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MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.60(1) OF THE LISTING RULES

Reference is made to the announcements of the Company dated 11 January 2023 and 25 January 2024 in relation to, *inter alia*, the subscription of the Subscribed Securities in the Investee for a total consideration of US\$40 million and the Closing under the Investment Agreement.

Following the Closing and as at the date of this announcement, the Company (through its direct wholly-owned subsidiary) holds 50% equity interest in the Investee and accordingly, the Investee became a subsidiary of the Company.

Prior to the Closing, the Investee has entered into the Agreements with MCS Property LLC, MCS International LLC, Monrud LLC and ERD, respectively. As at the date of this announcement, MCS Property LLC and MCS International LLC are both subsidiaries of MCS Mongolia LLC, a substantial shareholder of the Company; whereas Monrud LLC is an associate of a chief executive officer of the Investee, and ERD is a substantial shareholder of the Investee, holding 50% equity interests therein. As such, each of MCS Property LLC and MCS International LLC is a connected person of the Company at the issuer level; and each of Monrud LLC and ERD is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

Consequently, following the Closing, the respective transactions continuing under the Agreements shall constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules, including publication of an announcement and annual reporting in respect of the continuing connected transactions contemplated under the Agreements. The Company will further comply with all applicable reporting, disclosure and, if applicable, independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Agreements.

CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.60(1) OF THE LISTING RULES

This announcement is made by the Company pursuant to Rule 14A.60(1) of the Listing Rules.

Reference is made to the announcements of the Company dated 11 January 2023 and 25 January 2024 in relation to, *inter alia*, the subscription of the Subscribed Securities in the Investee for a total consideration of US\$40 million and the Closing under the Investment Agreement. Unless otherwise defined, terms used in this announcement shall adopt the same definitions set forth in the Previous Announcements.

Following the Closing and as at the date of this announcement, the Company (through its direct wholly-owned subsidiary) holds 50% equity interest in the Investee and accordingly, the Investee became a subsidiary of the Company. Prior to the Closing, the Investee has entered into the Agreements with MCS Property LLC, MCS International LLC, Monrud LLC and ERD, respectively, as set forth below:

- (i) the engineering, procurement and construction works contract dated 30 November 2023 (the “**EPC Contract**”) and entered between MCS Property LLC and the Investee;
- (ii) the power purchase agreement dated 27 October 2023 (the “**Power Purchase Agreement**”) and entered between MCS International LLC and the Investee;
- (iii) the camp management, facilities rent, catering and general maintenance services agreement dated 1 January 2022 (the “**Camp Management Contract**”) and entered between Monrud LLC and the Investee; and
- (iv) the service agreement dated 1 January 2024 (the “**Service Agreement**”) and entered between ERD and the Investee;

(items (i) to (iv) are collectively referred to as the “**Agreements**”).

The Board confirms that none of the Directors was deemed to have any material interest in the transactions contemplated under the Agreements.

Principal Terms of the Agreements

The principal terms of the Agreements are set out below:

Name of the Agreement	Parties to the Agreement	Term of the Agreement	Scope of the Agreement	Total fee during the term of the Agreement
The EPC Contract	MCS Property LLC as contractor; and the Investee as principal	A period commencing from 30 November 2023 until completion of the work	MCS Property LLC agreed to provide works in relation to site establishment, bulk earth works, aggregate supply, concrete batch plant, process plant, non-process infrastructures to the Investee	A total fixed fee of US\$60,244,128, inclusive of contingency
The Power Purchase Agreement	MCS International LLC as seller; and the Investee as principal	A fixed period commencing from 27 October 2023 to 31 August 2031	MCS International LLC agreed to supply, install, operate and maintain a power solution and to provide a minimum 92% power availability at a minimum of 4.4 MW as measured over any 12 months period for the Bayan Khundii project of the Investee	The total payment is expected to be approximately US\$48,407,981 and the maximum annual payment is expected to be approximately US\$10,124,400
The Camp Management Contract	Monrud LLC as contractor; and the Investee as principal	A fixed period commencing from 1 January 2022 to 30 June 2024	Monrud LLC agreed to provide camp management, facilities rent, catering, laundry and maintenance services for the Investee's Bayan Khundii project in Shinejinst soum, Bayankhongor Province, Mongolia	Taking into account the historical transaction amounts, the total fixed fee is expected to be US\$1,666,836 for the term of the contract. The highest applicable percentage ratio in respect of the transactions contemplated under the Camp Management Contract during the six months ending 30 June 2024 is less than 1%.
The Service Agreement	ERD as service provider; and the Investee as principal	A fixed period commencing from 1 January 2024 to the earlier of (i) termination by either party on 31 December in any year upon providing written notice of termination; or (ii) automatic termination upon the sale of the first 400,000 ounces of gold by the Investee	ERD agreed to provide geological management services to the Investee, including but not limited to (i) formulating annual exploration program for the mining and exploration licenses as well as other properties of the Investee within the Khundii Minerals District; (ii) preparing calculation and assessment of internal resource estimation; (iii) providing remote sensing interpretation and Leapfrog modelling services; (iv) overseeing technical studies for Bayan Khundii as well as other projects within the Khundii Minerals District; (v) to manage technical teams and contractors; and (vi) provision of professional guidance to the exploration team, serving as senior management of all geological programs and oversee the delivery of internal and independent resource studies to the Investee's management team	A total annual fee of US\$1,000,000. The highest applicable percentage ratio in respect of the total annual fee of US\$1,000,000 as contemplated under the Service Agreement is less than 1%.

Historical Transaction Amounts under the Agreements

The historical transaction amounts for the transactions contemplated under the Agreements during the two years ended 31 December 2022 and 2023 are as follows:

Name of the Agreement	Historical transaction amounts under the Agreement Year ended 31 December	
	2022	2023
The EPC Contract	N/A	US\$10,943,771 ^{Note}
The Power Purchase Agreement	N/A	N/A
The Camp Management Contract	US\$626,220	US\$705,716
The Service Agreement	N/A	N/A

Note: This figure accounts for the historical transaction amount for the transaction contemplated under the EPC Contract from 30 November 2023 to 31 December 2023.

Pricing Policy

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the fees for the Agreements were determined after arm's length negotiations taking into account the following factors and, in each case, with reference to the prices quoted on normal commercial terms by providers of similar services to Independent Third Parties:

- (1) As regards *the EPC Contract*: the prevailing market rates in respect of the engineering, procurement and construction works related services.
- (2) As regards *the Power Purchase Agreement*: the designated monthly charge or per kilowatt-hour charge as set forth in the Power Purchase Agreement which are based on the estimated costs of machineries, equipment, tools and consumables used for maintenance and servicing of facilities, as well as labor costs, and other related expenses and overheads for the production of the electricity.
- (3) As regards *the Camp Management Contract*: the designated schedule of rates as set forth in the Camp Management Contract which are based on the prevailing market rates in respect of the camp management, facilities rent, catering, laundry and maintenance services and the related labor costs.
- (4) As regards *the Service Agreement*: the prevailing market rates and labor costs in respect of geological management services.

Internal Control

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

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Agreements were entered into before the date of the Closing. With the stable business relationship between the Investee and each of MCS Property LLC, MCS International LLC, Monrud LLC and ERD, each of such service providers are familiar with the business needs, standards of quality and operation requirements of the Investee. When compared to the price and terms offered by Independent Third Parties for similar related services, the prices and terms of the Agreements are fair and reasonable, and are comparable to or better than those offered by Independent Third Parties.

Directors' Views

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

LISTING RULES IMPLICATIONS

Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules, including publication of an announcement and annual reporting in respect of the continuing connected transactions under the Agreements. The Company will further comply with all applicable reporting, disclosure and, if applicable, independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Agreements.

INFORMATION OF THE PARTIES OF THE AGREEMENTS

The Company

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

The Investee

The Investee is engaged in the exploration of gold and other precious metals in Mongolia. Following the Closing, the Investee has become a subsidiary of the Company, and is owned as to 50% by the Group and 50% by ERD.

