MONGOLIAN MINING CORPORATION

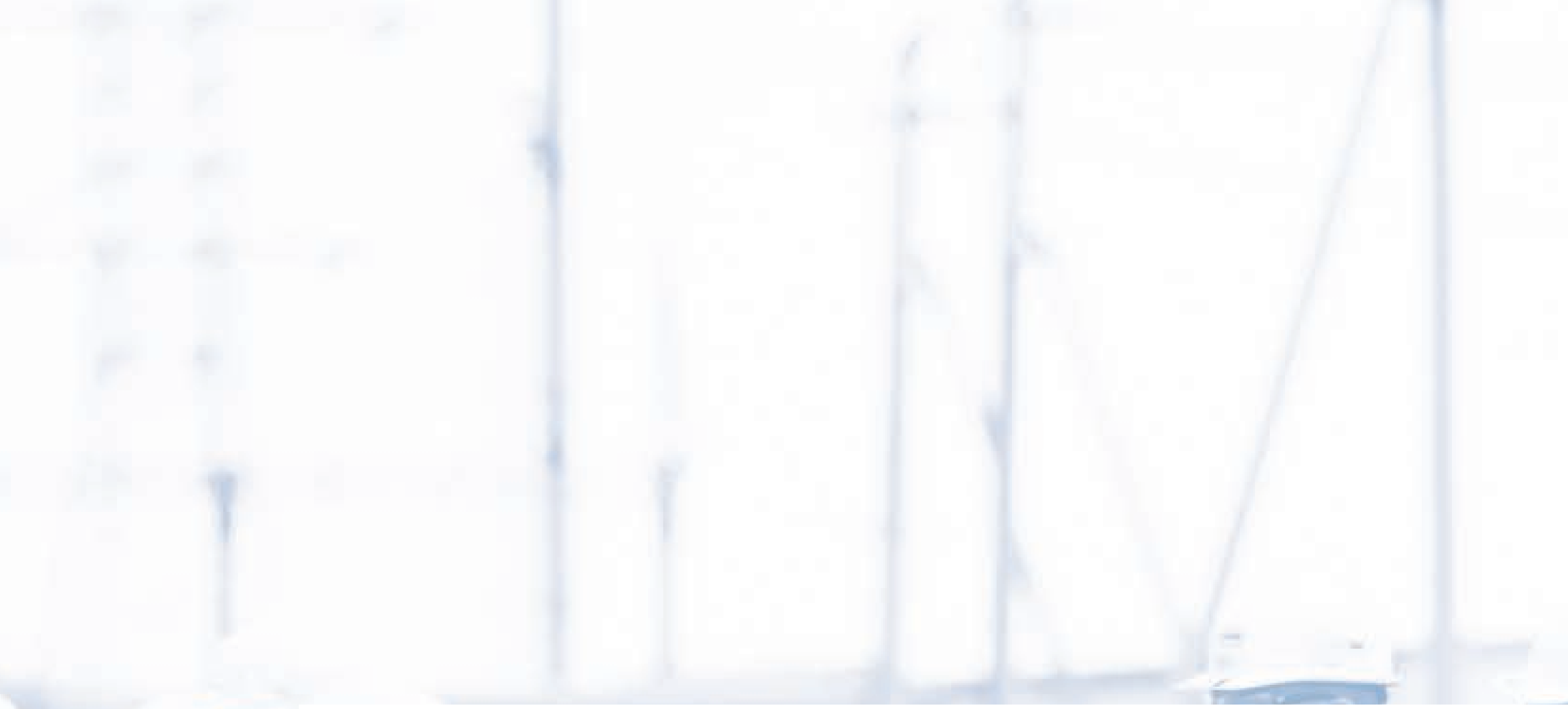
INTERIM REPORT

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

2020

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 VALUES 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 programs

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
Enkhtuvshin Dashtseren

Independent Non-Executive Directors

Khashchuluun Chuluundorj
Unenbat Jigjid
Chan Tze Ching, Ignatius

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MONGOLIA

16th Floor, Central Tower
Sukhbaatar District
Ulaanbaatar 14200
Mongolia

COMPANY SECRETARY

Cheung Yuet Fan

INDEPENDENT AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered
in accordance with the Financial Reporting
Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

AUTHORISED REPRESENTATIVES

Battsengel Gotov
Cheung Yuet Fan

LEGAL ADVISERS

Davis Polk & Wardwell
8th Floor, The Hong Kong Club Building
3A Chater Road, Hong Kong

Snow Hill Consultancy LLP
6th Floor, Democracy Palace
Genden Street 16
Sukhbaatar District
Ulaanbaatar 211213
Mongolia

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited *(Note)*
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands
Note: Formerly known as SMP Partners (Cayman) Limited, with the effective date of change of name from 4 September 2020

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

COMPANY WEBSITE

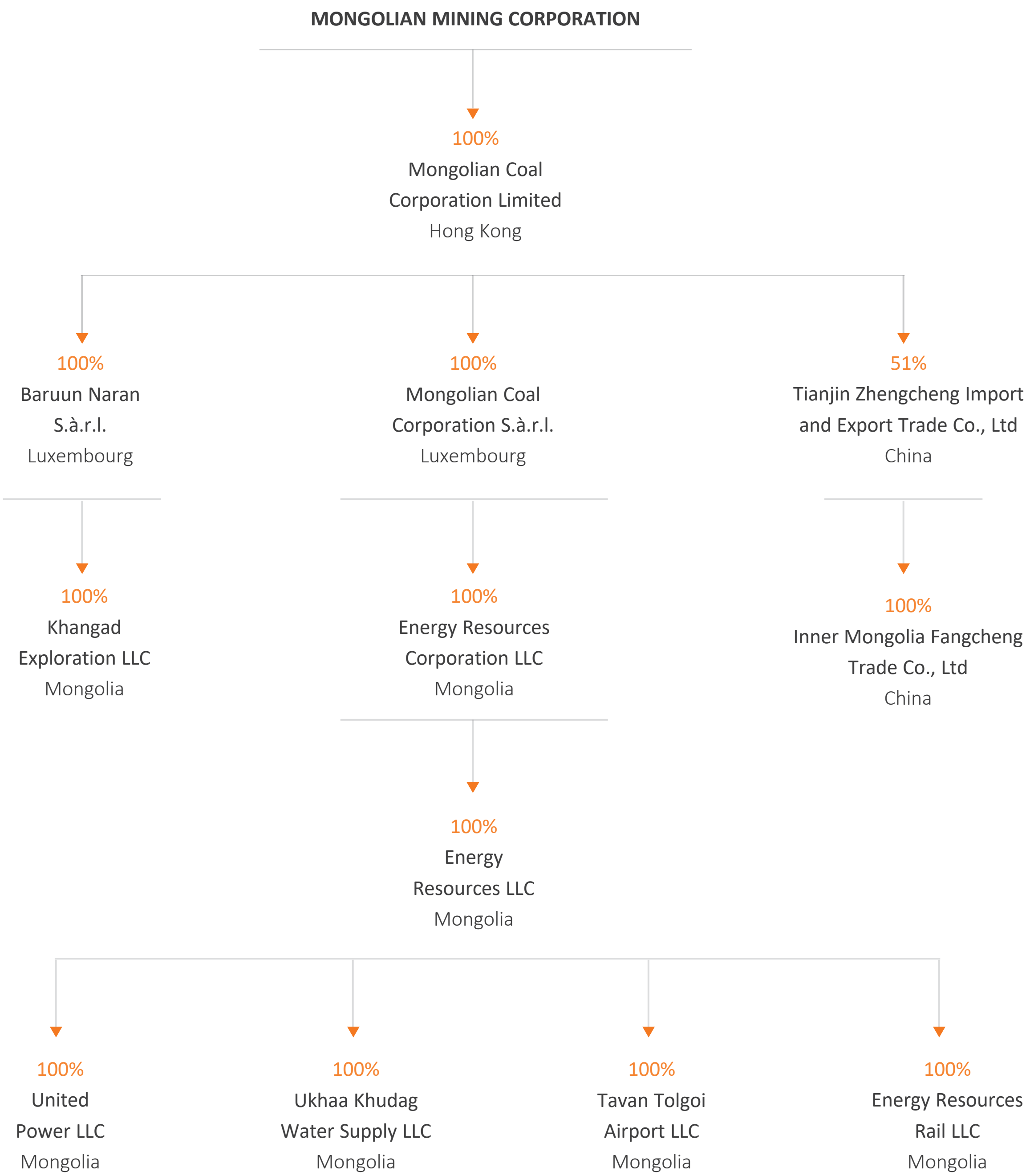
www.mmc.mn

STOCK CODE

975

GROUP STRUCTURE

(as at 30 June 2020)



MANAGEMENT DISCUSSION AND ANALYSIS

COVID-19 Pandemic and State Response

Since the outbreak of the novel coronavirus ("**COVID-19**") in January 2020, the Parliament of Mongolia ("**Parliament**"), the Government of Mongolia ("**GoM**") and State Emergency Commission ("**SEC**") have taken several precautionary measures, including legislative and economic measures, in a timely manner in the interest of public health and to take preventive measures against the spread of COVID-19 in the country.

On 31 January 2020, the GoM issued Resolution No. 39 and resolved to temporarily restrict all passenger movements incoming from China by all methods including, air and land transports for a period commencing from 1 February to 2 March 2020. On 12 February 2020, as part of the preventive measures against the spread of COVID-19, the GoM issued Resolution No. 62 under which it declared a state of emergency indicated at its highest level, initially for a period from 13 February through 2 March 2020. The threat level of COVID-19 and the state of emergency measures have been reviewed at the end of each month and has been extended monthly since late February. The latest decision for extension was made on 25 August 2020 and is currently extended until 15 September 2020. A series of preventive measures, including social distancing and border crossing special regulations, has been taken by relevant state authorities from time to time.

On 10 February 2020, the SEC suspended all coal exports through checkpoints bordering with China until 2 March 2020 as part of the broader measures undertaken to impose cross border travel limitations. The suspension was later extended until 23 March 2020 with coal export shipments through Gashuunsukhait-Ganqimaodu ("**GS-GM**") border crossing checkpoints resuming under stringent preventive and disinfection procedures as stipulated by the SEC. The procedures required all trucks passing through border crossing checkpoints to be disinfected, periodical health checks for drivers, as well as requirement for all truck drivers to be equipped with full protective gears. All trucks crossing the border from Mongolia to China are also required to return within the same day, while drivers are required to maintain social distancing, without leaving their cabins, when unloading their cargo.

On 9 April 2020, the Parliament approved Resolution No. 21 regarding Stimulus Package for Protecting Citizens' Health and Income, Preserving Jobs and Stimulating the Economy, which was followed by a series of respective laws, including the Law on Corporate Income Tax Exemption and Tax Credits, Law on Waiver from Tax Penalties and Fines, Law on Exemption from Personal Income Tax, Law on Exemption from Value Added Tax, Law on Exemption from Customs Duty, Law on Exemption from Social Insurance Contributions and Support from the Unemployment Fund, and Law on Waiver from Penalties and Fines on Employer Social Insurance Contribution, respectively adopted on the same date.

