Mining (UHG) Limited ("**KMUHG**") (Note 2)	Beneficial owner	75,000,000 (L)	7.19%
Kerry Mining (Mongolia) Limited ("**KMM**") (Note 2)	Interest of controlled corporation	75,000,000 (L)	7.19%
Fexos Limited ("**Fexos**") (Note 2)	Interest of controlled corporation	75,689,012 (L)	7.26%
Kerry Holdings Limited ("**KHL**") (Note 2)	Interest of controlled corporation	77,578,088 (L)	7.44%
Kerry Group Limited ("**KGL**") (Notes 2 and 3)	Interest of controlled corporation	114,528,187 (L)	10.99%

(L) – Long position

Notes:

(1) MCS Mining Group LLC is wholly-owned by MCS Mongolia LLC. MCS Mongolia LLC is owned as to approximately 57.28% by Mr. Odjargal Jambaljamts, and approximately 30.19% by Mr. Od Jambaljamts. MCS Mining Group LLC holds 323,492,188 shares in the Company. Mr. Odjargal Jambaljamts and Mr. Od Jambaljamts directly hold 46,164,754 shares and 26,576,226 shares, respectively, in the Company. Ms. Batmunkh Dashdeleg is the spouse of Mr. Odjargal Jambaljamts, and Ms. Munkhsuren Surenkhuu is the spouse of Mr. Od Jambaljamts.

(2) (a) KMUHG is a direct wholly-owned subsidiary of KMM which in turn is approximately 59.04% owned by Fexos. Fexos is a direct wholly-owned subsidiary of KHL which in turn is a direct wholly-owned subsidiary of KGL. Accordingly, KMM, Fexos, KHL and KGL were deemed to be interested in the 75,000,000 shares of the Company that KMUHG was interested.

(b) Kerry Asset Management Limited ("**KAM**") is a direct wholly-owned subsidiary of Fexos. Accordingly, Fexos, KHL and KGL were deemed to be interested in the 689,012 shares of the Company that KAM was interested.

(3) Out of KGL's corporate interest in 114,528,187 shares in the Company, KGL's wholly-owned subsidiaries (other than KHL) were interested in 36,950,099 shares of the Company, and KHL through Fexos was interested in 75,689,012 shares of the Company and KHL through wholly-owned subsidiaries (other than Fexos) were interested in 1,889,076 shares of the Company.

Save as disclosed above, as at 30 June 2022, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company.

CHANGES IN DIRECTORS' INFORMATION

Changes of information of Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2021 Annual Report are set out below:

Dr. Battsengel Gotov was appointed as Chairman of the Mongolian National Mining Association on 27 April 2022, and the President and Chairman of the Mongolian Basketball Association NGO on 20 April 2022.

Mr. Chan Tze Ching, Ignatius was appointed as a member of the Hospital Governing Committee of Hong Kong Red Cross Blood Transfusion Service on 1 April 2022 and has completed his term as a member of the Council of Hong Kong Red Cross on 31 August 2022.

SHARE OPTION SCHEMES

The Share Option Scheme was adopted by the Company on 17 September 2010, which became effective on the Listing Date on 13 October 2010 (the "**Adoption Date**"). Under the Share Option Scheme, the Share Options could be granted within a period of 10 years from the Adoption Date. The purpose of the Share Option Scheme is to provide an opportunity for employees of the Group to acquire equity participation in the Company and to encourage them to work towards enhancing the value of the Company for the benefit of the Company and its shareholders as a whole. The Share Option Scheme expired on 12 October 2020. No further Share Options could be granted under the Share Option Scheme, however, the provisions of the Share Option Scheme remain in force to the extent necessary to give effect to any Share Options granted or exercised thereunder or otherwise as may be required.

On 16 June 2021, the Company adopted a new share option scheme ("**New Share Option Scheme**"), in which the Board is authorised, at its discretion, to grant to eligible participants the options to subscribe for shares of the Company ("**Share Options**" or "**Options**") subject to the terms and conditions stipulated therein as incentives or rewards for their contributions to the Company. Under the New Share Option Scheme, a total of 102,918,678 shares of the Company, representing approximately 10% of the then issued share capital of the Company as at the date of the approval of the New Share Option Scheme, may be issued. There were no Share Options granted under the New Share Option Scheme for the six months ended 30 June 2022.

Under the Share Option Scheme, the Company granted four batches of Share Options to its Director and employees. On 12 October 2011, the Company offered 3,000,000 and 34,500,000 Share Options to a Director and employees respectively, at the exercise price of HKD6.66 (adjusted to HKD4.53 after the rights issue) and 3,000,000 and 32,200,000 Share Options were accepted by a Director and employees respectively. The Share Options granted on 12 October 2011 have lapsed at the end of 8 years after the date of grant.

On 28 November 2012, the Company granted another 5,000,000 and 17,750,000 Share Options to a Director and employees respectively at the exercise price of HKD3.92 (adjusted to HKD2.67 after the rights issue). The Share Options granted on 28 November 2012 have lapsed at the end of 8 years after the date of grant.

As a result of the rights issue completed on 29 December 2014, adjustments were made to the exercise price and the number of shares falling to be issued upon the exercise of the Share Options in accordance with the terms of the Share Option Scheme and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding the adjustment of share options under Rule 17.03(13) of the Listing Rules.

