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## **MONGOLIAN MINING CORPORATION**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 975)**

### **CONTINUING CONNECTED TRANSACTIONS ON ELECTRICITY DISTRIBUTION, SUPPLY AND OPERATIONS AND MAINTENANCE OF FACILITIES**

Reference is made to (i) the announcement of the Company dated 26 January 2024 (the “**Announcement**”) published pursuant to Rule 14A.60(1) of the Listing Rules in relation to, among others, the continuing connected transaction of the Group constituted under the EM Power Purchase Agreement; and (ii) the announcement of the Company dated 27 January 2021 in relation to the continuing connected transactions constituted under the 2021 Power System Operation and Maintenance Agreement and the 2021 Power Distribution Facilities Operation and Maintenance Agreement.

#### **THE EM POWER PURCHASE AGREEMENT**

As disclosed in the Announcement, the EM Power Purchase Agreement was entered into between EM and MCS International on 27 October 2023, whereby MCS International has agreed to supply, install, operate and maintain a power solution for the Bayan Khundii project of EM, and to provide a minimum 92% power availability at a minimum of 4.4MW, measured over any 12 months period, starting from 27 October 2023 to 31 August 2031. The total payment for these services is approximately US\$48,407,981, with the maximum annual payment being approximately US\$10,124,400, as stated in the Announcement. For further details of the EM Power Purchase Agreement, please refer to the Announcement.

#### **THE ENERGY RESOURCES POWER SYSTEM AGREEMENT AND THE KHANGAD EXPLORATION POWER DISTRIBUTION FACILITIES AGREEMENT**

As disclosed in the announcement of the Company dated 27 January 2021, the 2021 Power System Operation and Maintenance Agreement and the 2021 Power Distribution Facilities Operation and Maintenance Agreement shall expire on 31 March 2024. On 28 March 2024, the following agreements have been entered into:

- (1) The Energy Resources Power System Agreement between Energy Resources, an indirect wholly-owned subsidiary of the Company, and MCS International, whereby MCS International agreed to provide services including (i) UHG Power Plant and electricity distribution facilities operation and maintenance; (ii) heating facilities operation and maintenance; (iii) diesel generators operation and maintenance; and (iv) supply of electricity and heating to end customers and billing for the consumption to Energy Resources and its subsidiaries from 1 April 2024 to 31 March 2027, for a total consideration of up to MNT153,615,430,337 (equivalent to approximately US\$45,498,293); and

- (2) The Khangad Exploration Power Distribution Facilities Agreement between Khangad Exploration, an indirect wholly-owned subsidiary of the Company, and MCS International, whereby MCS International agreed to provide power distribution facilities operation and maintenance services to Khangad Exploration from 1 April 2024 to 31 March 2027, for a total consideration of up to MNT9,069,023,997 (equivalent to approximately US\$2,686,092).

The Power Agreements (inclusive of the EM Power Purchase Agreement) have been aggregated under the Listing Rules on the basis that they all relate to the operation and maintenance of facilities and distribution and/or supply of electricity by MCS International to the Group.

### **LISTING RULES IMPLICATIONS**

MCS International is a wholly-owned subsidiary of MCS Holding LLC which is in turn wholly-owned and controlled by MCS Mongolia LLC, which directly owns a 100% shareholding interest in MCS Mining Group, a substantial Shareholder holding approximately 31.03% of the issued share capital of the Company as at the date of this announcement. As such, MCS International is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the Power Agreements (which include (i) the Energy Resources Power System Agreement; (ii) the Khangad Exploration Power Distribution Facilities Agreement; and (iii) the EM Power Purchase Agreement) constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio for the annual caps for the continuing connected transactions contemplated under the Power Agreements (on an aggregated basis) is expected to exceed 0.1% but less than 5%, the transactions contemplated under the Power Agreements are subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **BACKGROUND**

Reference is made to (i) the Announcement published on 26 January 2024 pursuant to Rule 14A.60(1) of the Listing Rules in relation to, among others, the continuing connected transaction of the Group constituted under the EM Power Purchase Agreement; and (ii) the announcement of the Company dated 27 January 2021 in relation to the continuing connected transactions constituted under the 2021 Power System Operation and Maintenance Agreement and the 2021 Power Distribution Facilities Operation and Maintenance Agreement.