On 29 April 2020, the Parliament approved the Law on Prevention from and Fight Against Coronavirus (COVID-19) Pandemic and Mitigating its Social and Economic Impact. Under this law, the Government and relevant state authorities are authorised to undertake applicable actions to prevent the spread of the pandemic and mitigate its social and economic impacts in an effective manner.

INDUSTRY OVERVIEW

Chinese Steel, Coke and Coking Coal Sectors' Performance

Despite the global economic slowdown caused by the effects of COVID-19, the Chinese economy rebounded in the second quarter of 2020 and grew 3.2% from a year earlier. China's crude steel production reached 499.0 million tonnes ("**Mt**") in the first half of the year, an increase of 1.4% from the same period in 2019 according to the data released by the World Steel Association ("**WSA**"). The WSA expects Chinese steel demand to increase by 1.0% this year, notwithstanding the disruption to the industry during the first half of 2020. It was estimated by Shanxi Fenwei Energy Information Services Co., Ltd ("**Fenwei**") that the domestic apparent crude steel consumption increased by 4.0%, to 479.3 Mt in the first half of 2020, from 460.7 Mt in the first half of 2019. However, continued international trade tensions and global downturn led to a decrease of Chinese steel export to 28.7 Mt compared to 34.4 Mt from the corresponding period in 2019.

China Iron and Steel Association reported that in the first half of 2020, combined sales revenue of its members increased by 1.2% on a year-on-year basis reaching Renminbi ("**RMB**") 2.1 trillion, and posted a gross profit of RMB68.7 billion, a decline by 36.4% compared to the previous year.

The National Bureau of Statistics ("**NBS**") of China reported that coke production in China decreased by 2.2% to 228.7 Mt in the first half of 2020, while coke consumption increased by 1.7% to 230.3 Mt on year-on-year basis, according to Fenwei estimates. Coke exports from China decreased to 1.8 Mt in the first half of 2020 compared to 3.8 Mt exported in the first half of 2019.

China's coking coal consumption was 266.4 Mt in the first half of 2020, according to Fenwei, representing a 2.8% decrease from the same period in the previous year. Domestic coking coal production decreased to 229.3 Mt, year-on-year decline by 1.5%. According to NBS, the profit of coal mining and washing industry in China declined to RMB98.5 billion in the first half of 2020, down by a 31.2% year-on-year, while the operating cost of coal mining and washing industry was RMB654.7 billion, a 8.6% year-on-year decline during the same period.

Chinese coking coal imports increased by 5.0% year-on-year to 38.1 Mt, of which 7.3 Mt was imported from Mongolia, representing 56.3% year-on-year decline due to the limitations imposed by authorities tightening cross border movements. Such decrease in coking coal exports from Mongolia to China led to higher supply from Australia reaching 24.1 Mt, representing 65.1% year-on-year increase during the reporting period.

According to the data reported by the National Statistics Office of Mongolia, in the first half of 2020, Mongolia has exported 8.7 Mt of coal to China compared to 18.1 Mt exported during the same period in 2019, a 51.9% decrease year-on-year during the same period.

OPERATING ENVIRONMENT

Taxation Related Legislation

According to the Law on Waiver from Tax Penalties and Fines adopted on 9 April 2020, the applicable penalties for late payments shall be waived for taxpayers that fail to pay taxes due during a period from 1 February 2020 to 1 September 2020.

According to the Law on Corporate Income Tax Exemption and Tax Credits adopted on 9 April 2020, corporate entities with taxable income less than MNT1.5 billion as specified under Articles 18.2, 18.3, 18.4 and 18.5 of the Law on Corporate Income Tax in the previous tax year, who duly reported and complied with their obligations in accordance with Article 20.1 and 20.2.7 of the same law, shall be exempted from corporate income tax from 1 April 2020 to 1 October 2020.

According to the Law on Exemption from Social Insurance Contributions and Support from the Unemployment Fund adopted on 9 April 2020, legal entities that have been impacted by COVID-19, but preserved their job positions and reported social insurance contributions to relevant authorities, shall be exempted from social insurance contributions for a period from 1 April 2020 to 1 October 2020, except for the portion attributable for health insurance levied at a rate 2% of the salary income.

According to the Law on Exemption from Social Insurance Contributions and Support from the Unemployment Fund, all Mongolian citizens employed in private sector entities, whose (i) business was interrupted pursuant to decisions undertaken by authorities due to COVID-19 and/or (ii) sales revenues declined by 50 or more percent during February and March 2020 as compared to the same period in 2019, shall be granted a monthly allowance of MNT200,000 from the Unemployment Fund for a duration of three months from 1 April 2020 to 1 July 2020. The Group has duly transferred all allowances received from the Unemployment Fund to its employees as prescribed under the law.

Also, according to the Law on Waiver from Penalties and Fines on Employer Social Insurance Contribution, legal entities, excluding state owned entities, shall be subject to the waiver from penalties and fines to be imposed on overdue payments of social insurance contributions as per Clause 10.17 of the Law on Misdemeanors, if they have duly reported, but failed to pay the applicable social insurance contributions during 1 February 2020 to 1 April 2020.

In addition, pursuant to the Law on Exemption from Personal Income Tax adopted on 9 April 2020, any salary income that citizens of Mongolia have earned or would earn during the period from 1 April 2020 to 1 October 2020 shall be exempted from personal income taxes. Thus, during this period the Group has waived withholding the respective personal income tax from the wages of its employees, accordingly.

Political Environment

The parliamentary election of Mongolia was held on 24 June 2020 and the Mongolian People's Party clinched landslide victory, winning 62 seats out of 76 seats in the Parliament. The Democratic Party took 11 seats while the remaining 3 seats went to two political coalitions and an independent candidate, respectively.

Following the election results declared by the General Election Committee and officially presented to the President of Mongolia the first session of the newly elected Parliament was called on 30 June 2020 and Mr. Zandanshatar Gombojav was re-elected as the Speaker of the Parliament. On 2 July 2020, Mr. Khurelsukh Ukhnaa was re-appointed by the Parliament as the Prime Minister to lead the newly formed cabinet, consisting of 17 ministers.

BUSINESS OVERVIEW

Coal Resources and Exploration Activities

Ukhaa Khudag (UHG) deposit

The UHG deposit sits within the 2,960 hectare 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 acquiring the UHG mining license, the Group has prepared three JORC compliant Coal Resource estimates, the most recent of which is stated as at 31 December 2014, and four Coal Resource updates.

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). The last update stated as at 31 December 2019 was made only on the basis of revised surface topography, to account for depletion as a result of mining activity between 1 January 2019 to 31 December 2019, and no further exploration data was incorporated.

Exploration activities conducted in the process of preparing the three 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 2019, included:

- 1,556 individual boreholes drilled for 191,275 metres ("**m**"), including 104,369m of HQ-3 (63.1 millimetres ("**mm**") core, 96.0mm hole diameter) and 86,906m of 122mm diameter open hole drilling;
- 37,548 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.

The reported JORC compliant Coal Resource estimate figures are based upon an in-situ density, at an as-received moisture basis, and are summarised in Table 1. No further exploration activities have been conducted within the UHG mining license area in 2019 and only geotechnical drilling has been conducted in the northern part of the pit. Total geotechnical drilling was 241.5m and the result has been reported to the Group's mining planning team.

Internal peer audit of these latest structural and coal quality models was conducted by Mr. Gary Ballantine, employed by the Group at that time as Executive General Manager of Exploration and Geology. 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).

With updated surface topography being the only new information in preparation of the updated JORC Coal Resource estimate, and all other information and methodology remaining consistent with the previous JORC Coal Resource estimate, Appendix I of the Group's 2015 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 2019 (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**")	1	3	5	4	9
BHWE to 100m	55	22	16	77	93
From 100m to 200m	79	47	25	126	151
From 200m to 300m	90	64	21	154	175
From 300m to 400m	57	35	15	92	107
Below 400m	40	44	30	84	114
Sub-Total above 300m	225	136	67	361	428
Sub-Total below 300m	97	79	45	176	221
Total	**322**	**215**	**112**	**537**	**649**
Total (Rounded)	**320**	**210**	**110**	**540**	**650**

Notes:

(i) Technical information in the UHG Coal Resource estimation report has been compiled by Mr. Lkhagva-Ochir Said, Executive General Manager and Head of Mining and Processing, Mongolian Mining Corporation. Mr. Said is a member of the Australasian Institute of Mining and Metallurgy (Member #316005) 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. Said 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 2019, 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. Gary Ballantine was employed by the Group as Executive General Manager for Exploration and Geology at that time. Mr. Ballantine is a member of the Australasian Institute of Mining and Metallurgy (Member #109105) and has over 29 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 2015, the Group's geological team updated the JORC (2012) Coal Resource estimations as at 30 June 2015 for the BN and THG mining licenses. The estimation process applied more stringent requirements under the Australian Guidelines for the Estimation and Classification of Coal Resources (2014), as compared to the previous JORC (2012) Coal Resource estimates prepared by McElroy Bryan Geological Services Pty Ltd, stated as at 30 June 2012 and 30 April 2013 for the BN mining license and the THG mining license respectively. The last update stated for BN and Tsaikhar Khudag ("**THG**") as at 31 December 2019 was made only on the basis of revised surface topography, to account for depletion as a result of mining activity between 1 October 2017 to 31 December 2019, and no further exploration data was incorporated.

During 2018, 8,335.4m depth infill drilling was conducted at the BN deposit. The drilling focused on H pit mining boundary. A total of 3,766 samples were collected and tested, confirming the coal quality and coal seam structure. The drilling was not conducted for resource update purposes.

The Coal Resource stated as at 30 June 2015 incorporated additional exploration data gained from the exploration drilling program conducted in 2014. 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 2019:

- total of 92 exploration boreholes at BN, with a total of 28,540m drilled, of which 14,780m were HQ-3 9,640m PQ-3 (83.0 mm core, 122.6mm hole diameter) and 4,120m were 122 mm 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 PQ-3 and 460m were 122mm open boreholes;

- total of 8,720 (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. Gary Ballantine, the then Executive General Manager of Exploration and Geology. External peer review was provided by Mr. Todd Sercombe of GasCoal Pty Ltd. Mr. Brett Larkin from Geocheck Pty Ltd was also involved in external peer review, specifically with regard to the geostatistical analysis required to be prepared under the Australian Guidelines for the Estimation and Classification of Coal Resources (2014). These peer reviews confirmed compliance of the Group's work to update the Coal Resource estimations in compliance with requirements of the JORC Code (2012).

