

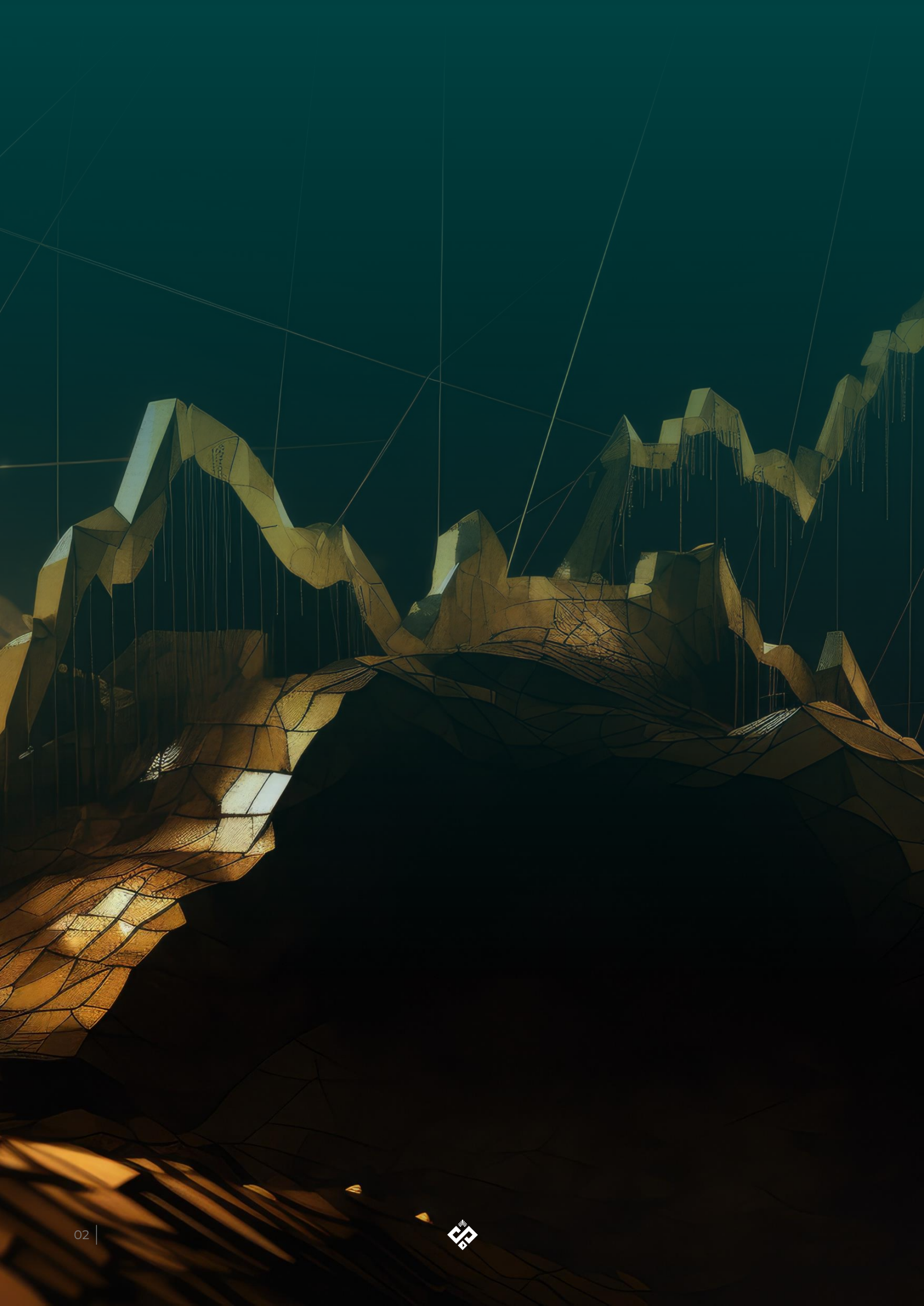


ERDENES MONGOL GROUP

MID-TERM STRATEGIC PLAN

2024–2028

ULAANBAATAR 2024



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FOREWORD



S. NARANTSOGT, Ph.D.

Chief Executive Officer,
Erdenes Mongol LLC

I would like to express my sincere gratitude to the leadership and team of our company, as well as to the management, employees, and staff of the subsidiary companies of our group, for their dedicated collaboration and efforts in developing this document, which holds significant importance for the future growth and development of the Erdenes Mongol Group and the country's economy.

Following the example of countries around the world, which formulate long-term development policies and plans based on their own resources and opportunities, and unite under a common goal, Mongolia has outlined its long-term development policy in the "Vision 2050" and its medium-term policy in the "New Revival Policy." These policy documents are being implemented by all levels of government agencies as a guideline in their operations.