A total of 4,810,000 Options were outstanding under the Share Option Scheme as at the completion of the rights issue. The exercise prices and the number of shares falling to be issued under the outstanding Share Options were adjusted pursuant to Clause 11 of the Share Option Scheme (the "**Option Adjustments**") with effect from 1 January 2015, and such adjustments have been reviewed and confirmed by the independent financial adviser of the Company, Somerley Capital Limited. Please refer to the 2014 Annual Report of the Company for details.

On 10 June 2015, the Company granted another 60,000,000 and 94,750,000 Share Options to a Director and employees respectively at the exercise price of HKD0.445. The Share Options granted on 10 June 2015 have lapsed at the end of 5 years after the date of grant.

On 8 May 2017, the Company granted another 40,000,000 and 100,000,000 Share Options to a Director and employees respectively at the exercise price of HKD0.2392. As of 30 June 2022, all the outstanding 10,900,000 Share Options granted under the Share Option Scheme on 8 May 2017 have been exercised. The weighted average closing price for all such Share Options exercised by a Director and employees for the relevant period was HKD3.100 and HKD3.206 respectively.

As a result of the share consolidation which became effective on 26 August 2019, adjustments were made to the exercise price and the number of shares falling to be issued upon the exercise of the Share Options in accordance with the terms of the Share Option Scheme, the provisions of Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005. The exercise price of HKD4.53 for the Share Options granted on 12 October 2011 was adjusted to HKD45.3; the exercise price of HKD2.67 for the Share Options granted on 28 November 2012 was adjusted to HKD26.7; the exercise price of HKD0.445 for the Share Options granted on 10 June 2015 was adjusted to HKD4.45; and the exercise price of HKD0.2392 for the Share Options granted on 8 May 2017 was adjusted to HKD2.392. Please refer to the announcement of the Company dated 22 August 2019 for details.

Details of the movements in the number of Share Options granted under the Share Option Scheme during the six months ended 30 June 2022 were as follows:

Table 14. Director:

				Number of Share Options					
Name of Director	Date of grant	Exercise period	Exercise price per share	Balance as at 1 January 2022	Granted during the six months ended 30 June 2022	Lapsed during the six months ended 30 June 2022	Cancelled during the six months ended 30 June 2022	Exercised during the six months ended 30 June 2022	Balance as at 30 June 2022
Dr. Battsengel Gotov	8 May 2017	(Note 1)	HKD2.392	4,000,000	–	–	–	4,000,000	–
Total				**4,000,000**	**–**	**–**	**–**	**4,000,000**	**–**

Table 15. Employees of the Group other than Directors:

			Number of Share Options					
Date of grant	Exercise period	Exercise price per share	Balance as at 1 January 2022	Granted during the six months ended 30 June 2022	Lapsed during the six months ended 30 June 2022	Cancelled during the six months ended 30 June 2022	Exercised during the six months ended 30 June 2022	Balance as at 30 June 2022
8 May 2017	(Note 1)	HKD2.392	6,900,000	–	–	–	6,900,000	–
Total			**6,900,000**	**–**	**–**	**–**	**6,900,000**	**–**

Note:

1. The Share Options were subject to a vesting scale in five tranches of 20% each. The exercise periods were as follows:

   (1) first 20% of the Share Options granted – 1 July 2017 to 8 May 2022
   (2) second 20% of the Share Options granted – 8 May 2018 to 8 May 2022
   (3) third 20% of the Share Options granted – 8 May 2019 to 8 May 2022
   (4) fourth 20% of the Share Options granted – 8 May 2020 to 8 May 2022
   (5) fifth 20% of the Share Options granted – 8 May 2021 to 8 May 2022

Treatment of Lapse of the Share Options

Pursuant to the Share Option Scheme, in the event that an employee ceases to be an employee of the Company before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine.

On behalf of the Board
Mongolian Mining Corporation
Odjargal Jambaljamts
Chairman

Hong Kong, 25 August 2022

Independent Review Report

Independent Review Report

Independent Review Report to the Board of Directors of Mongolian Mining Corporation

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 39 to 60 which comprises the consolidated statement of financial position of Mongolian Mining Corporation ("the **Company**") as of 30 June 2022 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 August 2022

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June **2022** **USD'000**	 2021 USD'000
Revenue	4	**106,539**	95,153
Cost of revenue	5	**(126,425)**	(70,537)
Gross (loss)/profit		**(19,886)**	24,616
Other net loss		**(2,306)**	(2,907)
Selling and distribution costs		**(647)**	(5,310)
General and administrative expenses		**(7,352)**	(6,661)
(Loss)/profit from operations		**(30,191)**	9,738
Finance income	6(a)	**2,671**	28
Finance costs	6(a)	**(27,250)**	(23,706)
Net finance costs	6(a)	**(24,579)**	(23,678)
Share of profits of associates		**22**	1
Share of losses of joint venture		**(10)**	–
Loss before taxation		**(54,758)**	(13,939)
Income tax	7	**22,446**	468
Loss for the period		**(32,312)**	(13,471)
Attributable to:			
Equity shareholders of the Company		**(32,361)**	(13,574)
Non-controlling interests		**49**	103
Loss for the period		**(32,312)**	(13,471)
Basic and diluted loss per share	9	**(3.10) cents**	(1.32) cents