Summary of the updated Coal Resources statement as at 31 December 2019 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 2019 (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	9	2	1	11	12
BHWE to 100m	41	9	3	50	53
From 100m to 200m	62	11	5	73	78
From 200m to 300m	67	13	7	80	87
From 300m to 400m	70	16	9	86	95
Sub-Total above 300m	179	35	16	214	230
Sub-Total below 300m	70	16	9	86	95
Total	**249**	**51**	**25**	**300**	**325**
Total (Rounded)	**250**	**50**	**30**	**300**	**330**

Table 3. THG mining license JORC (2012) compliant Coal Resource update, by depth and category, as at 31 December 2019 (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	–	–	2	–	2
BHWE to 100m	–	–	14	–	14
From 100m to 200m	–	–	19	–	19
From 200m to 300m	–	–	19	–	19
From 300m to 400m	–	–	19	–	19
Sub-Total above 300m	–	–	54	–	54
Sub-Total below 300m	–	–	19	–	19
Total	**–**	**–**	**73**	**–**	**73**
Total (Rounded)	**–**	**–**	**70**	**–**	**70**

Notes:

(i) Technical information in the BN deposit Coal Resource estimation report has been compiled by Mr. Lkhagva-Ochir Said, Executive General Manager and Head of Mining and Processing, Mongolian Mining Corporation. Mr. Said is a member of the Australasian Institute of Mining and Metallurgy (Member #316005) 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. Said 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 2019, 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. Gary Ballantine was employed by the Group as Executive General Manager for Exploration and Geology at that time. Mr. Ballantine is a member of the Australasian Institute of Mining and Metallurgy (Member #109105) and has over 29 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 as at 1 January 2020 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. The last reserve statement was made on the basis of revised surface topography, to account for depletion as a result of mining activity between 1 January 2019 to 1 January 2020.

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. 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 life-of-mine ("**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 previously by Mr. John Trygstad of Norwest Corporation ("**Norwest**") 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 2020 based upon an as-received basis with 2.97% total moisture, are shown in Table 4.

Table 4. UHG mining license JORC (2012) Coal Reserve estimate, as at 1 January 2020 (Notes):

ROM Coal Reserve	**Reserve Category (Mt)**		
Coal Type	Proved	Probable	Total
Coking	184	116	300
Thermal	11	2	13
Total	**195**	**118**	**313**

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 Australasian Institute of Mining and Metallurgy (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 18 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 for the BN deposit was prepared by Glogex with the resulting statement dated 1 January 2020. 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 360 m 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;
- cost input assumptions based on stripping and blasting estimates derived from the current mining contractors;
- 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 4.5% total moisture. The last reserve statement was made on the basis of surface topography depletion due to mining activity between 1 January 2019 to 1 January 2020.

Table 5. BN mining license JORC (2012) Coal Reserve estimate, as at 1 January 2020 (Notes):

ROM Coal Reserve	**Reserve Category (Mt)**		
Coal Type	Proved	Probable	Total
Coking	162	12	174
Thermal	0	0	0
Total	**162**	**12**	**174**

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 Australasian Institute of Mining and Metallurgy (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 18 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

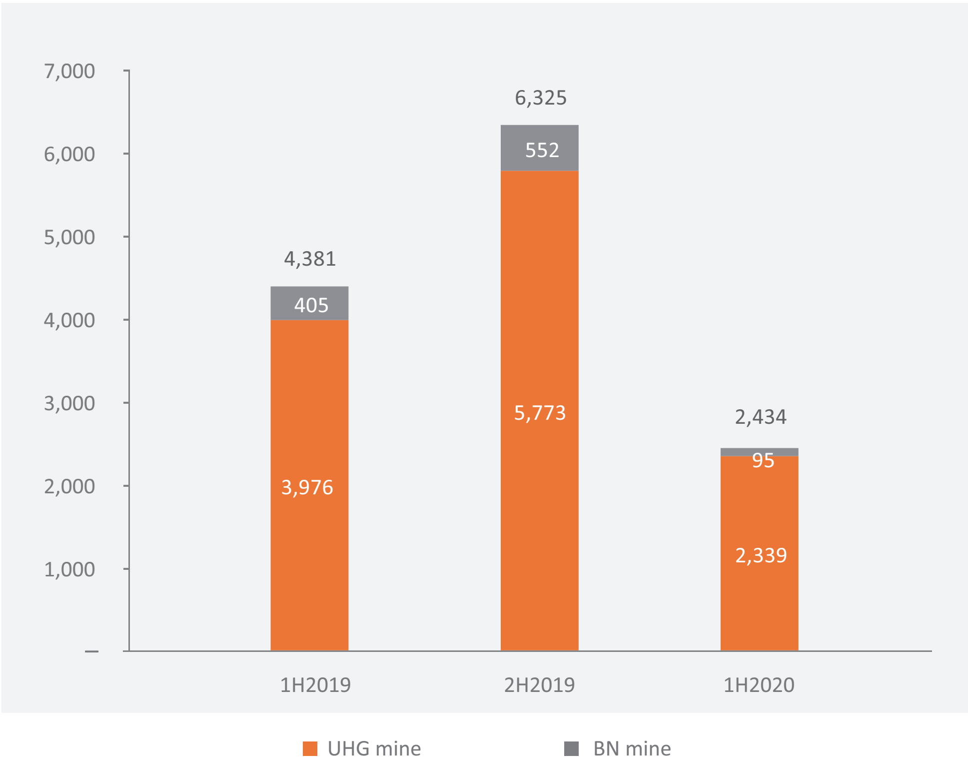
Coal Mining

The Group has adjusted its coal mining activities to the evolving situation brought about by COVID-19 in the first half of 2020, as such coal mining operations at UHG mine were adjusted and at certain times fully suspended for a period from late February to the end of May 2020. At the same time, coal mining operations at BN mine remained mostly suspended in the first half of 2020.

The UHG mine has produced 2.3 Mt of ROM coal in the first half of 2020 and 16.6 million bank cubic metres ("**bcm**") of prime overburden was removed, resulting in an actual stripping ratio of 7.1 bcm per ROM tonne for the period. The BN mine has produced 0.1 Mt ROM coal in the period and 0.9 million bcm of prime overburden was removed, resulting in an actual stripping ratio of 9.4 bcm per ROM tonne for the period.

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.

Figure 1. The Group's semi-annual ROM coal production volumes (in thousand tonnes) for 2019-2020:



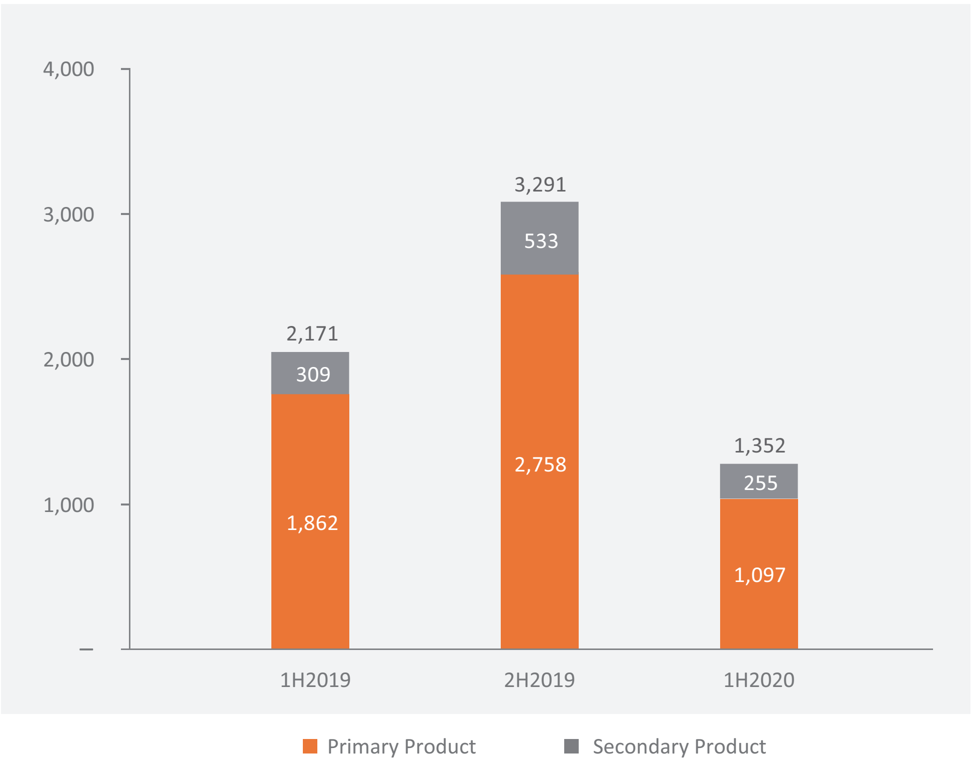
Coal Processing

The Group has adjusted its coal processing activities to the evolving situation brought about by COVID-19 in the first half of 2020, as such, the Group's coal handling and preparation plant's ("**CHPP**") operations were adjusted and at certain times fully suspended, in line with the mining activities, for a period from late February to the end of May 2020.

In the first half of 2020, total feed of 2.2 Mt ROM coking coal was processed by the CHPP, resulting in the production of 1.1 Mt washed coking coal as a primary product at 50% yield, and 0.3 Mt of washed thermal coal as a secondary product at 11.5% yield.

In the first half of 2020, 2.0 Mt and 0.2 Mt of ROM coking coal processed was sourced from the UHG and BN mines, respectively. The Group's washed coal production for last three semi-annual periods are shown in Figure 2.

Figure 2. The Group's semi-annual processed coal production volumes (in thousand tonnes) for 2019-2020:

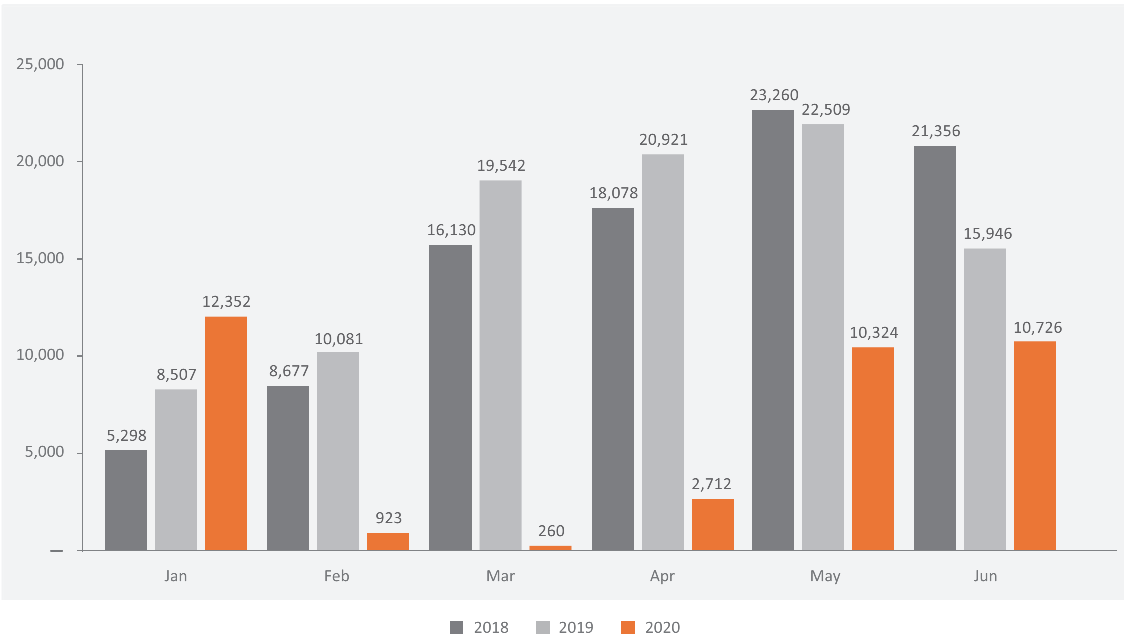


Transportation and Logistics

Mongolian authorities suspended coal export shipments from early February to late March 2020 as part of the broader measures undertaken to impose cross border travel limitations. Coal exports via GS-GM border crossing checkpoint have resumed from 23 March 2020, but coal export transportation remained subject to stringent procedures and requirements set by authorities during the first half of the year.