Erdenes Mongol Group has developed its medium-term strategy in alignment with these national medium- and long-term development policies, as well as with the global "Sustainable Development Goals" and the principles outlined in the "Nationally Determined Contributions" under the Paris Agreement of the UN Framework Convention on Climate Change. I am pleased to present this strategy to you today.

The Government of Mongolia established Erdenes Mongol with the aim of bringing strategically important mineral deposits into economic circulation to create value and generate benefits.

Furthermore, decisions were made to operate state-owned companies engaged in the mining sector under the principles of a group structure, assigning Erdenes Mongol LLC with the rights and responsibilities of a parent company to provide integrated leadership and organization for the companies within the group. However, over the past years, the parent company failed to clearly define and follow the strategic direction of the group, which hindered the achievement of its core objectives and caused the company to fall significantly behind the development of similar international group companies operating in the same field.

Therefore, the newly appointed management team prioritized the development of a clear strategy for the group, and over the past year, they have successfully completed this task. Erdenes Mongol LLC, within its mandate to implement government policies, has identified its primary goal as improving the governance, management, and operations of its subsidiary, affiliate companies, and legal entities. Additionally, it aims to establish a system that ensures synergy across the operations of the group's companies, ultimately increasing their overall value.



Contributing over 20% to the national GDP, around 40% of total exports, over 20% of tax revenues, and more than 70% of foreign currency reserves, the Erdenes Mongol Group has, within the framework of its new strategy, set its **Vision** towards "Leading the revival of Mongolia's heavy industry and increasing the value of mineral resources through the creation of an optimized industrial value chain." The group has defined its **Mission** as "Leading and managing its subsidiary companies under an integrated policy and strategy to increase the value of mineral resources and establish a system that provides benefits to both present and future generations."

To achieve this mission, the group will mobilize all available resources, recognizing that the key elements to success include the skilled workforce of the subsidiary companies, leading technologies, sound strategies, leadership, and fairness. We are also committed to responsible mining, upholding the value of human life and dignity as a core part of our value system, while embedding environmental, social, and governance (ESG) standards in our operations.

Furthermore, we place significant importance on the business growth of the group's companies, aiming to increase their value in line with the best practices of leading global mining companies. To this end, we are focused on expanding our mineral reserves in accordance with international standards, constructing industrial and technology parks, and developing transportation and logistics centers with integrated planning and organization. Through strategic partnerships, we also aim to optimize our sales operations, setting ambitious strategic goals.

Thus, ensuring sustainable financial growth, increasing the efficiency of the Group, reducing unnecessary expenses, and implementing sound management of assets, resources, and capital are all critical. As projects and programs under the strategic framework start yielding positive outcomes, they will contribute to strengthening our economy, which currently faces low competitiveness. In this endeavor, the role, leadership, dedication, and active participation of every member of Erdenes Mongol are essential for us, the people of Mongolia, to truly become the masters of our own wealth.

This strategic document serves as the fundamental "roadmap" for the day-to-day operations of Erdenes Mongol Group's subsidiary companies and affiliated legal entities. It is designed to be a "living" policy document that is continuously refined and updated based on both internal and external factors, as well as time-related considerations, with an annual evaluation of its implementation. We, the members of Erdenes Mongol, hereby affirm our commitment to uphold and implement this strategy.

Wishing you all good health and great success in your work!



STRATEGY SUMMARY

As part of its primary goal of ensuring the implementation of government policy, Erdenes Mongol LLC aims to increase the value of group's companies by enhancing the governance, management, operations, and coordination of its subsidiary companies and affiliated legal entities. This will involve providing integrated strategies and policies and positioning itself as a competitive mining company in the region with newly defined goals and strategies for management.

Currently, the Group strategy lacks clear direction, and the company does not have a living policy document to provide integrated strategic management for subsidiaries, affiliated companies, and legal entities. Additionally, there is insufficient coordination of activities through integrated planning, resulting in a lag in the development of Group companies.

Therefore, within the framework of this medium-term strategic plan, we have redefined our Vision, Mission, and Values to adhere to the principles of sustainable development and responsible mining. We will implement professional-level management and methods using international best practices and advanced technology in mineral resource extraction and processing.



Vision: To lead the recovery of Mongolia's heavy industry and enhance the value of its mineral resources by creating a comprehensive industrial chain.



Mission: We will lead and manage our Group companies with integrated policies and strategies, enhance the value of mineral resources, and establish a system that delivers benefits both now and in the future.



Values: To achieve this mission, the company will rely on skilled employees, cutting-edge technology, strong leadership, and a commitment to equity as its core values.



Strategic Goals: Within the framework of the medium-term strategy of the Group, we will strive to achieve the following goals:

1. Utilize all opportunities to adhere to the principles of sustainable development and responsible mining.
2. Implement professional-level management practices and methods.
3. Leverage international leading experience and advanced technology in the extraction and processing of mineral resources.

OBJECTIVE 1: Increase the value of the Group by focusing on business growth.