### **THE EM POWER PURCHASE AGREEMENT**

As disclosed in the Announcement, the EM Power Purchase Agreement was entered into between EM and MCS International on 27 October 2023, whereby MCS International has agreed to supply, install, operate and maintain a power solution for the Bayan Khundii project of EM, and to provide a minimum 92% power availability with at a minimum of 4.4MW, measured over any 12 months period, commencing from 27 October 2023 to 31 August 2031. The total payment for these services is approximately US\$48,407,981, with the maximum annual payment being approximately US\$10,124,400, as stated in the Announcement. For further details of the EM Power Purchase Agreement, please refer to the Announcement.

## **THE ENERGY RESOURCES POWER SYSTEM AGREEMENT AND THE KHANGAD EXPLORATION POWER DISTRIBUTION FACILITIES AGREEMENT**

As disclosed in the announcement of the Company dated 27 January 2021, the 2021 Power System Operation and Maintenance Agreement and the 2021 Power Distribution Facilities Operation and Maintenance Agreement shall expire on 31 March 2024. On 28 March 2024, the Group has entered into (1) the Energy Resources Power System Agreement between Energy Resources, an indirect wholly-owned subsidiary of the Company, and MCS International, whereby MCS International agreed to provide services including (i) UHG Power Plant and electricity distribution facilities operation and maintenance; (ii) heating facilities operation and maintenance; (iii) diesel generators operation and maintenance; and (iv) supply of electricity and heating to end customers and billing for the consumption to Energy Resources and its subsidiaries from 1 April 2024 to 31 March 2027, for a total consideration of up to MNT153,615,430,337 (equivalent to approximately US\$45,498,293); and (2) the Khangad Exploration Power Distribution Facilities Agreement between Khangad Exploration, an indirect wholly-owned subsidiary of the Company, and MCS International, whereby MCS International agreed to provide power distribution facilities operation and maintenance services to Khangad Exploration from 1 April 2024 to 31 March 2027, for a total consideration of up to MNT9,069,023,997 (equivalent to approximately US\$2,686,092). Further details of the Energy Resources Power System Agreement and the Khangad Exploration Power Distribution Facilities Agreement are set out below.

### **ENERGY RESOURCES POWER SYSTEM AGREEMENT**

#### **Date:**

28 March 2024

#### **Parties:**

Energy Resources as Employer

MCS International as Contractor

#### **Principal terms:**

In broad terms, MCS International agreed to provide the following services to Energy Resources and its subsidiaries during the term of the Energy Resources Power System Agreement:

- UHG Power Plant and electricity distribution facilities operation and maintenance;
- heating facilities operation and maintenance;
- diesel generators operation and maintenance; and
- supply of electricity and heating to end customers and billing for the consumption.

The terms and conditions of the Energy Resources Power System Agreement are similar to those provided under the 2021 Power System Operation and Maintenance Agreement with slight modifications to the description of the scope of services provided by MCS International to Energy Resources and its subsidiaries, which granted the Contractor rights concerning the billing and collection of tariffs for the electricity supplied, extending to third party in addition to the CEGS. Within the modified description, the Contractor will have the right to sell excess electricity to the third party if the electricity supply has fully met the power demand of the Employer and its subsidiaries. In instances where the excess electricity is supplied to the third party and/or CEGS, the Contractor is obliged to comply with the applicable laws and regulations and will have the right to receive payments for the electricity supplied to its account directly. If the net electricity supplied to CEGS exceeds zero, any resulting revenue shall be deducted from fixed costs payable by the Employer, as specified in the terms of the Energy Resources Power System Agreement.

Additionally, a provision related to the price adjustment has been added to the Energy Resources Power System Agreement. In the event that the accumulated CPI rate changes by 10% or more compared to the rate at the Energy Resources Power System Agreement's signing date, the Employer shall adjust prices to account for fluctuations in the Contractor's costs, based on an agreed CPI rate. Further adjustments shall be made for subsequent CPI rate increases of 10% or more.