The COVID-19 related situation led to over 60% decline in number of coal-loaded trucks throughput via GS-GM during the first half of the year compared to the same periods in 2018 and 2019. According to the data compiled by the Group and its customers, the GS-GM throughput was substantially impacted during the period from February to April 2020, as shown below in Figure 3.

Figure 3. Total coal-loaded trucks monthly throughput via GS-GM during January to June in 2018-2020:



The Group shipped 1.3 Mt of coal products for export from Mongolia to China in the first half of 2020, which consisted of: (i) 1.2 Mt of HCC; (ii) 0.1 Mt of semi-soft coking coal ("**SSCC**"); and (iii) 40 thousand tonnes ("**kt**") of washed thermal coal.

The Group shipped all its coal products for exports to China utilising trans-shipping facility at Tsagaan Khad ("**TKH**"). Coal was transported from UHG to TKH exclusively by the Group's own trucking fleet. Coal was stockpiled at TKH and after export clearance by Mongolia 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 as well.

47.1% of the Group's coal export transportation from TKH to GM was carried by utilising its own double trailer trucking fleet during the first half of the year as compared to 31.5% achieved in the same period of the previous year.

Occupational Health, Safety and Environment

In order to protect the health, safety and well-being of its employees and their families, work from home arrangements were adopted from 1 March to 31 May 2020 for employees with job position requirements allowing such arrangements. Also, following preventive measures were implemented organisation wide: (i) limiting personal meetings and interactions to the maximum extent possible, (ii) regular temperature checks and records; (iii) frequent sanitation and cleaning; (iv) providing personal protective gear, equipment and tools in line with job requirements; and (v) other recommendations issued by health authorities in relation to workplace hygiene.

During the reporting period, approximately 3.2 million man-hours were recorded as worked by employees, contractors, and sub-contractors of the Group, as compared to 4.4 million man-hours worked during the same period in 2019. During the first half of 2020, two occurrences of Lost Time Injury ("**LTI**") were recorded, resulting in a Lost Time Injury Frequency Rate ("**LTIFR**") of 0.62 LTIs per million man-hours worked equivalent being recorded as compared to 0.46 LTIs per million man-hours worked recorded during the same period in 2019. The 12-month rolling average of LTIFR was 0.22 per million man-hours worked. The Total Recordable Injury Frequency Rate ("**TRIFR**") for the period was at 2.17 Total Recordable injuries ("**TRI**"), resulting in a 12-month rolling average TRIFR of 2.59 TRIs per million man-hours worked equivalent being realised as compared to 2.59 TRIs per million man-hours worked during the same period in 2019.

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 monitoring heat, noise, lighting, vibration, dust and toxic gases.

The Group continued to deliver Occupational Health, Safety and Environment specific training to employees, contractors, sub-contractors, and visitors, with 5,366 training sessions to individuals, totaling 27,195 man-hours in the first half of 2020.

In the first half of 2020, the State Specialised Inspection Agency conducted their periodical review on the Group's operational health and safety operations and issued an official evaluation report according to which the Group was evaluated at "low risk" level with a check list score of 99.0 out of 100.0.

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 2020, the Group recorded no environmental incidents with "moderate" or above classifications. One incident occurred with a risk rating of "minor" classification which was related to oil spillage. For the incident, full investigation was carried out strictly in line with applicable internal procedures to identify the root causes, followed by corrective and preventive actions to prevent re-occurrences.

Sales and Marketing

The Group's sales and distribution activities in China were impacted by measures undertaken by the People's Republic of China authorities as a response to COVID-19 emergency during the first half of the year. In particular, sales and distribution activities were suspended during the lockdowns implemented in February 2020 by authorities immediately after the Chinese Lunar New Year. Subsequently, Mongolian authorities suspended coal export shipments from early February to late March 2020. The Group was able to partially mitigate the adverse impact of the border closure through sales of its existing coal inventory in China side.

Although coal export shipments via GS-GM were resumed from 23 March 2020, it remained at lower levels compared to the levels observed in 2018 and 2019, as shown previously in Figure 3. Thus, the disruptions in export transportation have restrained the sales of the Group, leading to a 40.1% year-on-year decrease in sales tonnage to a total sale of 1.5 Mt of self-produced coal in the first half of 2020. Split by coal product type as follows: (i) 1.2 Mt of HCC; (ii) 0.2 Mt of SSCC; and (iii) 0.1 Mt of thermal coal.

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 at GM, washed coking coal products are delivered to ultimate customers under FOT GM terms or further transported within China for delivery to the customers' locations under Cost-and-Freight ("**C&F**") terms. Washed thermal coal is exported and sold under Delivery-at-Place GM terms. In addition, coal products are also supplied and sold to local customers located in Mongolia.

OUTLOOK AND BUSINESS STRATEGIES IN 2020

The global impact of the COVID-19 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 COVID-19 outbreak has impacted the Group's financial results for the six months ended 30 June 2020, the board (the "**Board**") of directors (the "**Directors**") of the Company 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 outbreak has impacted the operating environment and business performance of the Group during the six months ended 30 June 2020. In response to the COVID-19 outbreak, both China and Mongolia have adopted strict public health measures including cross border travel limitations, and suspending coal export shipments, from early February to late March 2020.

The GS-GM border crossing reopened on 23 March 2020, but due to stringent procedures and requirements set by the GoM, the sales volume realised for the first half of 2020 by the Group was considerably impacted. The Group was able to partially mitigate the adverse impact of the border closure through its existing coal inventory on the China side of the border.

The Group sold approximately 1.5 Mt of coal products and generated a total revenue of USD157.5 million during the six months ended 30 June 2020, compared to 2.5 Mt of coal products sold and USD325.6 million of total revenue generated during the six months ended 30 June 2019. Total sales volume during the reporting period includes approximately 1.2 Mt of HCC, 0.2 Mt of SSCC and 0.1 Mt of thermal coal, compared to 2.0 Mt of HCC, 0.3 Mt of SSCC and 0.2 Mt of thermal coal sold during the same period in 2019.

The average selling price ("**ASP**"), which represents the price exclusive of applicable value added tax ("**VAT**") in China, for HCC was USD122.0 per tonne for the six months ended 30 June 2020, compared to USD147.0 and USD133.2 per tonne during the first half and second half of 2019 respectively. In particular, the ASP for HCC under FOT GM and C&F terms were USD120.3 per tonne and USD156.4 per tonne, respectively, for the six months ended 30 June 2020 (USD143.0 and USD178.6 per tonne in the first half of 2019).

The ASP for SSCC under FOT GM term was USD81.2 per tonne during the reporting period, compared to USD101.3 and USD89.7 per tonne during the first half and second half of 2019 respectively. There was no sales activity for SSCC under C&F term during the reporting period.

During the reporting period, the Group derived individually more than 10.0% of its revenue from four customers, with purchase amounts of approximately USD56.4 million, USD23.9 million, USD23.4 million and USD18.7 million. For the six months ended 30 June 2019, the Group derived individually more than 10.0% of its revenue from three customers, with purchase amounts of approximately USD148.9 million, USD45.5 million and USD35.0 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 has been closely monitoring the impact of COVID-19 outbreak on its business and has put in place contingency measures, such as temporary adjustment to levels of production during the first half of 2020. As a result, idling cost of USD7.6 million was recorded, from which USD5.0 million is attributable to depreciation and amortisation.

During the six months ended 30 June 2020, the total cost of revenue was USD109.9 million, including idling cost, compared to USD195.7 million during the six months ended 30 June 2019. Decrease in cost of revenue was due to lower sales volume and cost savings achieved by the Group during the reporting period.

From the total cost of revenue, USD99.7 million was attributable to coal products sold from the UHG mine and USD10.2 million was attributable to coal products sold from the BN mine.

Table 6. Total and individual costs of revenue:

	Six months ended 30 June 2020 (USD' 000)	2019 (USD' 000)
Cost of revenue	109,893	195,708
Idling cost	7,633	–
Cost of revenue excluding idling cost	102,260	195,708
Mining costs	38,146	68,224
Variable costs	20,516	36,866
Fixed costs	10,945	20,999
Depreciation and amortisation	6,685	10,359
Processing costs	14,111	24,965
Variable costs	5,582	8,418
Fixed costs	2,284	2,219
Depreciation and amortisation	6,245	14,328
Handling costs	4,044	7,108
Transportation costs	22,602	59,709
Logistic costs	2,321	3,244
Variable costs	1,460	2,206
Fixed costs	686	864
Depreciation and amortisation	175	174
Site administration costs	8,484	9,619
Transportation and stockpile loss	2,120	3,852
Royalties and fees	10,432	18,987
Royalty	8,689	15,704
Air pollution fee	984	1,873
Customs fee	759	1,410

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 fleet utilised under the mining contract.

Unit mining cost, excluding idling cost, decreased to USD14.0 per ROM tonne for the reporting period, compared to USD15.0 per ROM tonne during the same period in 2019, mainly due to decrease in fuel price and reduction in contractor fees charged during production idling periods.

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 2020 was 3.6 bcm per tonne, compared to 3.1 bcm per tonne for the six months ended 30 June 2019.

Table 7. Unit mining cost per ROM tonne:

	Six months ended 30 June	
	2020 (USD/ROM tonne)	2019 (USD/ROM tonne)
Total	14.0	15.0
Blasting	0.8	1.0
Plant cost	4.6	4.2
Fuel	2.1	2.9
National staff cost	0.9	0.9
Expatriate staff cost	0.2	0.2
Contractor fee	2.9	3.5
Ancillary and support cost	0.1	–
Depreciation and amortisation	2.4	2.3

Note: The above mining cost does not include idling cost

The 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.

The 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 2020, the Group's processing costs were approximately USD14.1 million (first half of 2019: USD25.0 million), of which approximately USD6.2 million was related to the depreciation and amortisation of the CHPP, USD1.2 million was costs related to power generation and distribution, and USD0.7 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 USD5.2 per ROM tonne for the six months ended 30 June 2020 and USD5.5 per ROM tonne for the six months ended 30 June 2019. Decrease in the unit processing cost was mainly due to lower allocation of depreciation and amortisation cost to the cost of revenue, whereby depreciation and amortisation cost attributable to production idling periods were classified under idling cost. On the other hand, the increase in maintenance charges in the first half of 2020 was due to higher level of maintenance performed during the production idling periods.

Table 8. Unit processing cost per ROM tonne:

	Six months ended 30 June	
	2020 (USD/ROM tonne)	2019 (USD/ROM tonne)
Total	5.2	5.5
Consumables	0.4	0.3
Maintenance and spares	1.0	0.6
Power	0.4	0.6
Water	0.3	0.3
Staff	0.3	0.3
Ancillary and support	0.5	0.2
Depreciation and amortisation	2.3	3.2

Note: The above processing cost does not include idling cost

The handling costs are related to feeding ROM coal from ROM 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 were approximately USD4.0 million (first half of 2019: USD7.1 million). The handling cost decrease was mainly due to lower sales volume during the reporting period.