We will enhance our resources in accordance with international standards, establish industrial and technology parks to lay the foundation for the industrial chain, and optimize sales through transport and logistics centers with integrated organization.

Within the framework of this goal, the following projects will be implemented for the comprehensive development of value-added production and infrastructure. These include:

- ❖ Geological and exploration projects to increase mineral resources
- ❖ Copper processing complex - Erdenet ITP
- ❖ Steel production complex - Darkhan ITP
- ❖ Fluorspar processing complex - Bor-Undur ITP
- ❖ Coke chemical complex – Tavantolgoi ITP
- ❖ Coal chemical complex - Baganuur ITP
- ❖ Building materials manufacturing complex - Khutul ITP
- ❖ Transport logistics infrastructure



OBJECTIVE 2: Increase the efficiency of sustainable growth in finance and production.



Enhance the efficiency of the Group, reduce wasteful expenses, and implement appropriate management of assets and resources. This objective will focus on:

- ❖ Increasing the efficiency of the Group by reducing costs and implementing appropriate management of assets and resources.
- ❖ Enhancing the quality and productivity of production and services at the Group level.
- ❖ Increasing operation income by up to 30%, profit by up to 40%, and taxes and fees collected by the state by up to 20%.

Specific initiatives to achieve these targets include:

- ❖ Implementing an integrated resource management policy.
- ❖ Deploying an integrated ERP system.
- ❖ Utilizing the Internet of Things (IoT) and digitalizing operations using advanced technologies.
- ❖ Reducing costs and increasing efficiency by automating production processes.

OBJECTIVE 3: Implement strategies to overcome energy and water shortages.



Ensure a reliable source of energy for production and establishment and increase the use of surface water while reducing the consumption of underground water used in production.

Key actions include:

- ❖ Increase the capacity of electricity sources as part of the Group's medium-term strategy. Initiatives in this direction include commissioning:
 - Green energy cluster
 - Tavantolgoi thermal power plant
 - Shivee-Ovoo 200 MW thermal power plant
- ❖ Increase the use of surface water in production through the implementation of the following projects:
 - Zag water pipeline
 - Tsagaan Tsav
 - Kherlen-Toono
 - Orkhon-Ongi

OBJECTIVE 4: Implement good governance and responsible mining principles.



Ensure operational facilities for occupational health and safety, environmental, social, and governance standards.

Key actions include:

- ❖ Enhance safety at all stages of production by adhering to safety rules, regulations, and standards. Improve safety by automating production processes and utilizing the Internet of Things (IoT) and electronic technologies, alongside personal protective equipment, advanced technologies, and tools.
- ❖ Uphold the mission, vision, and values in Group operations by adhering to the basic principles of internationally recognized responsible mining programs, environmental and social responsibility, and good governance.

This strategy serves as the primary document to guide the daily operations of the state-owned and state-participated subsidiary and affiliate companies, as well as affiliated legal entities, operating in the mining sector under the leadership of Erdenes Mongol LLC. Therefore, the strategic responsibilities to be implemented by the Group's companies are outlined in the "Strategic Reflection" section.

Challenges in Achieving the Objectives

For Erdenes Mongol Group, the prolonged lack of leadership and unclear strategic direction has accumulated challenges, limiting the potential to operate efficiently, ensure business growth, and achieve high returns. Specific challenges include:

Resource Management Issues

- The Group's companies lack an integrated ERP system, preventing the quick, reliable, and continuous receipt, processing, evaluation, and analysis of data.
- There is no integrated policy to manage surplus or shortages of goods and products, idle equipment, or equipment usage.
- The Group lacks an integrated human resources policy, and there are shortages in human resources for implementing new projects and programs.

Investment and Project Management Issues

- Projects and programs are not planned with a unified policy. The processes of project research, evaluation, prioritization, and approval are not fully completed, leading to cost overruns, lack of financial resources, and delays during the implementation phase, ultimately reducing investment returns.
- Due to inadequate planning and management of projects and programs, critical infrastructure and production projects based on advanced technologies, which could have a significant impact on the Group's operations, have been delayed for years.

Production and Technology Issues

- The core operations of Erdenes Mongol Group rely mainly on two minerals: coal and copper. To expand its operations and align with future trends, it is necessary to acquire new licenses in areas with significant potential for important minerals and high-tech raw materials, conduct geological exploration, and increase the variety of value-added minerals for export.
- The Group must conduct additional and in-fill exploration on strategic deposits during production and evaluate future project areas in accordance with international resource classification systems, preparing detailed exploration reports and deposit evaluations.
- Feasibility studies for the Group's strategic deposits need to be updated to meet international standards and cover the entire value chain of production.
- The average age of the Group's mining equipment is high, with 37% of equipment beyond its operational lifespan. Due to reduced equipment readiness and utilization, productivity has decreased, and extraction costs have risen. Inadequate long- and mid-term planning has led to violations of mining operating regimes, and the absence of processing plants limits the full utilization of deposits, posing the risk of shortening mining lifecycle.
- The Group's projects to increase production capacity lack coordination, and economic efficiencies are not fully calculated at the deposit level. The choice and capacity of beneficiation plant equipment are not aligned with the capacity of open-pit mining or the renewal of mining machinery. Automation levels are low, and value-added production and processing are underdeveloped.