Furthermore, in addition to the existing provision for full suspension, a new provision for partial suspension has been added and it allows for partial suspension if only one module of CHPP is operated by the Employer, provided advance notice is issued to the Contractor.

Despite the modifications in the description of the scope of services under the Energy Resources Power System Agreement, the actual scope of services to be provided by MCS International to Energy Resources and its subsidiaries under the Energy Resources Power System Agreement is essentially the same as those set out in the 2021 Power System Operation and Maintenance Agreement.

**Consideration:**

The total consideration payable by Energy Resources and its subsidiaries to MCS International under the Energy Resources Power System Agreement, which equals to the sum of the annual caps for the three years ending 31 March 2027, is MNT153,615,430,337 (equivalent to approximately US\$45,498,293), including VAT, other applicable taxes and all other costs to be incurred by MCS International in providing the services as set out in the Energy Resources Power System Agreement. The monthly fee consists of variable and fixed charges where fixed charge is determined taking into account fixed costs to be incurred by MCS International such as costs of machineries, equipment, tools and consumables used for maintenance and servicing of facilities, labor costs including salary, transportation, insurance, safety, accommodation and catering for personnel of MCS International, other work related direct expenses, overheads to cover indirect expenses, and a profit margin; whereas variable portion of the monthly fee is determined based on agreed electricity tariff applicable for the electricity produced and covers variable costs related to the production of the electricity such as consumables, chemicals, diesel for internal usage of the power plant, costs of running machineries and equipment, etc. The costs, electricity tariff and profit margin applicable to the services were determined on an arm's length basis between the Group and MCS International, taking into account fixed and variable costs to be incurred by MCS International and the historical transaction amounts for the transactions under the 2021 Power System Operation and Maintenance Agreement.

Energy Resources and its subsidiaries shall be responsible for the costs of the supplies of fuel, water, coal, spare parts, machineries, materials, lubricants and equipment mechanism and other supplies required for the operation and overhaul of the Facilities in relation to the performance of services to be provided by MCS International under the Energy Resources Power System Agreement as well as property insurance, immovable property taxes and depreciation.

**Payment terms:**

The monthly fee will be paid in MNT by Energy Resources and its subsidiaries on a monthly basis within 60 days upon receipt of valid invoice from MCS International.

**Historical transaction amount:**

Under the 2021 Power System Operation and Maintenance Agreement, annual caps for the three financial years ended 31 December 2023 were MNT20,375,397,076, MNT27,167,196,102 and MNT27,167,196,102 (then equivalent to approximately US\$7,150,391, US\$9,533,855 and US\$9,533,855) respectively. Transaction amounts (excluding VAT) incurred under the 2021 Power System Operation and Maintenance Agreement for the three financial years ended 31 December 2023 were approximately US\$5,792,940, US\$7,746,021 and US\$7,110,307 respectively.

**Annual caps:**

The following table sets out the annual caps for the Energy Resources Power System Agreement with MCS International during the term thereof from 1 April 2024 to 31 March 2027 for the four financial years ending 31 December 2027:

<b>Financial year ending</b>	<b>Annual caps</b>	<b>Period covered</b>
31 December 2024	MNT38,403,857,584 (equivalent to approximately US\$11,374,573)	9 months from 1 April 2024 to 31 December 2024
31 December 2025	MNT51,205,143,446 (equivalent to approximately US\$15,166,098)	12 months from 1 January 2025 to 31 December 2025
31 December 2026	MNT51,205,143,446 (equivalent to approximately US\$15,166,098)	12 months from 1 January 2026 to 31 December 2026
31 December 2027	MNT12,801,285,861 (equivalent to approximately US\$3,791,524)	3 months from 1 January 2027 to 31 March 2027

The annual caps were determined after taking into account (i) historical transaction amounts incurred for the fixed and variable charges as described above; (ii) the negotiated energy tariff; (iii) anticipated electricity production volume; (iv) projected increase in employee numbers and overall salary growth in the energy sector; (v) VAT and other taxes; (vi) inflation rate, exchange rate and cost of materials; and (vii) contingencies that would be applicable and payable for the services provided by MCS International under the Energy Resources Power System Agreement.