During the six months ended 30 June 2020, the Group's transportation costs were USD22.6 million (first half of 2019: USD59.7 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 USD6.7 per tonne during the six months ended 30 June 2020 compared to USD7.4 per tonne for the six months ended 30 June 2019. Decrease in unit transportation cost on the long-haul section was mainly due to decrease in fuel price.

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 with cost of USD5.3 per tonne (first half of 2019: USD4.7 per tonne) and third party contractors fleet with an average cost of USD13.5 per tonne (first half of 2019: USD24.5 per tonne). The Group achieved reductions on the unit transportation cost on the short-haul section as a result of continued focus on utilisation of own trucking fleet and savings from the decrease of third party contractors fees, compared to the same period in 2019.

The total unit transportation cost from UHG to GM, including third party contractors, decreased to USD16.5 per tonne for the six months ended 30 June 2020 from USD25.6 per tonne for the six months ended 30 June 2019.

For the six months ended 30 June 2020, the Group recorded a total transportation loss of around USD0.5 million (first half of 2019: USD1.3 million), and unrealised inventory loss of USD1.6 million for ROM coal and washed coal product stockpiles (first half of 2019: USD2.5 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. Therefore, variations within 5% are tolerated, and any tonnages above/below this limit are recorded as stockpile gain/loss. The management expects that by improving overall inventory management, the Company will be in a position to keep inventory losses under control.

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 2020, the site administration costs were USD8.5 million compared to USD9.6 million during the same period in 2019. Decrease in site administration costs was mainly due to temporary production idling during the reporting period.

Logistics costs are associated with loading and unloading of coal products at UHG and TKH. The Group's logistics costs were USD2.3 million during the reporting period, compared to USD3.2 million during the first half of 2019. Decrease in logistics costs was mainly due to lower sales volume.

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 processed coal products and 5% to 10% for raw coal products based on monthly reference price determined by the relevant governmental authorities of Mongolia. The Group's effective royalty rate for the six months ended 30 June 2020 was approximately 6.0% for coal exported from Mongolia based on customs clearance documentation (first half of 2019: 6.0%).

Gross Profit

The Group's gross profit for the six months ended 30 June 2020 was approximately USD47.6 million, compared to gross profit of approximately USD129.9 million recorded for the six months ended 30 June 2019. Decrease in gross profit was driven by lower sales volume and ASP during the reporting period, compared to the six months ended 30 June 2019.

Non-IFRS Measure

Certain parts of financial reporting and disclosure may contain non-IFRS financial measures and ratios, such as EBITDA, adjusted EBITDA, 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 earnings before interest, taxes, depreciation and amortisation adjusted by share option expenses and other non-cash items ("**adjusted EBITDA**") for the reporting period was approximately USD48.8 million, compared to the adjusted EBITDA of approximately USD117.7 million recorded for the same period in 2019.

Selling and Distribution Costs

The Group's selling and distribution costs were USD12.6 million for the six months ended 30 June 2020 (first half of 2019: USD30.8 million) which were 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 and C&F terms for inland China sales activities. Decrease in selling and distribution costs is mainly attributable to lower sales volume and reductions in coal import taxes paid in China due to decrease in coal price.

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 2020, the Group's general and administrative expenses were approximately USD9.2 million (first half of 2019: USD9.8 million).

Net Finance Costs

Net finance costs for the six months ended 30 June 2020 were approximately USD20.0 million (first half of 2019: USD23.8 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 USD14,618,186, (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 gain.

Decrease in net finance costs was mainly due to (i) foreign exchange net gain recorded in relation to RMB and MNT denominated payables, resulting from RMB and MNT depreciation against USD, and (ii) net change in fair value estimate of derivative components of the Senior Notes due 2022, which resulted in reversal of the fair value expense recorded in prior reporting periods. Breakdown of the net finance costs is set out in note 6 to the unaudited consolidated interim results.

Income Tax Expenses

The Group's income tax expenses for the six months ended 30 June 2020 were approximately USD0.8 million, compared to approximately USD21.3 million for the six months ended 30 June 2019. Decrease in income tax expense during the reporting period was mainly attributable to the decrease in taxable income due to lower sales revenue. The income tax expense during the six months ended 30 June 2019 was relatively higher compared to the reporting period due to the reversal of deferred taxes upon redemption of the Senior Notes due 2022 and the long-term borrowings accounted in the first half of 2019, which have been previously recognised on fair value accounting of the related derivative components.

Profit for the Period

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2020 amounted to approximately USD2.7 million (six months ended 30 June 2019: USD47.1 million). Decrease in profit attributable to equity shareholders was mainly due to lower ASP and sales volume recorded during the reporting period, impacted by the decline in GS-GM border throughput resulting from the stringent procedures and requirements as precautions against the COVID-19.

Liquidity and Capital Resources

For the six months ended 30 June 2020, the Group's cash needs were primarily related to working capital requirements.

Table 9. Combined cash flows:

	Six months ended 30 June	
	2020	2019
	USD' 000	USD' 000
Net cash generated from operating activities	36,610	92,664
Net cash used in investing activities	(35,381)	(46,833)
Net cash used in financing activities	(21,009)	(42,861)
Net (decrease)/increase in cash and cash equivalents	(19,780)	2,970
Cash and cash equivalents at beginning of the period	40,619	33,035
Effect of foreign exchange rate changes	(39)	(22)
Cash and cash equivalents at end of the period	20,800	35,983

Note: USD35.4 million used in investing activities comprises of USD32.9 million incurred for payments of deferred stripping activity, USD2.6 million used for payments of payables for purchase of property, plant and equipment and USD0.1 million generated from interest income.

Cash balance of USD20.8 million as at 30 June 2020 stated in Table 9 above consists of (i) consolidated cash balance of USD16.9 million at Energy Resources LLC ("**ER**"), an indirect wholly-owned subsidiary of the Company, which includes ER and Energy Resources Corporation LLC and their respective subsidiaries ("**ER Group**"), and (ii) cash balance of USD3.9 million at remaining subsidiaries, including Khangad Exploration LLC and other 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 2020 divided by total assets) of the Group as at 30 June 2020 was 26.1% (31 December 2019: 25.9%). All borrowings are denominated in USD.

Indebtedness

As at 30 June 2020, the Group had USD454.6 million outstanding principal payments consisting of (i) USD14.6 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 2020, the Group had approximately USD6.3 million in trade receivables and USD93.0 million in other receivables. As at 31 December 2019, the Group had approximately USD16.9 million in trade receivables and USD84.2 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 regard to other receivables of USD93.0 million, this amount is mainly related to USD41.4 million VAT receivables and USD50.8 million of other deposits and prepayments. 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 2020 and 31 December 2019 amounted to USD16.3 million and USD24.5 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 2020 and 31 December 2019.

Pledge of Assets of the Group

As at 30 June 2020, ER pledged its 4,306,791 common shares, being 4.87% common shares held by it in International Medical Centre LLC ("**IMC**") to secure loan repayment obligation of IMC in proportion to its equity interest in IMC.

Contingent Liabilities

As at 30 June 2020, 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 has a share option scheme, adopted on 17 September 2010 ("**Share Option Scheme**"), that 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.

On 28 November 2012, the Company granted 5,000,000 and 17,750,000 Share Options to a director and employees respectively, at the exercise price of HKD3.92. The outstanding number of the Share Options was adjusted to 31,985,294 Share Options due to the rights issue in December 2014, and further adjusted to 3,198,529 Share Options due to the share consolidation in August 2019. Concurrently, the exercise price of the Share Options was adjusted to HKD2.67 due to the rights issue and further adjusted to HKD26.7 due to the share consolidation.

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 outstanding number of the Share Options was adjusted to 14,650,000 Share Options and the exercise price was adjusted to HKD4.45 due to the share consolidation in August 2019. On 10 June 2020, the Share Options granted on 10 June 2015 lapsed after 5 years since the allocation and no Share Options were exercised during the period.

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. 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.

The fair value of services received in return for Share Options granted is measured with reference to the fair value of Share Options granted. For the six months ended 30 June 2020, USD0.1 million was recognised in administrative expenses and capital reserves in relation to the equity-settled share-based transactions.

Capital Commitments and Capital Expenditures

As at 30 June 2020, the capital commitments outstanding on the respective dates on the balance sheet were as follows:

Table 10. Capital commitments:

	As at 30 June 2020 USD' 000	As at 31 December 2019 USD' 000
Contracted for	1,829	2,461

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

	Six months ended 30 June	
	2020 USD' 000	2019 USD' 000
CHPP	1,279	3,607
Others	950	1,083
Total	2,229	4,690

Operating Lease Commitments

As at 30 June 2020, the Group had contracted obligations consisting of operating leases which totalled approximately USD2.3 million, of which USD1.6 million is due within one year and USD0.7 million is due after one year but within two years. Lease terms range up to three years, with fixed rentals.

Significant Investments Held

As at 30 June 2020, 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 2020, the Company did not have any material acquisitions and disposals of subsidiaries and associated companies.

Other and Subsequent Events

Save as disclosed in this interim report, there have been no post balance sheet events subsequent to 30 June 2020 which require adjustment to or disclosure in this interim report.

Employees

As at 30 June 2020, the number of employees of the Group was 2,071, compared with 2,021 employees as at 30 June 2019.

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 a capable workforce. 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 2020, a total of 6,489 employees attended different professional trainings, out of which 4,922 employees attended occupational, health, and safety training, 1,567 employees attended professional development training. Taking into account 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 936 office workers and provided a new series of specific theoretical and practical trainings to 18 mining heavy equipment operators. In order to improve the skills and methods of the training instructors, they were enrolled in different International Organization for Standardization module trainings as well as given first aid training and additional general skills training.

For the six months ended 30 June 2020, the Group's staff costs were USD14.0 million, compared to USD13.3 million for the six months ended 30 June 2019.

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

For the six months ended 30 June 2020, neither the Company or 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 2020 (dividend for the six months ended 30 June 2019: 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

In line with our sustainability and corporate social responsibility ("**CSR**") policies, we remain committed to sustainable management practices and effectively addressing the needs of our people and the host communities in the long run. We have been continuing 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.

With the outbreak of COVID-19 and the challenges and uncertainties caused by the pandemic, we have been focusing on effectively reshaping our way of working whilst fully complying with national requirements and restrictions on crisis management. Safety and wellbeing of our people and the host communities remained as our top priority, leading for a more structured approach to our social responsibility and sustainability commitments.

In addition to better responding to the needs of the communities, we continued with the implementation of our long-term community development and CSR projects in the areas of health, education, environment and small and medium enterprises development and protection of cultural heritage etc.