The notes on pages 46 to 60 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 21(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June 2022 USD'000	2021 USD'000
Loss for the period		**(32,312)**	(13,471)
Other comprehensive income for the period (after tax and reclassification adjustments)	8		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		**(12,004)**	89
Total comprehensive income for the period		**(44,316)**	(13,382)
Attributable to:			
Equity shareholders of the Company		**(44,365)**	(13,485)
Non-controlling interests		**49**	103
Total comprehensive income for the period		**(44,316)**	(13,382)

The notes on pages 46 to 60 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2022 – unaudited

	Note	**At 30 June 2022 USD'000**	At 31 December 2021 USD'000
Non-current assets			
Property, plant and equipment, net	10	**933,265**	968,681
Construction in progress	11	**46,199**	46,828
Other right-of-use assets		**49**	50
Intangible assets	12	**499,517**	500,086
Interest in associates		**7,922**	949
Interest in joint venture		**13**	23
Other non-current assets	13	**59,712**	55,634
Deferred tax assets		**41,371**	21,767
Total non-current assets		**1,588,048**	1,594,018
Current assets			
Inventories	14	**146,496**	159,663
Trade and other receivables	15	**70,940**	99,520
Cash and cash equivalents	16	**50,839**	25,937
Total current assets		**268,275**	285,120
Current liabilities			
Trade and other payables	17	**112,270**	175,598
Contract liabilities		**210,251**	141,498
Senior Notes	19	**15,350**	17,885
Lease liabilities		**–**	72
Current taxation		**75**	65
Total current liabilities		**337,946**	335,118
Net current liabilities		**(69,671)**	(49,998)
Total assets less current liabilities		**1,518,377**	1,544,020

The notes on pages 46 to 60 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2022 – unaudited

	Note	**At 30 June 2022 USD'000**	At 31 December 2021 USD'000
Non-current liabilities			
Senior notes	19	**435,603**	434,716
Provisions	20	**17,997**	30,928
Deferred tax liabilities		**180,418**	181,798
Other non-current liabilities	18	**28,771**	–
Total non-current liabilities		**662,789**	647,442
NET ASSETS		**855,588**	896,578
CAPITAL AND RESERVES			
Share capital		**104,248**	103,158
Reserves		**684,536**	726,665
Total equity attributable to equity shareholders of the Company		**788,784**	829,823
Perpetual notes	21	**66,569**	66,569
Non-controlling interests		**235**	186
TOTAL EQUITY		**855,588**	896,578

Approved and authorised for issue by the board of Directors on 25 August 2022.

)
)
) Directors
)
)

The notes on pages 46 to 60 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022 – unaudited

	Attributable to equity shareholders of the Company									
	Share capital USD'000	Share premium USD'000	Other reserve USD'000	Exchange reserve USD'000	Property revaluation reserve USD'000	Retained profits USD'000	Total USD'000	Perpetual notes USD'000 (Note 21(c))	Non-controlling interests USD'000	Total equity USD'000
At 1 January 2021	102,918	768,520	36,600	(499,253)	310,683	101,741	821,209	66,569	386	888,164
Changes in equity for the six months ended 30 June 2021:										
Loss for the period	–	–	–	–	–	(13,574)	(13,574)	–	103	(13,471)
Other comprehensive income	–	–	–	89	–	–	89	–	–	89
Total comprehensive income	–	–	–	89	–	(13,574)	(13,485)	–	103	(13,382)
Equity-settled share-based transactions (Note 21(b))	1	3	34	–	–	–	38	–	–	38
Reclassification of property revaluation reserve to retained profits upon disposal of property	–	–	–	–	(235)	235	–	–	–	–
At 30 June 2021	102,919	768,523	36,634	(499,164)	310,448	88,402	807,762	66,569	489	874,820
At 1 July 2021	102,919	768,523	36,634	(499,164)	310,448	88,402	807,762	66,569	489	874,820
Changes in equity for the six months ended 31 December 2021:										
Loss for the period	–	–	–	–	–	(41,664)	(41,664)	–	(303)	(41,967)
Other comprehensive income	–	–	–	95	62,895	–	62,990	–	–	62,990
Total comprehensive income	–	–	–	95	62,895	(41,664)	21,326	–	(303)	21,023
Equity-settled share-based transactions	239	803	(307)	–	–	–	735	–	–	735
Reclassification of property revaluation reserve to retained profits upon disposal of property	–	–	–	–	(2,516)	2,516	–	–	–	–
At 31 December 2021	103,158	769,326	36,327	(499,069)	370,827	49,254	829,823	66,569	186	896,578

The notes on pages 46 to 60 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022 – unaudited

	Attributable to equity shareholders of the Company									
	Share capital USD'000	Share premium USD'000	Other reserve USD'000	Exchange reserve USD'000	Property revaluation reserve USD'000	Retained profits USD'000	Total USD'000	Perpetual notes USD'000 (Note 21(c))	Non-controlling interests USD'000	Total equity USD'000
At 1 January 2022	**103,158**	**769,326**	**36,327**	**(499,069)**	**370,827**	**49,254**	**829,823**	**66,569**	**186**	**896,578**
Changes in equity for the six months ended 30 June 2022:										
Loss for the period	–	–	–	–	–	(32,361)	(32,361)	–	49	(32,312)
Other comprehensive income	–	–	–	(12,004)	–	–	(12,004)	–	–	(12,004)
Total comprehensive income	–	–	–	(12,004)	–	(32,361)	(44,365)	–	49	(44,316)
Equity-settled share-based transactions (Note 21(b))	1,090	3,689	(1,453)	–	–	–	3,326	–	–	3,326
Reclassification of property revaluation reserve to retained profits upon disposal of property	–	–	–	–	(114)	114	–	–	–	–
At 30 June 2022	**104,248**	**773,015**	**34,874**	**(511,073)**	**370,713**	**17,007**	**788,784**	**66,569**	**235**	**855,588**