**Term of the Energy Resources Power System Agreement with MCS International:**

The Energy Resources Power System Agreement with MCS International will be effective from 1 April 2024 to 31 March 2027.

**Reasons for the transaction:**

The 2021 Power System Operation and Maintenance Agreement between MCS International and Energy Resources is expiring on 31 March 2024. Due to the importance of the continuity of the services, the Company conducted a new contractor selection and contract negotiation process in February 2024.

In accordance with the Law on Energy of Mongolia, only entities that hold special licenses granted by the relevant state agencies of Mongolia can undertake power generation, distribution and supply operations in Mongolia. The Company sent invitations for expressions of interest to operate and maintain the power generation, transmission and distribution facilities at the UHG site consisting of the UHG Power Plant, overhead distribution lines, heat boilers, heat distribution lines, and diesel generators to four service providers (namely, Thermal Power Plant 3, Thermal Power Plant 4, Dornod Region Power System and MCS International) that hold the required licenses and have the relevant expertise. Out of these four invitees, three are independent service providers except for MCS International. Only MCS International, the current contractor, has expressed interest in providing such services. Other invitees cited reasons such as state ownership, restrictions on conducting business activities and capacity constraints for labor and financial resources.

As MCS International is the only company that expressed interest and qualified in providing the requested services, and given its experience and its performance under the 2021 Power System Operation and Maintenance Agreement, the Company negotiated the Energy Resources Power System Agreement with MCS International.

## **KHANGAD EXPLORATION POWER DISTRIBUTION FACILITIES AGREEMENT**

### **Date:**

28 March 2024

### **Parties:**

Khangad Exploration as Employer

MCS International as Contractor

### **Principal terms:**

In broad terms, MCS International agreed to provide the power distribution facilities operation and maintenance services to Khangad Exploration regarding the 35 kV of electricity distribution overhead line and 35/0.4 kV of four substations which connect the Company's BN mine site to the UHG mine site continuing approximately 39.3 km of destination, during the term of the Khangad Exploration Power Distribution Facilities Agreement.

The terms and conditions of the Khangad Exploration Power Distribution Facilities Agreement are similar to the 2021 Power Distribution Facilities Operation and Maintenance Agreement between MCS International and Khangad Exploration, except that a provision related to price adjustment has been added. This provision states that in the event the accumulated CPI rate changes by 10% or more compared to the rate at the Khangad Exploration Power Distribution Facilities Agreement's signing date, the Employer shall adjust prices to account for fluctuations in the Contractor's costs, based on an agreed CPI rate. Further adjustments shall be made for subsequent CPI rate increases of 10% or more.

**Consideration:**

The total consideration payable by Khangad Exploration to MCS International under the Khangad Exploration Power Distribution Facilities Agreement, which equals to the sum of the annual caps for the three years ending 31 March 2027, is MNT9,069,023,997 (equivalent to approximately US\$2,686,092), including VAT, other applicable taxes and all other costs to be incurred by MCS International in providing the services as set out in the Khangad Exploration Power Distribution Facilities Agreement. The monthly fee consists of fixed charges where fixed charge is determined taking into account fixed costs to be incurred by MCS International such as costs of machineries, equipment, tools and consumables used for maintenance and servicing of facilities, labor costs including salary, transportation, insurance, safety, accommodation and catering for personnel of MCS International, other work related direct expenses, overheads to cover indirect expenses, and a profit margin. The costs and profit margin applicable to the services were determined on an arm's length basis between the Group and MCS International, taking into account fixed and variable costs to be incurred by MCS International and the historical transaction amounts for the transactions under the 2021 Power Distribution Facilities Operation and Maintenance Agreement.

Khangad Exploration shall be responsible for the costs of the supplies of fuel for diesel generators, spare parts, machineries, materials, lubricants and equipment mechanism and other supplies required for the operation and overhaul of the power and electricity network and substations owned by Khangad Exploration in relation to the performance of services to be provided by MCS International under the Khangad Exploration Power Distribution Facilities Agreement as well as property insurance, immovable property taxes and depreciation.

**Payment terms:**

The monthly fee will be paid in MNT by Khangad Exploration on a monthly basis within 60 days upon receipt of valid invoice from MCS International.