People and safety

- To protect our people and help ensure safe communities and work environment, we continued with scalable protocols in place, fully in line with guidelines from local and national administrative bodies and healthcare experts. Work-from-home arrangements were put in place for our head office employees while operational adjustments were made at our mine sites. As part of our comprehensive risk management efforts, safe distancing, temperature checks and frequent cleaning and sanitising were strictly implemented, and all employees were provided with face masks, hand sanitisers, gloves and personal protective gowns, as required;

- A special focus was put on keeping all of our workplaces and stable employee base. By offering flexible shifts, work-from-home arrangements and other mechanisms, we were able to fully keep our employees and offer new job opportunities where possible. Moreover, recurring and professional trainings continued on a regular basis, fully in line with the regulatory and safe distancing requirements. Healthy lifestyle/immune supporting diet and nutrition programs were specifically adopted at our mine sites to support the health of our employees and reduce work related stress;

- During the reporting period, 3.2 million man-hours were recorded as worked by our employees, contractors, and sub-contractors, about 27% decrease from the previous year. Two occurrences of LTI were recorded, resulting in a LTIFR of 0.62. The TRIFR of 4.0 in the first half of 2019 was reduced to 2.17 in the reporting period. Risk assessments and workplace safety analysis were carried out to further maximise our safety routines and Occupational Health, Safety and Environment specific trainings were delivered on a regular basis. A total of 5,366 training sessions were carried out, totaling 27,915 man-hours in the first half of 2020.

Community Development Programs

- To enhance local employment opportunities and support start-up and small businesses in South Gobi amidst the COVID-19 challenges, we continued with the implementation of our Sustainable Livelihood Support Program. The program primarily focuses on supporting local start-up businesses and small and medium enterprises and provides interest-free loans to eligible participants, enabling them to start new businesses or expand their existing ones. We currently have over 30 active participants who were able to successfully start or expand their local businesses, out of 5 were granted with interest-free loans in the first half of 2020;

- Although school closures had been extended by the authorities, certain areas of our local education support program continued throughout the reporting period. Specifically, Math teachers and education advisors continued to carry out their duties within the framework of our program, through means such as distant learning and online platforms;

- 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 greenbelt are provided with a cultivated land and an irrigation system, and undergo training on vegetable gardening. To date, the wind protected area covers over 10 hectares and provides vegetable gardening opportunities for at least 40 people on an annual basis. While providing an improved access to healthy, local foods and vegetables, the project is serving as a way to foster a lively and connected local community. The project activities actively continued in the reporting period and our regular participants are discussing ways to form a business collaborative.

"Good Neighborhood" program and community engagements

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

- We actively supported the COVID-19 risk management and preventive measures implemented by the local authorities and made as much contribution as possible to the public health preparedness activities. These included donation of personal protective gowns, face masks and other necessary supplies to the local first response units;

- Free supply of washed thermal coal to a state-owned entity for smokeless fuel production continued in the reporting period, as part of the Mongolian Government's efforts to combat Ulaanbaatar's air pollution in winter months;

- Over 30,000 tonnes of free-of-charge thermal coal was provided to Dalanzadgad city power plant as well as communities in 10 soums of Umnugobi aimag during the harsh winter months;

- During the reporting period, no community complaint was recorded and a total of 18 requests were received from the local communities via our grievance mechanism. All of the requests were handled and responded to in a timely manner.

Environment

- No major environmental incident was recorded in the reporting period;

- One incident (oil spill) occurred with a "Minor" risk classification and full investigations were carried out followed by corrective measures;

- As part of the internal system improvements, waste management procedures and spill management procedures were reviewed and updated and procedures on environmental monitoring are being reviewed for improvement;

- Production of compost fertilizers was started through adoption of environmentally sustainable technologies on waste food and sludge management from waste water treatment plants;

- In line with our Biodiversity Action Plan and collective efforts to conserve rare or endangered plant species specific to Gobi region, Popolus diversifolia ("Tooroi" tree) planting project was initiated. As an initial phase, over 1,000 seedlings were grown and prepared to be transplanted to specific Gobi areas in due course;

- Industrial dust suction machines were installed at the conveyor sections of the coal handling and preparation plant, in order to reduce dust generation;

- Soil, water, air, fauna and flora monitoring activities were carried out on a regular basis as part of our environmental monitoring and management system. In the reporting period, herder well and borehole water monitoring were carried out 178 times to ensure continuous monitoring. Measurement of dust concentration was also carried out a total of 209 times on 13 designated points at and around the mine site area and Tsogttsetsii soum. Additionally, samples were collected for chemical analysis from herder wells and boreholes near the mine site, as part of routine measurements.

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 2020.

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. CG Code provision E.1.2 stipulated that the chairman of the board should attend the annual general meeting of the Company. Mr. Odjargal Jambaljamts, Chairman of the Board, appointed Mr. Chan Tze Ching, Ignatius, independent non-executive Director, to attend and answer questions on his behalf at the 2020 annual general meeting of the Company held on 9 June 2020 (the "**2020 AGM**"), as Mr. Odjargal Jambaljamts was unable to attend the 2020 AGM physically due to international travel restrictions caused by COVID-19 outbreak, Mr. Odjargal Jambaljamts joined the 2020 AGM via webcast. Save as disclosed above, the Company has complied with all other applicable code provisions as set out in the CG Code during the six months ended 30 June 2020.

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 2020, 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) ("**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:

(a) Table 12. Interests in 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	Beneficial owner	46,164,754 (L)	4.49%
(Note 1)	Interest of controlled corporation	323,492,188 (L)	31.43%
Mr. Od Jambaljamts (Note 2)	Beneficial owner	26,576,226 (L)	2.58%
	Interest of controlled corporation	323,492,188 (L)	31.43%
Mr. Enkhtuvshin Dashtseren	Beneficial owner	60,000 (L)	0.0058%
Mr. Chan Tze Ching, Ignatius	Beneficial owner	200,000 (L)	0.02%

(L) – Long position

Notes:

(1) Mr. Odjargal Jambaljamts is directly interested in approximately 57.08% of MCS Mongolia LLC. MCS Mongolia LLC holds the entire interest of MCS Holding LLC. MCS Holding LLC is interested in approximately 43.51% of MCS Mining Group Limited which in turn holds 323,492,188 shares in the Company. MCS Mongolia LLC also directly holds approximately 56.49% interest of MCS Mining Group Limited.

(2) Mr. Od Jambaljamts is directly interested in approximately 30.19% of MCS Mongolia LLC. MCS Mongolia LLC holds the entire interest of MCS Holding LLC. MCS Holding LLC is interested in approximately 43.51% of MCS Mining Group Limited which in turn holds 323,492,188 shares in the Company. MCS Mongolia LLC also directly holds approximately 56.49% interest of MCS Mining Group Limited.

(b) Table 13. Interest in underlying Shares:

		Ordinary shares of USD0.10 each	
Name of Director	Nature of interest	Total number of underlying Shares held pursuant to Share Options under the Share Option Scheme	Approximate percentage of total issued share capital
Dr. Battsengel Gotov (Note)	Beneficial owner	4,735,294 (L)	0.46%
Mr. Enkhtuvshin Dashtseren	Beneficial owner	514,705 (L)	0.05%

(L) – Long position

Note: The Share Options granted on 10 June 2015 have lapsed on 10 June 2020 at the end of 5 years after the date of grant.

Save as disclosed above, as at 30 June 2020, 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 2020, 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 14. Interests in the Shares and underlying Shares:

Name of substantial shareholder	Nature of interest	Ordinary shares of USD0.10 each Total number of Shares held	 Approximate percentage of total issued share capital
MCS Mining Group Limited (Note 1)	Beneficial owner	323,492,188 (L)	31.43%
MCS Mongolia LLC (Note 1)	Interest of controlled corporation	323,492,188 (L)	31.43%
MCS Holding LLC (Note 1)	Interest of controlled corporation	323,492,188 (L)	31.43%
Ms. Batmunkh Dashdeleg (Note 1)	Interest of spouse	369,656,942 (L)	35.92%
Ms. Munkhsuren Surenkhuu (Note 1)	Interest of spouse	350,068,414 (L)	34.01%
Kerry Mining (UHG) Limited ("**KMUHG**") (Note 2)	Beneficial owner	75,000,000 (L)	7.29%
Kerry Mining (Mongolia) Limited ("**KMM**") (Note 2)	Interest of controlled corporation	75,000,000 (L)	7.29%
Fexos Limited ("**Fexos**") (Note 2)	Interest of controlled corporation	75,689,012 (L)	7.35%
Kerry Holdings Limited ("**KHL**") (Note 2)	Interest of controlled corporation	77,578,088 (L)	7.54%
Kerry Group Limited ("**KGL**") (Notes 2 and 3)	Interest of controlled corporation	121,635,187 (L)	11.82%

(L) – Long position

Notes:

(1) MCS Mining Group Limited is owned as to approximately 43.51% by MCS Holding LLC and approximately 56.49% by MCS Mongolia LLC. MCS Holding LLC is wholly-owned by MCS Mongolia LLC. MCS Mongolia LLC is owned as to approximately 57.08% by Mr. Odjargal Jambaljamts, and approximately 30.19% by Mr. Od Jambaljamts. MCS Mining Group Limited holds 323,492,188 shares in the Company. Mr. Odjargal Jambaljamts and Mr. Od Jambaljamts also 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. Fexos controls more than one-third of the voting power of KMM. 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) Fexos controls more than one-third of the voting power of Kerry Asset Management Limited ("**KAM**"). 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 121,635,187 shares of the Company, KGL's wholly-owned subsidiaries (other than KHL) were interested in 44,057,099 shares of the Company, KHL (through companies that it controls more than one-third of the voting power) was interested in 77,578,088 shares of the Company.

Save as disclosed above, as at 30 June 2020, 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 OF INFORMATION OF DIRECTORS

Changes of information of Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2019 Annual Report are set out below:

Dr. Battsengel Gotov was appointed as the chairman of Energy 3x3 Club with effect from 29 January 2020.

Mr. Od Jambaljamts ceased to be a director of Trimunkh Limited (liquidated on 24 March 2020) with effect from 24 March 2020.

Dr. Khashchuluun Chuluundorj ceased to be a member of the board of directors of Ulaanbaatar City Development Corporation, a member of the working group of Long-term Development Strategy for Mongolia 2016-2030 and an independent director of Ulaanbaatar Development Corporation JSC all with effect from 1 June 2020.

Mr. Chan Tze Ching, Ignatius ceased to be a member of the board of directors of The Community Chest of Hong Kong with effect from 22 June 2020 and ceased to be the chairman of PRASAC Microfinance Institution with effect from 7 April 2020.

SHARE OPTION SCHEME

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**"). Share Options could be granted within a period of 10 years from the Adoption Date. Therefore, as at 30 June 2020, the remaining life of the Share Option Scheme was approximately 3 months. The purpose of the Share Option Scheme is to provide an opportunity for employees of the Group to acquire an 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.

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 rights issue) and 3,000,000 and 32,200,000 Share Options were accepted by a Director and employees respectively. 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 rights issue).

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.