Sales and Logistics Issues

- The Group has sold products at prices significantly lower than market rates, reducing profitability and preventing shareholders from realizing potential returns.
- Due to poor logistics planning, the Group has missed opportunities to sell mining products when international market prices were high, resulting in lost revenue.
- The inability to deliver products quickly and to multiple locations has forced the Group to sell at prices significantly below market rates, further reducing profitability.

Infrastructure Accessibility Issues

- Inadequate access to electricity and water supplies is hindering the development of production and processing facilities.
- The lack of transport and logistics infrastructure within the Group has led to missed opportunities to increase sales and revenue during periods of high international market prices.
- Due to the inability to supply products to buyers in a timely manner and in multiple locations, products have been sold at prices well below market value, missing opportunities to improve profitability.

To address these challenges, the following strategic directions have been established for the entire Group, considering the lessons learned, accumulated experience, current circumstances, the market for the Group's key products, and global trends among major mining companies, all aimed at continuously increasing shareholder returns.



Strategy

The strategy will be implemented through five key areas to achieve strategic objectives:

I. Resource Management Strategy

To increase the efficiency of the Group and reduce unnecessary costs, a comprehensive resource management strategy will be implemented across the Group, including the deployment of intelligent information technologies in human resources, finance, procurement, and sales. By implementing integrated resource management standards, the quality of services and productivity will be enhanced, while operational costs will be reduced by up to 30%.

II. Investment and Project Management Strategy

The strategy will focus on prioritizing infrastructure and expansion projects that are essential for bringing deposits into economic circulation and supporting value-added production. Investments will be made in important and high-return projects and programs. The preparation required for approving the Group's projects and programs will be ensured, and projects will be managed transparently and professionally until they reach the production stage, thereby increasing the return on investment.

III. Production and Technology Strategy

The Group will adopt a strategy aimed at the long-term, sustainable, and comprehensive utilization of strategic deposits. This includes the introduction of international best practices, advanced technology, innovation, and digital transformation into mining operations. Geological exploration will be intensified to increase certified mineral reserves, and improvements will be made in the selection and utilization of technology. Opportunities will also be created for the establishment of more downstream processing plants. The Group will aim to establish the Erdenes Mongol brand in the market for industrial raw materials and set quality standards, supporting the development of a value-added industrial supply chain and final product manufacturing.

IV. Sales and Logistics Strategy

To develop the infrastructure necessary for building an industrial supply chain and to sell export products at competitive market prices, the Group will increase the number of reliable trading partners with strong infrastructure, logistics, and financial capacity. An integrated system for coordinating and managing sales, transportation, and logistics operations will be implemented. Additionally, logistics centers that comprehensively address the transportation, storage, and logistics needs of domestic raw materials, products, and export goods will be established at newly built industrial technology parks, operating mines, and major trade hubs.

V. Supporting Operations Strategy

Supporting strategies in legal, regulatory, safety, human resources, and cooperation functions will be implemented at the Group level, based on policy documents aimed at ensuring the successful implementation of the Group's strategy.