**Historical transaction amount:**

Under the 2021 Power Distribution Facilities Operation and Maintenance Agreement, annual caps for the three financial years ended 31 December 2023 were MNT1,203,434,912, MNT1,604,579,882 and MNT1,604,579,882 (then equivalent to approximately US\$422,325, US\$563,099 and US\$563,099) respectively. Transaction amounts (excluding VAT) incurred under the 2021 Power Distribution Facilities Operation and Maintenance Agreement for the three financial years ended 31 December 2023 were approximately US\$145,905, US\$198,350 and US\$348,966 respectively.

**Annual caps:**

The following table sets out the annual caps for the Khangad Exploration Power Distribution Facilities Agreement with MCS International during the term thereof from 1 April 2024 to 31 March 2027 for the four financial years ending 31 December 2027:

<b>Financial year ending</b>	<b>Annual caps</b>	<b>Period covered</b>
31 December 2024	MNT2,267,255,999 (equivalent to approximately US\$671,523)	9 months from 1 April 2024 to 31 December 2024

<b>Financial year ending</b>	<b>Annual caps</b>	<b>Period covered</b>
31 December 2025	MNT3,023,007,999 (equivalent to approximately US\$895,364)	12 months from 1 January 2025 to 31 December 2025
31 December 2026	MNT3,023,007,999 (equivalent to approximately US\$895,364)	12 months from 1 January 2026 to 31 December 2026
31 December 2027	MNT755,752,000 (equivalent to approximately US\$223,841)	3 months from 1 January 2027 to 31 March 2027

The annual caps were determined after taking into account (i) historical transaction amounts incurred for the fixed and variable charges as described above; (ii) the negotiated energy tariff; (iii) anticipated electricity production volume; (iv) projected increase in employee numbers and overall salary growth in the energy sector; (v) VAT and other taxes; (vi) inflation rate, exchange rate and cost of materials; and (vii) contingencies that would be applicable and payable for the services provided by MCS International under the Khangad Exploration Power Distribution Facilities Agreement.

**Term of the Khangad Exploration Power Distribution Facilities Agreement with MCS International:**

The Khangad Exploration Power Distribution Facilities Agreement with MCS International will be effective from 1 April 2024 to 31 March 2027.

**Reasons for the transaction:**

The 2021 Power Distribution Facilities Operation and Maintenance Agreement between MCS International and Khangad Exploration is expiring on 31 March 2024. Due to the importance of the continuity of the services, the Company conducted a new contractor selection and contract negotiation process in February 2024.

In accordance with the Law on Energy of Mongolia, only entities that hold special licenses granted by the relevant state agencies of Mongolia can undertake power generation, distribution and supply operations in Mongolia. The Company sent invitations for expressions of interest to operate and maintain the power generation, transmission and distribution facilities at the UHG site consisting of the UHG Power Plant, overhead distribution lines, heat boilers, heat distribution lines, and diesel generators to four service providers (namely, Thermal Power Plant 3, Thermal Power Plant 4, Dornod Region Power System and MCS International) that hold the required licenses and have the relevant expertise. Out of these four invitees, three are independent service providers except for MCS International. Only MCS International, the current contractor, has expressed interest in providing such services. Other invitees cited reasons such as state ownership, restrictions on conducting business activities and capacity constraints for labor and financial resources.

As MCS International is the only company that expressed interest and qualified in providing the requested services, and given its experience and its performance under the 2021 Power Distribution Facilities Operation and Maintenance Agreement, the Company negotiated the Khangad Exploration Power Distribution Facilities Agreement with MCS International.

## INFORMATION ON THE GROUP

The Company is principally engaged in open-pit mining and sale of coking coal in Mongolia, as well as the transportation, export and sale of resulting premium products into China.

## INFORMATION ON THE CONTRACTOR

MCS International, a wholly-owned subsidiary of MCS Holding LLC, is principally engaged in project management, design, engineering, operation and maintenance of power plant, electricity and thermal energy distribution facilities, and supply of electricity and thermal energy.