The notes on pages 46 to 60 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June 2022 USD'000	2021 USD'000
Operating activities			
Cash generated from operations		**80,425**	53,970
Income tax paid		**(93)**	(858)
Net cash generated from operating activities		**80,332**	53,112
Investing activities			
Payments for acquisition of property, plant and equipment and construction in progress		**(28,465)**	(34,330)
Proceeds from disposals of property, plant and equipment		**–**	37
Payments for acquisition of intangible asset		**(710)**	–
Payments for investment in an associate		**(6,951)**	–
Interest received		**10**	3
Net cash used in investing activities		**(36,116)**	(34,290)
Financing activities			
Proceeds from shares issued under share option scheme		**3,325**	–
Capital element of lease rentals paid		**(72)**	(71)
Interest element of lease rentals paid		**(1)**	(2)
Interest paid		**(20,946)**	(20,571)
Net cash used in financing activities		**(17,694)**	(20,644)
Net increase/(decrease) in cash and cash equivalents		**26,522**	(1,822)
Cash and cash equivalents at the beginning of the period		**25,937**	38,904
Effect of foreign exchange rates changes		**(1,620)**	352
Cash and cash equivalents at the end of the period	16	**50,839**	37,434

The notes on pages 46 to 60 form part of this interim financial report.

Notes to the unaudited interim financial report

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issuance on 25 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Mongolian Mining Corporation (the "**Company**") together with its subsidiaries (the "**Group**") since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 38.

The novel coronavirus ("**COVID-19**") outbreak has impacted the operating environment and business performance of the Group during the six months ended 30 June 2022. The coal sales volume has been impacted by temporary border crossing throughput volatility during the first half of 2022. As a result, the Group recorded a net loss of USD32,312,000 for the period ended 30 June 2022 and had net current liabilities of USD69,671,000 as at 30 June 2022. The Group has been closely monitoring the impact of COVID-19 outbreak on its business and has put in place contingency measures for cash conservation and efficiency purposes, such as temporary adjustment to levels of production during the first half of 2022. Based on the cash flow forecast of the Group for the next twelve months ending 30 June 2023 prepared by the management, the directors of the Company (the "**Directors**") expect to maintain adequate financial resources to cover its operating costs and meet its financing commitments, as and when they fall due for the twelve months period subsequent to 30 June 2022.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*
- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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

3 SEGMENT REPORTING

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

4 REVENUE

The Group is principally engaged in the mining, processing, transportation and sale of coal products. Revenue represents the sales value of goods sold to customers exclusive of value added or sales taxes and after deduction of any trade discounts and volume rebates. The amount of each significant category of revenue recognised for the six months ended 30 June 2022 is as follows:

	Six months ended 30 June	
	2022	2021
	USD'000	USD'000
Washed hard-coking coal	**94,244**	89,114
Washed semi-soft coking coal	**10,562**	4,541
Washed thermal coal	**1,595**	1,333
Raw thermal coal	**138**	165
	106,539	95,153

5 COST OF REVENUE

	Six months ended 30 June	
	2022	2021
	USD'000	USD'000
Mining costs	**26,942**	22,610
Processing costs	**7,332**	5,712
Transportation costs	**31,454**	22,471
Others (Note (i))	**36,318**	17,274
Cost of revenue during mine operations	**102,046**	68,067
Cost of revenue during idled mine period (Note (ii))	**24,379**	2,470
Cost of revenue	**126,425**	70,537

Notes:

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

(ii) For the six months ended 30 June 2022, cost of revenue during idled mine period mainly includes depreciation expense related to idled plant and equipment, staff costs and mining contractor costs.

6 LOSS BEFORE TAXATION

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

(a) Net finance costs:

	Six months ended 30 June	
	2022	2021
	USD'000	USD'000
Interest income	**(10)**	(28)
Net change in fair value of derivative component of senior notes	**(2,661)**	–
Finance income	**(2,671)**	(28)
Interest on liability component of senior notes (Note 19)	**23,047**	22,737
Interest on lease liabilities	**1**	2
Transaction cost	**26**	–
Unwinding interest on accrued reclamation obligations (Note 20)	**865**	145
Net change in fair value of derivative component of senior notes	**–**	139
Foreign exchange loss, net	**3,311**	683
Finance costs	**27,250**	23,706
Net finance costs	**24,579**	23,678

Note:

No borrowing costs have been capitalised during the six months ended 30 June 2022 and the six months ended 30 June 2021.