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 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 of the Company during the six months ended 30 June 2020 were as follows:

Table 15. Director:

				Number of Share Options					
Name of Director	Date of grant	Exercise period	Exercise price per share	Balance as at 1 January 2020	Granted during the six months ended 30 June 2020	Lapsed during the six months ended 30 June 2020	Cancelled during the six months ended 30 June 2020	Exercised during the six months ended 30 June 2020	Balance as at 30 June 2020
Dr. Battsengel Gotov	28 November 2012	(Note 1)	HKD26.7	735,294	–	–	–	–	735,294
	10 June 2015	(Note 2)	HKD4.45	6,000,000	–	6,000,000	–	–	–
	8 May 2017	(Note 3)	HKD2.392	4,000,000	–	–	–	–	4,000,000
Mr. Enkhtuvshin Dashtseren	28 November 2012	(Note 1)	HKD26.7	514,705	–	–	–	–	514,705
Total				11,249,999	–	6,000,000	–	–	5,249,999

Table 16. 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 2020	Granted during the six months ended 30 June 2020	Lapsed during the six months ended 30 June 2020	Cancelled during the six months ended 30 June 2020	Exercised during the six months ended 30 June 2020	Balance as at 30 June 2020
28 November 2012	(Note 1)	HKD26.7	1,948,529	–	–	–	–	1,948,529
10 June 2015	(Note 2)	HKD4.45	8,650,000	–	8,650,000	–	–	–
8 May 2017	(Note 3)	HKD2.392	9,740,000	–	–	–	–	9,740,000
Total			20,338,529	–	8,650,000	–	–	11,688,529

Notes:

1. The Share Options are subject to vesting scale in three tranches. The exercise periods are as follows:
   (1) first 25% of the Share Options granted – 28 November 2013 to 28 November 2020
   (2) second 25% of the Share Options granted – 28 November 2014 to 28 November 2020
   (3) third 50% of the Share Options granted – 28 November 2015 to 28 November 2020

2. The Share Options are subject to vesting scale in four tranches of 25% each. The exercise periods are as follows:
   (1) first 25% of the Share Options granted – 10 June 2015 to 10 June 2020
   (2) second 25% of the Share Options granted – 10 June 2016 to 10 June 2020
   (3) third 25% of the Share Options granted – 10 June 2017 to 10 June 2020
   (4) fourth 25% of the Share Options granted – 10 June 2018 to 10 June 2020

   The Share Options granted on 10 June 2015 have lapsed at the end of 5 years after the date of grant.

3. The Share Options are subject to vesting scale in five tranches of 20% each. The exercise periods are 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. The offer letter to grantees also states that any option shares that have not yet vested according to the vesting scales shall be considered "Unvested Shares", and upon cessation of employment or services on behalf of the Company for any reason, no further vesting of the option will occur and any unvested portion of the option will terminate.

The Directors determined that in the event that an employee ceases to be an employee of the Company before exercising the option in full, only unvested Share Options (but not all the outstanding Share Options) will lapse effective from 1 August 2013.

On behalf of the Board
Mongolian Mining Corporation
Odjargal Jambaljamts
Chairman

Hong Kong, 5 August 2020

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 51 to 79 which comprises the consolidated statement of financial position of Mongolian Mining Corporation ("the **Company**") as of 30 June 2020 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 ("**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 2020 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

5 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020 – unaudited

		Six months ended 30 June	
		2020	2019
	Note	USD'000	USD'000
Revenue	4	157,529	325,581
Cost of revenue	5	(109,893)	(195,708)
Gross profit		47,636	129,873
Other net loss		(2,245)	(18,383)
Selling and distribution costs		(12,575)	(30,761)
General and administrative expenses		(9,164)	(9,814)
Profit from operations		23,652	70,915
Finance income	6(a)	2,995	175
Finance costs	6(a)	(23,016)	(23,957)
Net finance costs	6(a)	(20,021)	(23,782)
Gain from debt refinancing		–	21,101
Share of (losses)/profits of associates		(170)	209
Share of losses of joint venture		(3)	(1)
Profit before taxation		3,458	68,442
Income tax	7	(784)	(21,299)
Profit for the period		2,674	47,143
Attributable to:			
Equity shareholders of the Company		2,739	47,077
Non-controlling interests		(65)	66
Profit for the period		2,674	47,143
Basic and diluted earnings per share	9	0.27 cents	4.57 cents

The notes on pages 58 to 79 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 20(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited

		Six months ended 30 June	
		2020	2019
	Note	USD' 000	USD' 000
Profit for the period		2,674	47,143
Other comprehensive income for the period	8		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		(5,510)	(2,299)
Total comprehensive income for the period		(2,836)	44,844
Attributable to:			
Equity shareholders of the Company		(2,771)	44,778
Non-controlling interests		(65)	66
Total comprehensive income for the period		(2,836)	44,844

The notes on pages 58 to 79 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited

	Note	At 30 June 2020 USD' 000	At 31 December 2019 USD' 000
Non-current assets			
Property, plant and equipment, net	10	881,160	878,297
Construction in progress	11	35,908	33,796
Other right-of-use assets		51	52
Intangible assets	12	500,943	501,390
Interest in associates		279	454
Interest in joint venture		26	30
Other non-current assets	13	52,836	52,739
Deferred tax assets		15,499	14,193
Total non-current assets		1,486,702	1,480,951
Current assets			
Inventories	14	107,431	109,525
Trade and other receivables	15	99,304	101,077
Cash and cash equivalents	16	20,800	40,619
Total current assets		227,535	251,221
Current liabilities			
Trade and other payables	17	170,010	166,433
Contract liabilities		24,709	41,247
Lease liabilities		22	90
Current taxation		20,316	25,311
Total current liabilities		215,057	233,081
Net current assets		12,478	18,140
Total assets less current liabilities		1,499,180	1,499,091

The notes on pages 58 to 79 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited (continued)

	Note	At 30 June 2020 USD' 000	At 31 December 2019 USD' 000
Non-current liabilities			
Senior notes	18	447,830	448,003
Provisions	19	18,472	15,407
Deferred tax liabilities		169,303	168,989
Other non-current liabilities		337	713
Total non-current liabilities		635,942	633,112
NET ASSETS		863,238	865,979
CAPITAL AND RESERVES			
Share capital		102,918	102,918
Reserves		694,095	696,771
Total equity attributable to equity shareholders of the Company		797,013	799,689
Perpetual notes	20	66,569	66,569
Non-controlling interests		(344)	(279)
TOTAL EQUITY		863,238	865,979

The notes on pages 58 to 79 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 – 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	(Accumulated loss)/ Retained profits USD'000	Total USD'000	Perpetual notes USD'000 (Note 20(c))	Non-controlling interests USD'000	Total equity USD'000
At 1 January 2019	102,918	768,520	37,064	(471,290)	341,514	(36,890)	741,836	75,897	(472)	817,261
Changes in equity for the six months ended 30 June 2019:										
Profit for the period	–	–	–	–	–	47,077	47,077	–	66	47,143
Other comprehensive income	–	–	–	(2,299)	–	–	(2,299)	–	–	(2,299)
Total comprehensive income	–	–	–	(2,299)	–	47,077	44,778	–	66	44,844
Repurchase of Perpetual Notes	–	–	–	–	–	(2,903)	(2,903)	(9,328)	–	(12,231)
Equity-settled share-based transactions	–	–	144	–	–	–	144	–	–	144
Reclassification of property revaluation reserve to accumulated losses upon disposal of property	–	–	–	–	(983)	983	–	–	–	–
At 30 June 2019	102,918	768,520	37,208	(473,589)	340,531	8,267	783,855	66,569	(406)	850,018
At 1 July 2019	102,918	768,520	37,208	(473,589)	340,531	8,267	783,855	66,569	(406)	850,018
Changes in equity for the six months ended 31 December 2019:										
Profit for the period	–	–	–	–	–	49,450	49,450	–	127	49,577
Other comprehensive income	–	–	(878)	(3,204)	–	–	(4,082)	–	–	(4,082)
Total comprehensive income	–	–	(878)	(3,204)	–	49,450	45,368	–	127	45,495
Equity-settled share-based transactions	–	–	134	–	–	–	134	–	–	134
Reclassification of merger of a certain group entity	–	–	–	(14,904)	–	14,904	–	–	–	–
Recognition of deferred tax liabilities of merger of a certain group entity	–	–	–	–	(29,668)	–	(29,668)	–	–	(29,668)
At 31 December 2019	102,918	768,520	36,464	(491,697)	310,863	72,621	799,689	66,569	(279)	865,979

The notes on pages 58 to 79 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 – unaudited (continued)

	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 20(c))	Non-controlling interests USD'000	Total equity USD'000
At 1 January 2020	102,918	768,520	36,464	(491,697)	310,863	72,621	799,689	66,569	(279)	865,979
Changes in equity for the six months ended 30 June 2020:										
Profit for the period	–	–	–	–	–	2,739	2,739	–	(65)	2,674
Other comprehensive income	–	–	–	(5,510)	–	–	(5,510)	–	–	(5,510)
Total comprehensive income	–	–	–	(5,510)	–	2,739	(2,771)	–	(65)	(2,836)
Equity-settled share-based transactions	–	–	95	–	–	–	95	–	–	95
Reclassification of property revaluation reserve to accumulated losses upon disposal of property	–	–	–	–	1	(1)	–	–	–	–
At 30 June 2020	102,918	768,520	36,559	(497,207)	310,864	75,359	797,013	66,569	(344)	863,238

The notes on pages 58 to 79 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2020 – unaudited

	Note	Six months ended 30 June 2020 USD' 000	2019 USD' 000
Operating activities			
Cash generated from operations		44,130	98,286
Income tax paid		(7,520)	(5,622)
Net cash generated from operating activities		36,610	92,664
Investing activities			
Payments for acquisition of property, plant and equipment and construction in progress		(35,455)	(47,003)
Interest received		74	170
Net cash used in investing activities		(35,381)	(46,833)
Financing activities			
Capital element of lease rentals paid		(71)	(85)
Interest element of lease rentals paid		(3)	(15)
Net proceeds from Senior Notes due 2024		–	429,795
Redemption of Senior Notes due 2022		–	(417,740)
Repurchase of Perpetual Notes		–	(12,231)
Repayment of borrowings		–	(23,700)
Interest paid		(20,935)	(18,885)
Net cash used in financing activities		(21,009)	(42,861)
Net (decrease)/increase in cash and cash equivalents		(19,780)	2,970
Cash and cash equivalents at the beginning of the period		40,619	33,035
Effect of foreign exchange rates changes		(39)	(22)
Cash and cash equivalents at the end of the period	16	20,800	35,983

The notes on pages 58 to 79 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 5 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for 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 ("**HKICPA**"). KPMG's independent review report to the Board of Directors is included on pages 49 and 50.

1 Basis of preparation (continued)

The novel coronavirus ("**COVID-19**") outbreak has impacted the operating environment and business performance of the Group during the six months ended 30 June 2020. 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 2020. In addition, the coal sales volume has been impacted by temporary border closure and border crossing throughput volatility during the first half of 2020. However, with the subsequent improvement and stabilization of the border crossing throughput level, and in consideration of the expected sufficient cash flows to be generated from the Group's operating activities based on the cash flow forecast of the Group for the twelve months ending 30 June 2021 and the net current assets position of USD12,478,000 as at 30 June 2020, the Directors consider that there is no material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis. The Directors are of the opinion that the assumptions which are used in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**").

The functional currency of the Group's overseas holding entities and main operating subsidiaries located in Mongolia is USD and the functional currency of remaining subsidiaries located in Mongolia is Mongolian Togrog ("**MNT**").

The Company and the Group's presentation currency is USD.