## LISTING RULES IMPLICATIONS

MCS International is a wholly-owned subsidiary of MCS Holding LLC which is in turn wholly-owned and controlled by MCS Mongolia LLC. MCS Mongolia LLC directly owns a 100% shareholding interest in MCS Mining Group, a substantial Shareholder holding approximately 31.03% of the issued share capital of the Company as at the date of this announcement. Mr. Odjargal Jambaljamts and Mr. Od Jambaljamts hold approximately 58.02% and 30.58% respectively in MCS Mongolia LLC. As such, MCS International is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the Power Agreements (which include (i) the Energy Resources Power System Agreement; (ii) the Khangad Exploration Power Distribution Facilities Agreement; and (iii) the EM Power Purchase Agreement) constitute continuing connected transactions of the Company.

The Power Agreements have been aggregated under the Listing Rules on the basis that they all relate to the operation and maintenance of facilities and distribution and/or supply of electricity by MCS International to the Group. For illustrative purposes, the annual caps of (i) the Energy Resources Power System Agreement; (ii) the Khangad Exploration Power Distribution Facilities Agreement; and (iii) the EM Power Purchase Agreement are as follows:

	Financial year ending 31 December 2024	Financial year ending 31 December 2025	Financial year ending 31 December 2026	Financial year ending 31 December 2027
Annual caps				
Energy Resources Power System Agreement	MNT38,403,857,584 (equivalent to approximately US\$11,374,573) for the 9 months from 1 April 2024 to 31 December 2024	MNT51,205,143,446 (equivalent to approximately US\$15,166,098)	MNT51,205,143,446 (equivalent to approximately US\$15,166,098)	MNT12,801,285,861 (equivalent to approximately US\$3,791,524) for the 3 months from 1 January 2027 to 31 March 2027
Khangad Exploration Power Distribution Facilities Agreement	MNT2,267,255,999 (equivalent to approximately US\$671,523) for the 9 months from 1 April 2024 to 31 December 2024	MNT3,023,007,999 (equivalent to approximately US\$895,364)	MNT3,023,007,999 (equivalent to approximately US\$895,364)	MNT755,752,000 (equivalent to approximately US\$223,841) for the 3 months from 1 January 2027 to 31 March 2027
EM Power Purchase Agreement	US\$10,124,400 (Note)	US\$10,124,400 (Note)	US\$10,124,400 (Note)	US\$10,124,400 (Note)

	Financial year ending 31 December 2024	Financial year ending 31 December 2025	Financial year ending 31 December 2026	Financial year ending 31 December 2027
Annual caps				
Aggregate annual caps of the Power Agreements	US\$22,170,496	US\$26,185,862	US\$26,185,862	US\$14,139,765

*Note:* Represents the maximum annual payment for the relevant period, subject to actual utilisation and progress of the Bayan Khundii project of EM as disclosed in the Announcement.

As the highest percentage ratio for the annual caps for the continuing connected transactions contemplated under the Power Agreements (on an aggregated basis) is expected to exceed 0.1% but less than 5%, the transactions contemplated under the Power Agreements are subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Each of Mr. Odjargal Jambaljamts, Mr. Od Jambaljamts, Ms. Enkhtuvshin Gombo, all being Directors and also directors of MCS Mining Group, as well as Mr. Myagmarjav Ganbyamba, being a Director and a director of MCS International, has material interests in the transactions contemplated under the Energy Resources Power System Agreement and the Khangad Exploration Power Distribution Facilities Agreement, consequently, they have abstained from voting on the relevant resolutions of the Board in relation to the approval of the relevant annual caps under the Energy Resources Power System Agreement and the Khangad Exploration Power Distribution Facilities Agreement.

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions contemplated under the Energy Resources Power System Agreement and the Khangad Exploration Power Distribution Facilities Agreement are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group and on terms that are fair and reasonable. The continuing connected transactions contemplated under the Energy Resources Power System Agreement and the Khangad Exploration Power Distribution Facilities Agreement are in the interests of the Company and its Shareholders as a whole. In addition, the Directors (including the independent non-executive Directors) are of the view that the annual caps (on an aggregated basis) for the continuing connected transactions contemplated under the Power Agreements are fair and reasonable.