(b) Other items:

	Six months ended 30 June	
	2022	2021
	USD'000	USD'000
Depreciation and amortisation	**22,954**	28,573
Gain on disposal of property, plant and equipment	**(6)**	(29)

7 INCOME TAX

(a) Income tax in the consolidated statement of profit and loss and other comprehensive income represents:

	Six months ended 30 June	
	2022	2021
	USD'000	USD'000
Current tax		
Provision for the year	**111**	187
Over-provision in respect of prior years	**(115)**	–
	(4)	187
Deferred tax	**(22,442)**	(655)
	(22,446)	(468)

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

	Six months ended 30 June	
	2022	2021
	USD'000	USD'000
Loss before taxation	**(54,758)**	(13,939)
Notional tax on loss before taxation	**(24,239)**	(2,512)
Tax effect of non-deductible items (Note (iii))	**4,765**	2,661
Tax effect of non-taxable items (Note (iii))	**(3,037)**	(742)
Tax losses not recognised	**180**	125
Over-provision in prior years	**(115)**	–
Actual tax credit	**(22,446)**	(468)

Notes:

(i) Pursuant to the income tax rules and regulations of Mongolia, the subsidiaries of the Group located in Mongolia are liable to Mongolian Corporate Income Tax at a rate of 10% for the first MNT6 billion taxable income, and 25% for the remaining taxable income for the six months ended 30 June 2022 and 2021. According to the Corporate Income Tax Law of the PRC, the Company's subsidiary in the PRC is subject to statutory income tax rate of 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The Group is not subject to Hong Kong and Luxembourg profits tax as it has no assessable income arising in or derived from Hong Kong and Luxembourg during the six months ended 30 June 2022 and 2021.

(iii) Non-deductible and non-taxable items mainly includes net unrealised exchange loss, other non-deductible expenses and non-taxable income pursuant to the income tax rules and regulations of Mongolia and other related tax source regions during the six months ended 30 June 2022 and 2021.

8 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	USD'000	USD'000
Exchange differences on translation of the financial statements of certain subsidiaries	**(12,004)**	89

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of USD32,361,000 (six months ended 30 June 2021: USD13,574,000) and the weighted average of 1,042,476,786 ordinary shares (six months ended 30 June 2021: weighted average of 1,029,186,786 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

For the six months ended 30 June 2022 and 2021, basic and diluted loss per share are the same.

The equity-settled share-based payment transactions are anti-dilutive and therefore not included in calculating diluted loss per share for the six months ended 30 June 2022 and 2021.

10 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Right-of-use assets

During the six months ended 30 June 2022 and 2021, the Group did not enter into any new lease agreements, and therefore no additional right-of-use assets were recognised.

(b) Acquisitions and disposals of owned assets

Mining properties of the Group as at 30 June 2022 include stripping activity assets with carrying amount of USD432,512,000 (31 December 2021: USD424,554,000).

During the six months ended 30 June 2022, the additions of property, plant and equipment of the Group, representing mainly various mining structures, amounted to USD12,394,000 (six months ended 30 June 2021: USD34,036,000). Items of property, plant and equipment with a net book value of USD172,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: USD637,000).

11 CONSTRUCTION IN PROGRESS

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

12 INTANGIBLE ASSETS

Intangible assets mainly represent the mining right acquired during the acquisition of Baruun Naran mine and the permission to operate at the customs bonded terminal.

13 OTHER NON-CURRENT ASSETS

	At 30 June 2022 USD'000	At 31 December 2021 USD'000
Prepayments in connection with construction work, equipment purchases and others	**59,098**	55,020
Other financial asset (Note)	**614**	614
	59,712	55,634

Note: The Group has an investment of 2.25% equity interest in International Medical Centre LLC.

14 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2022 USD'000	At 31 December 2021 USD'000
Coal	**139,855**	155,217
Materials and supplies	**17,078**	14,883
	156,933	170,100
Less: provision on coal inventories	**(10,437)**	(10,437)
	146,496	159,663

15 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2022 USD'000	At 31 December 2021 USD'000
Within 90 days	**1,785**	14,020
90 to 180 days	**1,940**	–
180 to 270 days	**170**	18
Trade receivables net of allowance for doubtful debts	**3,895**	14,038
Amounts due from related parties	**24**	1
Other debtors	**509**	12,025
Financial assets measured at amortised cost	**4,428**	26,064
Prepayments and deposits (Note (i))	**46,182**	49,220
Value added tax ("**VAT**") and other tax receivables (Note (ii))	**20,330**	24,236
	70,940	99,520

Notes:

(i) At 30 June 2022 and 31 December 2021, prepayments and deposits mainly represent the prepayments made to the Group's mining contractor.

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

16 CASH AND CASH EQUIVALENTS

	At 30 June 2022 USD'000	At 31 December 2021 USD'000
Cash in hand	**2**	2
Cash at banks	**50,837**	25,935
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	**50,839**	25,937

17 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2022 USD'000	At 31 December 2021 USD'000
Within 90 days	**29,496**	48,505
90 to 180 days	**–**	5,812
180 to 365 days	**28,775**	31,323
Over 365 days	**20,057**	55,755
Total trade creditors	**78,328**	141,395
Payables for purchase of equipment	**1,855**	4,504
Interest payables	**8,890**	8,890
Other taxes payables	**14,873**	13,276
Amounts due to related parties	**3,399**	3,870
Others	**4,925**	3,663
	112,270	175,598

18 OTHER NON-CURRENT LIABILITIES

	At 30 June 2022 USD'000	At 31 December 2021 USD'000
Long-term payables to mining contractor	**28,771**	–

19 SENIOR NOTES

	At 30 June 2022 USD'000	At 31 December 2021 USD'000
Senior Notes due 2022 (Note (i))	**15,350**	17,885
Senior Notes due 2024 (Note (ii))	**435,603**	434,716
	450,953	452,601

Notes:

(i) The outstanding principal amount of the Senior Notes due 2022 was USD14,912,012 as at 30 June 2022 (31 December 2021: USD14,912,012). The Senior Notes due 2022 bear interest, ranging from 5% to 8% per annum based on the benchmark coal price index, payable semi-annually, and due on 30 September 2022 ("**Senior Notes due 2022**").