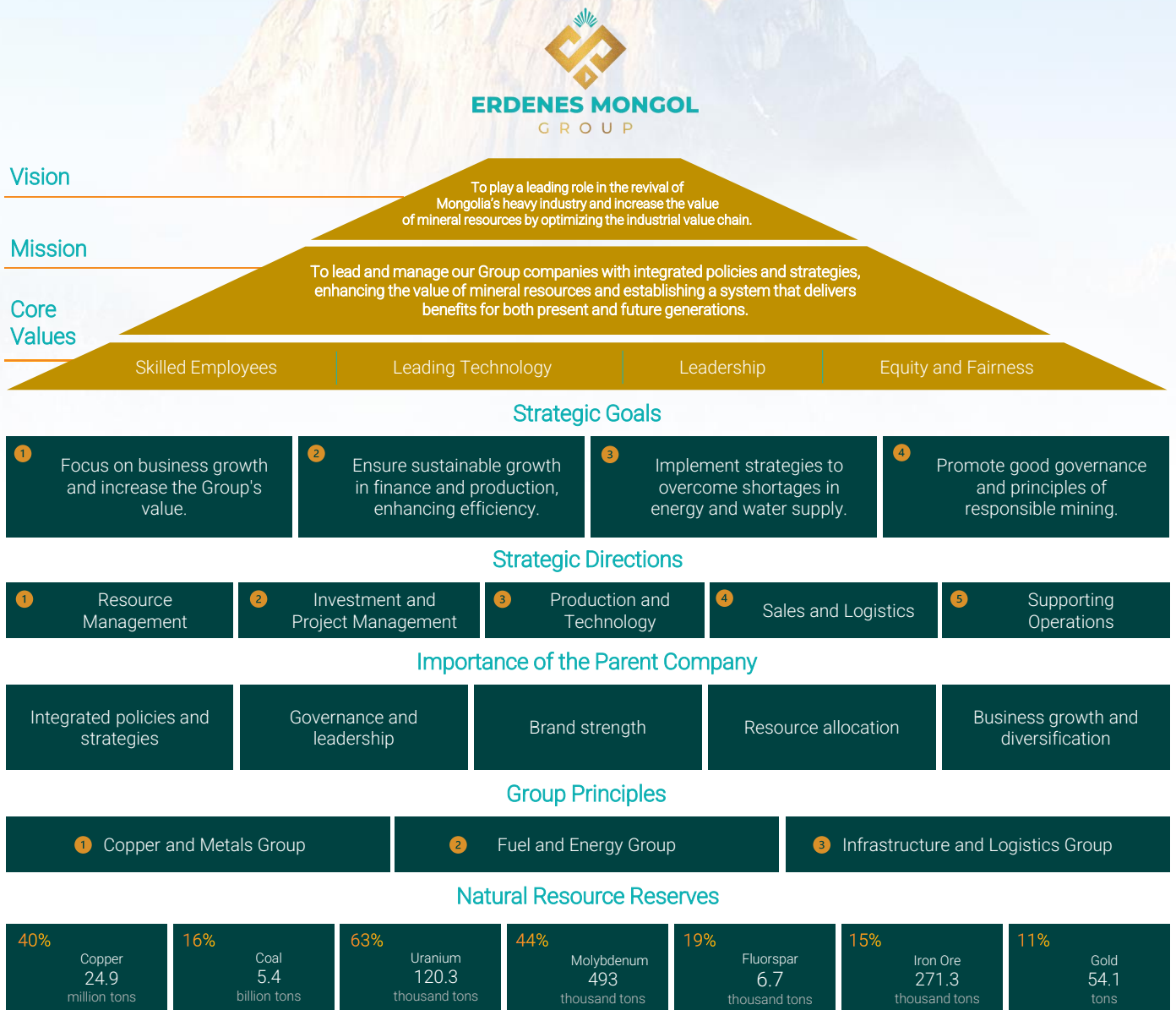
Strategic Reflection

Companies, enterprises, and legal entities that are part of Erdenes Mongol Group are responsible for developing and implementing their own strategies and business plans to contribute to the realization of these strategic objectives.

The implementation and results of the Group's strategy will be regularly monitored, evaluated, and updated. This strategy will serve as a key benchmark for evaluating the annual performance of the Group's affiliated legal entities and their management. Moreover, all policy documents applied within the Group will be closely aligned with this strategy to ensure effective implementation.



Figure 1. Strategic Scheme



* Share of Mongolia's Natural Resources



1

ERDENES MONGOL GROUP

MONGOLIA'S DEVELOPMENT STRATEGY AND ERDENES MONGOL GROUP



The companies within Erdenes Mongol Group play a critical role not only in contributing to Mongolia's state budget and foreign currency reserves but also as key holders of the country's strategic natural resources and heavy industrial infrastructure. As such, Erdenes Mongol Group is expected to lead the implementation of Mongolia's development policy objectives set forth by the Government.

In this context, the integrated strategy of the Group has been developed in alignment with national and international development goals, including the United Nations Sustainable Development Goals (SDGs), Vision 2050, the New Revival Policy, and the Nationally Determined Contributions (NDCs) under the Paris Agreement of the UN Framework Convention on Climate Change. Specifically, the following objectives of Vision 2050, Mongolia's long-term development policy, serve as guiding principles for the Group:

- Valuing and preserving natural resources to maintain the balance of primary ecosystems.
- Sustainable utilization and restoration of natural resources, reducing depletion, creating reserves for use, and ensuring the inheritance of natural wealth for future generations.
- Preventing water shortages by storing surface water and ensuring equitable access to meet demand.
- Supporting renewable energy and low-carbon energy sources such as nuclear and hydrogen power and contributing to the development of a productive and inclusive green economy to mitigate climate change and support global efforts.