## **INTERNAL CONTROL MEASURES**

The Company has comprehensive internal control system to ensure that the terms of the continuing connected transactions are fair and reasonable, and the continuing connected transactions are conducted on normal commercial terms or better and in the ordinary course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Relevant internal control measures include strict measures for evaluation and selection of suppliers and the tendering process; regular monitoring of actual amounts incurred for the continuing connected transactions to ensure the relevant annual caps are not exceeded; 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.

## DEFINITIONS

“2021 Power Distribution Facilities Operation and Maintenance Agreement”	the Power Distribution Facilities Operation and Maintenance Agreement entered into between MCS International and Khangad Exploration on 27 January 2021 and will expire on 31 March 2024;
“2021 Power System Operation and Maintenance Agreement”	the Power System Operation and Maintenance Agreement entered into between MCS International and Energy Resources on 27 January 2021 and will expire on 31 March 2024;
“Announcement”	the announcement of the Company dated 26 January 2024 published pursuant to Rule 14A.60(1) of the Listing Rules in relation to, among others, the continuing connected transaction of the Group constituted under the EM Power Purchase Agreement;
“BN mine site”	the Group’s Baruun Naran coal deposit located in Umnugobi aimag in Mongolia;
“Board”	the board of Directors;
“CEGS”	Central Energy Grid System;
“CHPP”	Coal handling and preparation plant;
“Company”	Mongolian Mining Corporation (Stock code: 975), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“connected person”	has the same meaning ascribed to it under the Listing Rules;
“CPI”	Consumer Price Index;
“Director(s)”	director(s) of the Company;
“EM”	Erdene Mongol LLC, which is a non-wholly owned subsidiary of the Company as at the date of this announcement;
“EM Power Purchase Agreement”	the power purchase agreement dated 27 October 2023 entered into between EM and MCS International for a fixed term commencing from 27 October 2023 to 31 August 2031, and the total payment during the term of such agreement is expected to be approximately US\$48,407,981 (with the maximum annual payment is expected to be approximately US\$10,124,400), as disclosed in the Announcement;
“Energy Resources”	Energy Resources LLC, a company incorporated in Mongolia with limited liability, is an indirect wholly-owned subsidiary of the Company;

“Energy Resources Power System Agreement”	the power system operation and maintenance agreement entered into between Energy Resources and MCS International on 28 March 2024 and has the meaning ascribed to it in the section headed “ <i>Energy Resources Power System Agreement</i> ” in this announcement;
“Facilities”	the UHG Power Plant, electricity distribution network, boiler houses, heating distribution network, and diesel generators owned by Energy Resources and its subsidiaries;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Khangad Exploration”	Khangad Exploration LLC, a company incorporated in Mongolia with limited liability, is an indirect wholly-owned subsidiary of the Company as at the date of this announcement;
“Khangad Exploration Power Distribution Facilities Agreement”	the power distribution facilities operation and maintenance agreement entered into between Khangad Exploration and MCS International on 28 March 2024 and has the meaning ascribed to it in the section headed “ <i>Khangad Exploration Power Distribution Facilities Agreement</i> ” in this announcement;
“km”	kilometers;
“kV”	kilovolts;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MCS International”	MCS International LLC, a company incorporated in Mongolia with limited liability, is a wholly-owned subsidiary of MCS Holding LLC;
“MCS Mining Group”	MCS Mining Group LLC, a company incorporated in Mongolia with limited liability, is a substantial Shareholder;
“MNT”	togrok or tugrik, the lawful currency of Mongolia;
“Power Agreements”	collectively, (i) the Energy Resources Power System Agreement; (ii) the Khangad Exploration Power Distribution Facilities Agreement; and (iii) the EM Power Purchase Agreement;
“Share(s)”	ordinary share(s) of US\$0.10 each in the share capital of the Company;
“Shareholder(s)”	the registered holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“UHG”	Ukhaa Khudag;
“UHG mine site”	the Group’s Ukhaa Khudag coal deposit located in the Tavan Tolgoi coalfield;
“UHG Power Plant”	18 megawatt power plant at UHG mine site;
“US\$”	United States Dollar, the lawful currency of the United States of America;
“VAT”	value added tax;
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of US\$1.00=MNT3,376.29, has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

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

Hong Kong, 28 March 2024

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