The Senior Notes due 2022 have been accounted for as a hybrid financial instrument containing derivative components and a liability component. The fair value of the derivative component of interest rate linked to the benchmark coal price index, the derivative component of cash sweep premium and the derivative component of early redemption option as at 30 June 2022 was USD507,000, nil and nil respectively (31 December 2021: USD712,000, USD2,456,000 and nil, respectively). The liability component was initially recognised at its fair value and is accounted on amortised cost subsequently. As at 30 June 2022, the carrying amount of the liability component was USD14,843,000 (31 December 2021: USD14,717,000).

Fair value of the derivative components of the Senior Notes due 2022 was estimated by the Directors based on the discounted cash flow method.

(ii) On 15 April 2019, the Group issued the Senior Notes due 2024 with a principal amount of USD440,000,000 ("**Senior Notes due 2024**") which were listed on the Singapore Exchange Securities Trading Limited. The Senior Notes due 2024 bear interest at 9.25% per annum fixed rate, payable semi-annually, and due on 15 April 2024.

The Senior Notes due 2024 have been accounted for as a hybrid financial instrument containing a derivative component and a liability component. The derivative component of early redemption option was initially recognised at its fair value of nil. The fair value of the derivative component of early redemption option as at 30 June 2022 was nil (31 December 2021: nil). The liability component was initially recognised at fair value of USD429,795,446, after taking into account attributable transaction costs of USD10,204,554 and is accounted on amortised cost subsequently. As at 30 June 2022, the carrying amount of the liability component was USD435,603,000 (31 December 2021: USD434,716,000).

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

20 PROVISIONS

	At 30 June 2022 USD'000	At 31 December 2021 USD'000
Accrued reclamation obligations	**17,997**	30,928
Others	**1,500**	1,500
	19,497	32,428
Less: current portion	**(1,500)**	(1,500)
	17,997	30,928

The accrual for reclamation costs has been determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the reclamation on the land from current mining activities becomes apparent in future periods. At the end of the reporting period, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations, where necessary. The Group's management believes that the accrued reclamation obligations as at 30 June 2022 are adequate and appropriate. The accrual is based on estimates and therefore, the ultimate liability may exceed or be less than such estimates. The movement of the accrued reclamation cost is as follows:

	2022 USD'000	2021 USD'000
At 1 January	**30,928**	19,458
(Decrease)/increase for reassessment of estimated costs	**(13,797)**	10,978
Accretion expense (Note 6(a))	**866**	492
At 30 June/31 December	**17,997**	30,928

21 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The board of Directors of the Company does not recommend declaration and payment of interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

(b) Equity settled share-based transactions

There were no share options granted to employees of the Company under the Company's employee share option scheme during the six months ended 30 June 2022 and 2021.

10,900,000 options were exercised during the six months ended 30 June 2022 (six months ended 30 June 2021: 10,000).

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Perpetual notes

The Company issued perpetual notes which were listed on the Singapore Exchange Securities Trading Limited on 4 May 2017, with a principal amount of USD195,000,000 and with a fair value of USD75,897,000. Fair value of the perpetual notes was valued by the management with the reference to a valuation report issued by an independent valuer based on the discounted cash flow method.

On 15 April 2019, the Company redeemed principal amount of USD23,972,000 with a carrying amount of USD9,328,000 through the debt refinancing. After the debt refinancing, the outstanding principal amount of perpetual notes was USD171,028,000 with a carrying amount of USD66,569,000. There was no change in both outstanding principal amount and carrying amount during the six months ended 30 June 2022.

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

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

The Group has a team headed by the finance manager performing valuations for the financial instruments, including the redemption option embedded in the senior notes and derivative components of the Senior Notes due 2022. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) *Fair value hierarchy* (Continued)

	Fair value at 31 December 2021 USD'000	Fair value measurements as at 31 December 2021 categorised into Level 1 USD'000	Level 2 USD'000	Level 3 USD'000
Recurring fair value measurement				
Financial asset				
– Redemption option embedded in Senior Notes due 2024	–	Not applicable	Not applicable	–
Financial liabilities				
– Derivative components of Senior Notes due 2022	3,168	Not applicable	Not applicable	3,168

	Fair value at 30 June 2022 USD'000	**Fair value measurements as at 30 June 2022 categorised into Level 1 USD'000**	**Level 2 USD'000**	**Level 3 USD'000**
Recurring fair value measurement				
Financial asset				
– Redemption option embedded in Senior Notes due 2024	**–**	**Not applicable**	**Not applicable**	**–**
Financial liabilities				
– Derivative components of Senior Notes due 2022	**507**	**Not applicable**	**Not applicable**	**507**

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) *Information about Level 3 fair value measurements*

	Valuation techniques	**Significant unobservable inputs**	**Value of unobservable inputs**
Derivative components of Senior Notes due 2022	Discounted cash flow method	Bond yield	12.31% (2021: 9.76%)
		Coal price index	USD286 to USD422 (2021: USD201 to USD294)
Redemption option embedded in Senior Notes due 2024	Binomial model	Expected volatility	39.6% (2021: 89.5%)

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair value of derivative components of the Senior Notes due 2022 is determined using discounted cash flow method and the significant unobservable input used in the fair value measurement is bond yield and coal price index. The fair value measurement is negatively correlated to the bond yield. As at 30 June 2022, it is estimated that with all other variables held constant, an increase/decrease in bond yield by 100bps would have decreased/increased the Group's net finance costs by USD2,000/1,000 respectively. The fair value measurement is positively correlated to the coal price index. As at 30 June 2022, it is estimated that with all other variables held constant, an increase/decrease in coal price index by 1% would have increased/decreased the Group's net finance costs by nil/nil respectively.