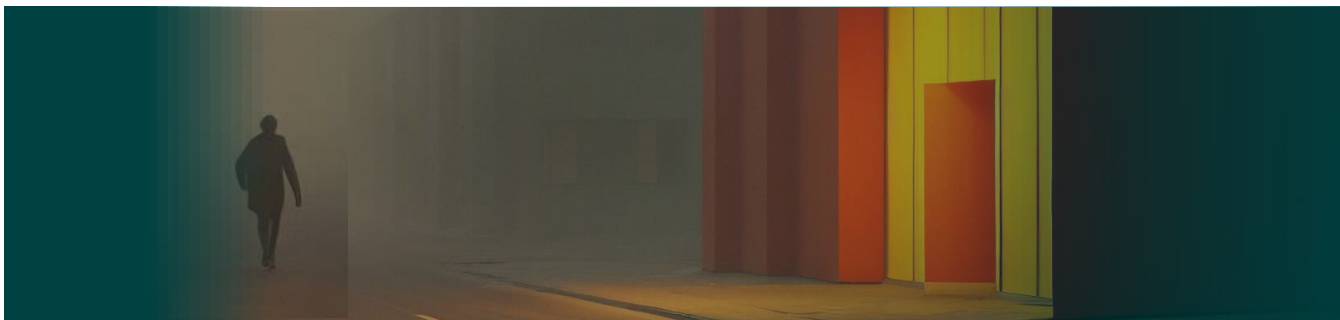
The Group will also prioritize the objectives outlined in the New Revival Policy, which are directly relevant to its operations. These include:

- Developing value-added production.
- Fostering transparent and responsible mining.
- Initiating major projects in heavy industry, including oil refining, coal-chemical production, copper concentrate smelting and refining, and metallurgical plants.
- Implementing large-scale industrial and infrastructure projects.



ERDENES MONGOL GROUP

FROM YESTERDAY'S LESSONS TO TODAY'S REVIVAL



Erdenes Mongol LLC was established based on the Government of Mongolia's Resolution No. 266 from November 15, 2006, "On Establishing a State-Owned Legal Entity," and the State Property Committee's Resolution No. 52 from February 22, 2007, "On Establishing a State-Owned Limited Liability Company." The purpose of its creation was to manage the state's shareholder rights in state-owned companies operating in strategic mineral deposits.

Since its establishment, Erdenes Mongol LLC has operated with the primary objective of providing management services to state-owned mining companies and legal entities. However, due to a lack of leadership from shareholders and company management, financial difficulties arose, and the governance system became ineffective, resulting in the company falling short of achieving its intended goals and objectives.

Due to the lack of a clear strategic direction, the company was unable to provide integrated strategic management to its subsidiaries, affiliates, and related entities, and failed to coordinate the operations of these companies through comprehensive planning. This resulted in misalignment between the company's operations and its strategic goals. Furthermore, the absence of well-defined operational guidelines aligned with the strategic objectives led to 10 restructurings of the company's organizational structure and 9 changes in executive leadership. As a result, issues such as instability in human resources and a lack of transparency in appointments arose.

Projects initiated without an integrated strategic policy and planning often deviated from their original objectives, shifted toward unrelated activities, failed to deliver results within the planned timeframe, extended far beyond their schedules, incurred unnecessary costs, and resulted in the development of flawed feasibility studies. These issues have occurred frequently.

When the company was first established, it was intended to own and manage strategic deposits, bringing them into economic circulation, and to hold shares in operating state-owned companies. However, a legal decision was made to centralize dividends from the net profits of these companies into a special fund, which resulted in the company not having a well-defined financial mechanism. As a result, the company lacked a reliable source of income, leaving it without the financial capacity to initiate new projects or move existing ones from the research phase to implementation and construction.

In an effort to resolve these issues and establish a stable income source for the company, the shareholders took several specific measures. In 2013, Gashuun Sukhait Road LLC was transferred under the ownership of Erdenes Mongol LLC. In 2014, further steps were taken to improve the coordination between the operations of its subsidiaries and affiliates by reorganizing the Group's structure. However, despite these efforts, the problems were not fully resolved, and by 2022, the Group had accumulated a total debt of 8.2 trillion MNT.

In order to systematically and comprehensively address the long-standing accumulated issues and to restructure the company and the Group's operations under a more effective organizational system, as well as to improve governance, operations, and efficiency, the shareholders implemented the following measures during 2022-2023:

These include:

- To improve corporate governance, amendments were made to the charter of Erdenes Mongol LLC, and the composition of the Board of Directors and executive management was restructured.
- The scope of operations of the Group's companies was expanded, and all state-owned companies engaged in the mining sector were integrated into the Group to improve coordination between their activities. For example, strategic asset holders such as Erdenet Mining Corporation SOE, Mongolrostsvetmet SOE, and Darkhan Metallurgical Plant LLC were transferred to the Group.
- To ensure stable operations and generate cash flow for financing projects and programs, the management fee structure was defined, requiring subsidiaries to contribute fees to the parent company.