MCS Property LLC

MCS Property LLC is engaged in property development, as well as full-scale construction project management for construction engineering, construction design and consulting service. MCS Property LLC is a subsidiary of MCS Mongolia LLC, a substantial shareholder of the Company. Accordingly, MCS Property LLC, being an associate of MCS Mongolia LLC, is a connected person of the Company at the issuer level.

MCS International LLC

MCS International LLC is engaged in the project management, design, engineering, operation and maintenance of power plant, electricity and thermal energy distribution facilities, and supply of electricity and thermal energy. MCS International LLC is a subsidiary of MCS Mongolia LLC, a substantial shareholder of the Company. Accordingly, MCS International LLC, being an associate of MCS Mongolia LLC, is a connected person of the Company at the issuer level.

Monrud LLC

Monrud LLC is engaged in full-service logistics and life support management specializing in remote service locations across Mongolia. Monrud LLC is an associate of a chief executive officer of the Investee (a subsidiary of the Company as at the date of this announcement), and accordingly, it is a connected person of the Company at the subsidiary level.

ERD

ERD was established under the federal laws of Canada and its common shares are publicly traded on the Toronto Stock Exchange and Mongolian Stock Exchange (Toronto Stock Exchange Symbol: ERD and Mongolian Stock Exchange Symbol: ERDN). ERD principally engages in the exploration and development of mineral deposits primarily in Mongolia. As ERD is a substantial shareholder of the Investee (a subsidiary of the Company as at the date of this announcement), and accordingly, it is a connected person of the Company at the subsidiary level.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, based on public information in relation to ERD, its largest shareholder was 2176423 Ontario Ltd., a corporation which is beneficially owned by Mr. Eric Sprott, who owns and controls 61,225,488 shares and 9,598,827 warrants, which represent approximately 17.8% of the issued and outstanding shares of ERD on a non-diluted basis and approximately 20.0% of the issued and outstanding shares of ERD on a partially diluted basis assuming full exercise of such warrants. Mr. Eric Sprott is a Canadian investor, known for his successful investments in the gold and precious metals sector.

DEFINITIONS

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

“Agreements”	collectively, the EPC Contract, the Power Purchase Agreement, the Camp Management Contract, and the Service Agreement, being the four agreements entered into between the Investee and each of MCS Property LLC, MCS International LLC, Monrud LLC and ERD, respectively, the details of which are set out in the section headed “ <i>Continuing Connected Transactions Pursuant to Rule 14A.60(1) of the Listing Rules</i> ” in this announcement
“Camp Management Contract”	has meaning ascribed to it in the section headed “ <i>Continuing Connected Transactions Pursuant to Rule 14A.60(1) of the Listing Rules</i> ” in this announcement
“Closing”	the closing of the Investment Agreement dated January 10, 2023, after which, the Investee has become a subsidiary of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“EPC Contract”	has meaning ascribed to it in the section headed “ <i>Continuing Connected Transactions Pursuant to Rule 14A.60(1) of the Listing Rules</i> ” in this announcement
“Independent Third Parties”	an individual(s) or a company(ies) who or which is/are not connected person(s) of the Company within the meaning of the Listing Rules
“Investee”	Erdene Mongol LLC, which is a subsidiary of the Company as at the date of this announcement
“Power Purchase Agreement”	has meaning ascribed to it in the section headed “ <i>Continuing Connected Transactions Pursuant to Rule 14A.60(1) of the Listing Rules</i> ” in this announcement

“Previous Announcements” collectively, the announcements of the Company dated 11 January 2023 and 25 January 2024 in relation to, *inter alia*, the Company’s subscription of the Subscribed Securities in the Investee for an aggregate consideration of US\$40 million, and the Closing, respectively

“Service Agreement” has meaning ascribed to it in the section headed “*Continuing Connected Transactions Pursuant to Rule 14A.60(1) of the Listing Rules*” in this announcement

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

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

Hong Kong, 26 January 2024

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