The fair value of redemption option embedded in Senior Notes due 2024 is determined using binomial model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is negatively correlated to the expected volatility. As at 30 June 2022, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 1% would have decreased/increased the Group's net finance costs by nil/nil respectively.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2022 USD'000	At 30 June 2021 USD'000
Derivative components of Senior Notes due 2022:		
At 1 January	**3,168**	2,560
Changes in fair value recognised in profit or loss during the period	**(2,661)**	139
At 30 June	**507**	2,699
Total (gains)/loss for the period included in profit or loss for liabilities held at the end of the reporting period	**(2,661)**	139

	At 30 June 2022 and 2021 USD'000
Redemption option embedded in Senior Notes due 2024:	
At 1 January	–
Changes in fair value recognised in profit or loss during the period	–
At 30 June	–
Total (gains)/losses for the period included in profit or loss for liabilities held at the end of the reporting period	–

The net unrealised gains or losses resulting from the remeasurement of the derivative components of the Senior Notes due 2022 and the redemption option embedded in the Senior Notes due 2024 are recognised in net finance costs in the consolidated statement of profit or loss.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021 and 30 June 2022 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 31 December 2021	
	Carrying amount USD'000	Fair value USD'000
Liability component of Senior Notes due 2022	14,717	14,333
Liability component of Senior Notes due 2024	434,716	444,972

	At 30 June 2022	
	Carrying amount USD'000	**Fair value USD'000**
Liability component of Senior Notes due 2022	**14,843**	**14,551**
Liability component of Senior Notes due 2024	**435,603**	**455,811**

23 MATERIAL RELATED PARTY TRANSACTIONS

Particulars of significant transactions between the Group and related parties during the period ended 30 June 2022 are ancillary services and sales of goods. Ancillary services received by the Group represent expenditures for support services such as power and heat generation, security service, vehicle inspection, cleaning and canteen expense. The amount of ancillary service and related charges incurred during the six months ended 30 June 2022 was USD6,448,000 (six months ended 30 June 2021: USD6,700,000). Sales of goods represent coal sales. The amount of goods sold to related parties during the six months ended 30 June 2022 was USD3,218,000 (six months ended 30 June 2021: nil).

24 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments outstanding not provided for in the interim financial report

Capital commitments outstanding at respective balance sheet dates not provided for in the interim financial report were as follows:

	At 30 June 2022 USD'000	At 31 December 2021 USD'000
Contracted for	**565**	763

(b) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, except for the accrued reclamation obligations as disclosed in Note 20 and amounts incurred pursuant to the environment compliance protection and precautionary measures in Mongolia, the Group has not incurred any other significant expenditure for environmental remediation, is currently not involved in any other environmental remediation, and has not accrued any other amounts for environmental remediation relating to its operations. Under existing legislation, the Directors believe that there are no other probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. The outcome of environmental liabilities under future environmental legislations cannot be estimated reasonably at present and which could be material.

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period with reference to the Company's announcement published on 12 July 2022, the Company repurchased an aggregate principal amount of USD22,120,234 of perpetual notes from the open market for a consideration in an aggregate amount of USD7,742,081.90, with the repurchase price being USD350 for each USD1,000 principal amount of the perpetual notes. The repurchased perpetual notes have been cancelled accordingly. Following the cancellation of the repurchased perpetual notes, the outstanding principal amount of the perpetual notes were USD148,907,920. No adjustment has been made in this interim financial report in this regard.

26 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought certain uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures such as temporary adjustment to levels of production. The Group will keep the contingency measures under review as the situation evolves.

The Group regularly performs assessment on the liquidity risks, where appropriate, to assess the potential impact of business conditions on the Group's capital adequacy and liquidity. The results based on the Group's latest financial position showed that both capital and liquidity levels are sufficient to cope with the impact of the outbreak. Whenever necessary, prompt actions will be undertaken to mitigate potential impacts.

The Group has assessed the accounting estimates and other matters that require the use of forecasted financial information for the impact of the COVID-19 pandemic. The assessment included estimates of the unknown future impacts of the pandemic using information that is reasonably available at this time. Accounting estimates and other matters assessed mainly include the allowance for expected credit losses of receivables from customers, inventory valuation, impairment assessment of mining related assets, valuation of financial assets and liabilities, and the recoverability of tax assets. Based on the current assessment, there was no material impact to these interim financial statements. As additional information becomes available, the future assessment of these estimates, including expectations about the severity, duration and scope of the pandemic, could differ materially in the future reporting periods.