The representatives of the shareholders, along with the new Board of Directors and executive management, have committed to continuing the changes and reforms within the Group without delay. Starting from early 2023, the following measures have been implemented:

- An open recruitment process was conducted, and the management team and all employees were selected based on specific skills, knowledge, and experience criteria.
- The number of independent members on the Board of Directors was increased to 49%, improving corporate governance and enabling greater public oversight.
- Projects and enterprises that had not delivered tangible results for a long time were dissolved.
- An integrated medium-term strategy for the Group was developed.

In drafting this strategy document, consideration was given to Mongolia's long- and medium-term development policies set forth by the Government, the strategies and development trends of leading global mining companies, the resource base of Erdenes Mongol Group's subsidiary companies, and the market conditions for their products.

Going forward, the company will develop policy documents for each operational area based on this integrated strategy, ensuring alignment with the Group's overall activities. The business plans of the Group's companies will also be adjusted accordingly. Within the framework of these policy documents and business plans, specific projects will be implemented using an industrial and technology park model. The company plans to attract both domestic and foreign investments, raise capital, and provide management services for these projects.

This approach is expected to support the development of value-added production, particularly in the manufacturing of essential industrial raw materials. By creating value for end-product manufacturers, the company will help ensure the successful implementation of the Government's policies.



TRENDS AMONG MAJOR GLOBAL MINING COMPANIES

Most leading companies in the global mining industry are adopting a strategy of vertical integration in their operations. This approach involves managing all stages of the mining process, from exploration to sales. By integrating every step of the value chain, these companies are able to capture value at each stage, thereby improving their profitability. This, in turn, enhances their competitiveness and ensures a steady growth in returns for their shareholders.

Illustration of Vertical Integration Strategies Implemented by Major Global Mining Companies

Table 1. Implementation of Vertical Integration Strategies by Global Mining Companies

	BHP	Rio Tinto	Anglo-American	Glencore	Nyrstar	BHP
	Coal	Copper	Copper	Zinc	Zinc	Ferrous Metal
Sales		✓	✓	✓	✓	✓
Logistics		✓	✓	✓	✓	✓
Processing		✓		✓	✓	
Refining	✓	✓	✓	✓	✓	✓
Extraction	✓	✓	✓	✓	✓	✓
Exploration	✓	✓	✓	✓	✓	✓

Source: Official company websites

This table illustrates how major global mining companies implement vertical integration strategies by managing key stages of the mining value chain, from exploration to sales. This approach ensures greater control over the entire process, leading to increased profitability and shareholder value.

Advantages of the Vertical Integration Strategy:

- **Retaining Value:** Vertical integration allows companies to retain the value generated at every stage of the mining process internally.
- **Stability:** Fluctuations in the mineral market have a relatively smaller impact on operations across all stages, from exploration to sales, ensuring stable operations.
- **Operational Optimization:** By managing each stage of production, companies can better plan production capacity, optimize supply chain management, and efficiently allocate resources.
- **Cost Reduction:** Scaling up production reduces costs, which in turn increases shareholder returns.

Additionally, major global mining companies have identified the following key focus areas in their operations:





Brazilian State-Owned
Mining Corporation

Digital Transformation

Vale is accelerating its digital transformation in mining operations:

- **Full Automation of Site Operations:** Through the use of 3D site mapping, trucks, drilling controlled by computer systems, GPS technology, and the use of robots and drones, Vale has reduced risky operations and increased worker safety, which has resulted in higher production output.
- **Robotic Process Automation (RPA):** By deploying RPA and bots to perform repetitive manual tasks in human resources, procurement, and finance, Vale has allowed employees to focus on higher-value tasks, providing them with more time to concentrate on critical operations.
- **Automation in Mining, Railways, and Ports:** Vale is heavily investing in automating machinery and equipment used in mines, railways, and ports. Additionally, the company is focusing its investments on research and projects related to innovations in the mining supply chain.



Anglo-Australian Multinational
Mining Corporation

Sustainability

Rio Tinto is committed to the principles of sustainable mining. Its operations focus on reducing the risks associated with natural disasters by improving energy consumption and water management.

- **Energy Management:** Rio Tinto is implementing the ISO 50001 Energy Management System, which helps systematically manage and improve the company's energy performance. These systems monitor energy usage and establish mechanisms to reduce consumption and increase energy efficiency. Additionally, the company is increasing its use of renewable energy sources such as solar, wind, and hydropower. This shift reduces reliance on diesel fuel and helps lower greenhouse gas emissions.
- **Water Management:** The company is also improving its water management strategies, focusing on recycling water and collecting flood and rainwater. These initiatives are aimed at reducing the risks posed by natural disasters, particularly those related to water scarcity and extreme weather events.