2 Changes in accounting policies

The Group has applied certain amendments to IFRSs issued by the IASB to these financial statements for the current accounting period including the followings:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IAS 1 and IAS 8, *Definition of Material*

None of the 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 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 2020 is as follows:

	Six months ended 30 June	
	2020	2019
	USD' 000	USD' 000
Washed hard-coking coal	142,214	289,940
Washed semi-soft coking coal	14,141	34,485
Washed thermal coal	1,084	1,027
Others	90	129
	157,529	325,581

5 Cost of revenue

	Six months ended 30 June	
	2020	2019
	USD' 000	USD' 000
Mining costs	38,146	68,224
Processing costs	14,111	24,965
Transportation costs	22,602	59,709
Others (Note (i))	27,401	42,810
Cost of revenue during mine operations	102,260	195,708
Cost of revenue during idled mine period (Note (ii))	7,633	–
Cost of revenue	109,893	195,708

Note:

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

(ii) For the six months ended 30 June 2020, cost of revenue during idled mine period mainly includes depreciation expense related to idled plant and equipment, staff costs and mining contractor costs.

6 Profit before taxation

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

(a) Net finance costs:

	Six months ended 30 June	
	2020	2019
	USD' 000	USD' 000
Interest income	(74)	(175)
Net change in fair value of derivative component of senior notes	(974)	–
Foreign exchange gain, net	(1,947)	–
Finance income	(2,995)	(175)
Interest on liability component of bank and other borrowings	–	761
Interest on liability component of senior notes (Note 18)	22,742	21,491
Interest on lease liabilities	3	13
Unwinding interest on accrued reclamation obligations (Note 19)	271	344
Net change in fair value of derivative component of senior notes	–	1,000
Foreign exchange loss, net	–	348
Finance costs	23,016	23,957
Net finance costs	20,021	23,782

Note: No borrowing costs have been capitalised during the six months ended 30 June 2020 and the six months ended 30 June 2019.

6 Profit before taxation (Continued)

(b) Other items:

	Six months ended 30 June	
	2020	2019
	USD' 000	USD' 000
Depreciation and amortisation	25,455	29,459
Costs of inventories	109,893	195,708
(Gain)/loss on disposal of property, plant and equipment	(10)	5

7 Income tax

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

	Six months ended 30 June	
	2020	2019
	USD' 000	USD' 000
Current tax	3,263	8,280
Deferred taxation	(2,479)	13,019
	784	21,299

7 Income tax (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Six months ended 30 June	
	2020	2019
	USD' 000	USD' 000
Profit before income tax	3,458	68,442
Notional tax on profit before taxation	558	8,157
Tax effect of non-deductible items (Note (iii))	132	17,374
Tax effect of non-taxable items (Note (iii))	(259)	(4,244)
Tax losses not recognised	353	12
Actual tax expenses	784	21,299

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% of the first MNT6 billion taxable income, and 25% of the remaining taxable income for the six months ended 30 June 2020 (the subsidiaries of the Group located in Mongolia were liable to Mongolian Corporate Income Tax at a rate of 10% of the first MNT3 billion taxable income, and 25% of the remaining taxable income for the six months ended 30 June 2019). 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 2020 and 2019.

(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 2020 (during the six months ended 30 June 2019: non-deductible and non-taxable items mainly included tax impact upon redemption of the senior notes issued on 4 May 2017 ("**Senior Notes due 2022**") and the first ranking senior secured facility ("**Senior Loan**")).

8 Other comprehensive income

	Six months ended 30 June	
	2020	2019
	USD' 000	USD' 000
Exchange differences on translation of the financial statements of certain subsidiaries	(5,510)	(2,299)
	(5,510)	(2,299)

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of USD2,739,000 (six months ended 30 June 2019: USD47,077,000) and the weighted average of 1,029,176,786 ordinary shares (six months ended 30 June 2019: weighted average of 1,029,176,786 ordinary shares, adjusted for the impact of share consolidation) in issue during the interim period.

(b) Diluted earnings per share

For the six months ended 30 June 2020 and 2019, basic and diluted earnings per share are the same.

The equity-settled share-based payment transactions are anti-dilutive and therefore not included in calculating diluted earnings per share for the six months ended 30 June 2020 and 2019.

10 Property, plant and equipment, net

(a) Right-of-use assets

During the six months ended 30 June 2020, the Group did not enter into any new lease agreements, and therefore recognised no additions to right-of-use assets. During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of building, and therefore recognised the additions to right-of-use assets of USD302,000.

10 Property, plant and equipment, net (Continued)

(b) Acquisitions and disposals of owned assets

Mining properties of the Group at 30 June 2020 include stripping activity assets with carrying book value of USD368,584,000 (31 December 2019: USD346,111,000).

During the six months ended 30 June 2020, the additions of property, plant and equipment of the Group, representing mainly various mining structures, amounted to USD32,211,000 (six months ended 30 June 2019: USD47,297,000). Items of property, plant and equipment with a net book value of USD632,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: USD1,850,000).

11 Construction in progress

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

12 Intangible assets

Intangible assets represent the mining right acquired during the acquisition of Baruun Naran mine.

13 Other non-current assets

	At 30 June 2020 USD' 000	At 31 December 2019 USD' 000
Prepayments in connection with construction work, equipment purchases and others	52,222	52,125
Other financial asset (Note)	614	614
	52,836	52,739

Note: The Group has an investment in International Medical Centre LLC and has 4.87% equity interest.

14 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	At 30 June 2020 USD'000	At 31 December 2019 USD'000
Coal	103,272	103,253
Materials and supplies	14,596	16,709
	117,868	119,962
Less: provision on coal inventories	(10,437)	(10,437)
	107,431	109,525

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2020 USD'000	2019 USD'000
Carrying amount of inventories sold	109,893	195,708

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 2020 USD' 000	At 31 December 2019 USD' 000
Within 3 months	6,266	16,482
3 to 12 months	–	376
Over 12 months	–	–
Trade receivables net of allowance for doubtful debts	6,266	16,858
Amounts due from related parties	372	1
Other debtors	444	584
Financial assets measured at amortised cost	7,082	17,443
Prepayments and deposits (Note (i))	50,766	50,821
VAT and other tax receivables (Note (ii))	41,456	32,813
	99,304	101,077

Notes:

(i) At 30 June 2020 and 31 December 2019, 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 the Tax Authority of Mongolia. Based on current available information, the Group anticipates full recoverability of such amounts.

16 Cash and cash equivalents

	At 30 June 2020 USD' 000	At 31 December 2019 USD' 000
Cash in hand	4	4
Cash at banks	20,796	40,615
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	20,800	40,619

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 2020 USD' 000	At 31 December 2019 USD' 000
Within 3 months	33,220	85,091
3 to 6 months	42,604	42,258
6 to 12 months	50,447	–
Over 12 months	1,749	95
Total creditors payable	128,020	127,444
Payables for purchase of equipment	3,466	3,310
Interest payables	8,775	8,848
Other taxes payables	20,214	14,679
Others	3,639	6,248
Amounts due to related parties	5,896	5,904
Financial liabilities measured at amortised cost	170,010	166,433

18 Senior notes

	At 30 June 2020 USD'000	At 31 December 2019 USD'000
Senior Notes due 2022 (Note (i))	16,189	17,050
Senior Notes due 2024 (Note (ii))	431,641	430,953
	447,830	448,003

Notes:

(i) The outstanding principal amount of the Senior Notes due 2022 was USD14,618,186 as at 30 June 2020 and 31 December 2019. The Senior Notes due 2022 bear interest, ranging from 5% to 8% per annum based on the benchmark coal price index, payable semi-annually.

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 2020 was nil, USD2,134,000 and nil respectively (31 December 2019: USD1,175,000, USD1,933,000 and nil respectively). The liability component was initially recognised at its fair value and is accounted on amortised cost subsequently. As at 30 June 2020, the carrying amount of the liability component was USD14,055,000 (31 December 2019: USD13,942,000).

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 2020 was nil (31 December 2019: nil). The liability component was initially recognised at amortised cost 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 2020, the carrying amount of the liability component was USD431,641,000 (31 December 2019: USD430,953,000).

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

19 Provisions

	At 30 June 2020 USD'000	At 31 December 2019 USD'000
Accrued reclamation obligations	18,472	15,407
Others	1,500	1,500
	19,972	16,907
Less: current portion	(1,500)	(1,500)
	18,472	15,407

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 at 30 June 2020 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:

	2020 USD'000	2019 USD'000
At 1 January	15,407	13,059
Increase for reassessment of estimated costs	2,794	1,634
Accretion expense (Note 6(a))	271	714
At 30 June/31 December	18,472	15,407

20 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 2020 (six months ended 30 June 2019: 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 2020 (No share options were granted during the six months ended 30 June 2019).

No options were exercised during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

(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. On 15 April 2019, the Company redeemed principal amount of USD23,972,000 with a fair value 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 fair value of USD66,569,000. There was no change during the six months ended 30 June 2020.

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.

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.

21 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.

21 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 2019 USD'000	Fair value measurements as at 31 December 2019 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	3,108	Not applicable	Not applicable	3,108

	Fair value at 30 June 2020 USD'000	Fair value measurements as at 30 June 2020 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	2,134	Not applicable	Not applicable	2,134

21 Fair value measurement of financial instruments (Continued)

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

(i) Fair value hierarchy (Continued)

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: 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	9.02% (2019: 7.76%)
		Coal price index	USD114.6 to USD129.0 (2019: USD143.0 to USD160.0)
Redemption option embedded in Senior Notes due 2024	Binomial model	Expected volatility	91% (2019: 57%)

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 2020, 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 nil/nil respectively. The fair value measurement is positively correlated to the coal price index. As at 30 June 2020, 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 USD46,000/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 2020, 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.

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

	At 30 June 2020 USD' 000	At 30 June 2019 USD' 000
Derivative components of Senior Notes due 2022:		
At 1 January	3,108	64,394
Redemption of Senior Notes due 2022	–	(62,112)
Changes in fair value recognised in profit or loss during the period/year	(974)	1,000
At 30 June	2,134	3,282
Total gains for the period included in profit or loss for liabilities held at the end of the reporting period/year	(974)	(61,112)

	At 30 June 2020 and 2019 USD' 000
Redemption option embedded in Senior Notes due 2024:	
At 15 April 2019/1 January 2020	–
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.

21 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 2019 and 30 June 2020 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 31 December 2019	
	Carrying amount	Fair value
	USD' 000	USD' 000
Liability component of Senior Notes due 2022	13,942	13,866
Liability component of Senior Notes due 2024	430,953	439,168

	At 30 June 2020	
	Carrying amount	Fair value
Liability component of Senior Notes due 2022	14,055	13,676
Liability component of Senior Notes due 2024	431,641	464,167

22 Material related party transactions

Particulars of significant transactions between the Group and related parties during the period ended 30 June 2020 are ancillary services received by the Group representing 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 2020 was USD5,930,000 (six months ended 30 June 2019: USD7,204,000).

23 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 2020 USD' 000	At 31 December 2019 USD' 000
Contracted for	1,829	2,461

(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 19 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.

24 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
"AGM"	Annual general meeting
"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
"C&F"	Cost-and-Freight
"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, taxes, 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", "our Group"	The Company together with its subsidiaries
"HCC"	Hard coking coal

“HKD”	Hong Kong Dollar
“IASB”	International Accounting Standards Board
“IASs”	International Accounting Standards
“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
“Listing Date”	13 October 2010, the date the shares were listed on the Stock Exchange
“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
"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