Glossary and Technical Terms

"Adoption date"	13 October 2010, the date the Share Option Scheme became unconditional and effective
"ASP"	Average selling price
"bcm"	Bank cubic metres
"BHWE"	Base Horizon of Weathering Elevation
"BN"	Baruun Naran
"BN deposit"	BN coal deposit located in the Tavan Tolgoi formation
"BN mine"	The area of the BN deposit that can be mined by open-pit mining methods
"Board"	The Board of Directors of the Company
"CG code"	The Corporate Governance Code contained in Appendix 14 to the Listing Rules
"China" or "PRC"	The People's Republic of China
"CHPP"	Coal handling and preparation plant
"coke"	Bituminous coal from which the volatile components have been removed
"coking coal"	Coal used in the process of manufacturing steel. It is also known as metallurgical coal
"Company", "our Company", "we", "us", "our", "Mongolian Mining Corporation" or "MMC"	Mongolian Mining Corporation, a company incorporated in the Cayman Islands with limited liability on 18 May 2010, the shares of which are listed on the Main Board of the Stock Exchange
"CSR"	Corporate Social Responsibility
"DAP"	Delivery-at-Place
"Director(s)"	Director(s) of the Company
"EBITDA"	Earnings before interest, tax, depreciation and amortisation
"Fexos"	Fexos Limited
"FOT"	Free-on-Transport
"Ganqimaodu" or "GM"	The China side of the China-Mongolia border crossing

"Gashuunsukhait" or "GS"	The Mongolia side of the China-Mongolia border crossing
“GoM”	Government of Mongolia
“Group” or “our Group”	The Company together with its subsidiaries
“HCC”	Hard coking coal
“HKD”	Hong Kong Dollar
“HR”	Human resources
“HSE”	Health, Safety and Environment
“IASs”	International Accounting Standards
“IASB”	International Accounting Standards Board
“IFRSs”	International Financial Reporting Standards
“JORC”	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
“KAM”	Kerry Asset Management Limited
“KGL”	Kerry Group Limited
“KHL”	Kerry Holdings Limited
“km”	Kilometres
“KMM”	Kerry Mining (Mongolia) Limited
“KMUHG”	Kerry Mining (UHG) Limited
“kt”	Thousand tonnes
“LBITDA”	Loss before interest, tax, depreciation and amortisation
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LOM”	Life-of-Mine
“LTIFR”	Lost Time Injury Frequency Rate
“LTIs”	Lost Time Injuries
“middlings”	Thermal coal by-product of washed coking coal production

"mineral resource"	A concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories
"MNT"	Togrog or tugrik, the lawful currency of Mongolia
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mt"	Million tonnes
"NBS"	National Bureau of Statistics of China
"New Share Option Scheme"	A new share option scheme which was adopted by the Company on 16 June 2021
"Norwest"	Norwest Corporation
"Offer Date"	12 October 2011, 28 November 2012, 10 June 2015 and 8 May 2017, the dates of offer of a total of 3,750,000, 2,275,000, 15,475,000 and 14,000,000 Share Options (adjusted Share Options after share consolidation), respectively, to its Director and certain employees under the Share Option Scheme adopted by the Company
"open-pit"	The main type of mine designed to extract minerals close to the surface; also known as "open cut"
"ore"	A naturally occurring solid material from which a metal or valuable mineral can be extracted profitably
"Parliament"	Parliament of Mongolia
"raw coal"	Generally means coal that has not been washed and processed
"RMB"	Renminbi
"ROM"	Run-of-mine, the as-mined material during room and pillar mining operations as it leaves the mine site (mined glauberite ore and out-of-seam dilution material)
"seam"	A stratum or bed of coal or other mineral; generally applied to large deposits of coal
"SEHK" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"share(s)"	Ordinary share(s) of USD0.10 each in the share capital of the Company
"Share Options" or "Options"	The share options which were granted under the Share Option Scheme to eligible participants to subscribe for shares of the Company

"Share Option Scheme"	A share option scheme which was adopted by the Company on 17 September 2010
"Share Purchase Agreement"	Share purchase agreement entered by the Company and its subsidiary Mongolian Coal Corporation Limited with Quincunx (BVI) Ltd and Kerry Mining (Mongolia) Limited in relation to the acquisition of the entire issued share capital of QGX Coal Ltd
"SMEs"	Small and medium enterprises
"soum"	The second level of Mongolian administrative subdivisions (essentially equivalent to a sub-province)
"SSCC"	Semi-soft coking coal
"strip ratio" or "stripping ratio"	The ratio of the amount of waste removed (in bank cubic metres) to the amount of coal or minerals (in tonnes) extracted by open-pit mining methods
"Tavan Tolgoi"	The coal formation located in South Gobi, Mongolia which includes our UHG and BN deposits
"thermal coal"	Also referred to as "steam coal" or "steaming coal", thermal coal is used in combustion processes by power producers and industrial users to produce steam for power and heat. Thermal coal tends not to have the carbonisation properties possessed by coking coals and generally has lower heat value and higher volatility than coking coal
"THG"	Tsaikhar Khudag
"TKH"	Tsagaan Khad
"tonne"	Metric tonne, being equal to 1,000 kilograms
"TRIFR"	Total Recordable Injury Frequency Rate
"Tsogttsetsii" or "Tsogttsetsii soum"	Tsogttsetsii soum is the location where Tavan Tolgoi sits
"UHG"	Ukhaa Khudag
"UHG deposit"	Ukhaa Khudag deposit located in the Tavan Tolgoi coalfield which includes both aboveground (<300m) and underground (>300m) deposits
"UHG mine"	The aboveground (<300m) portion of our UHG deposit
"USD"	United States Dollar
"VAT"	Value added tax
"washed coal"	Coals that have been washed and processed to reduce its ash content