Australian Multinational
Mining Corporation

Diversification

BHP is focusing on diversifying its product portfolio:

- The company has reduced its traditional focus on iron ore and coal, expanding its portfolio to include coal, oil, nickel, and uranium. Additionally, BHP is diversifying its core metals sector by investing in energy resources such as copper, cobalt, and nickel.
- **New Product Development:** With growing demand for metals used in fertilizers, such as potash, and those essential for battery production like lithium, cobalt, nickel, and copper, BHP is actively exploring investment opportunities in the exploration and extraction of these metals.
- **Geographical Diversification:** BHP operates across several continents, including Australia, Chile, the U.S., Canada, and other regions. This geographical diversification helps reduce risks associated with operations concentrated in a single region and opens opportunities to access international markets.



Swiss Multinational
Mining Corporation

Social Responsibility

Glencore places a strong emphasis on improving the social and economic conditions of the local communities where it operates as part of its corporate social responsibility efforts.

- **Community Engagement:** Glencore operates in regions that have a significant impact on local communities. The company actively engages with stakeholders through consultations, supports local employment, and invests in social infrastructure such as roads, schools, hospitals, and community centers. Additionally, it focuses on supporting local entrepreneurs by building and funding business parks and centers and providing training for small business owners.
- **Human Rights:** Glencore is committed to providing safe and healthy working conditions, respecting the rights of indigenous peoples, and ensuring that vulnerable groups are not marginalized. The company collaborates with local government authorities to uphold these commitments.
- **Partnerships:** Glencore regularly collaborates with governments, civil society organizations, local communities, and investors to address key sustainability challenges. The company maintains open dialogue with these stakeholders and actively seeks their input to maintain best practices in addressing sustainability issues.

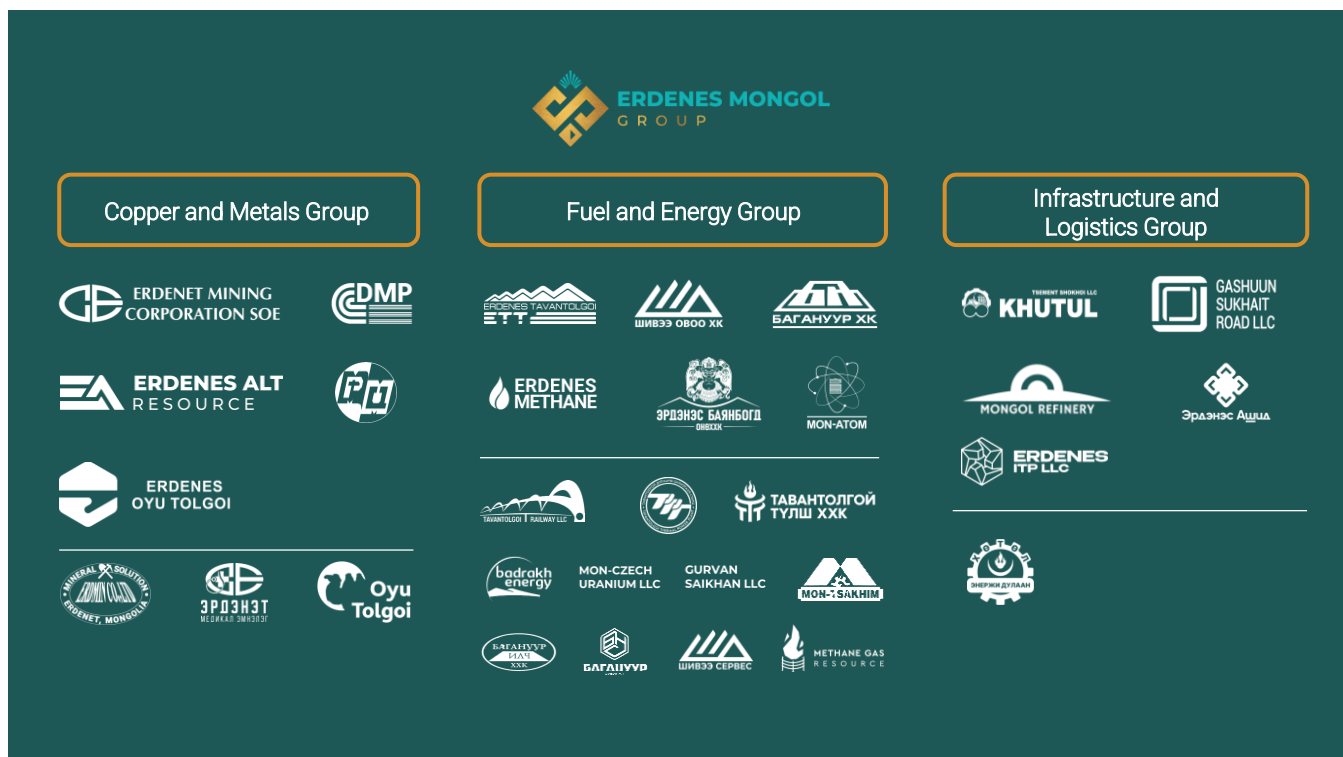
Source: Official websites of the companies



ERDENES MONGOL GROUP TODAY

The Government has taken significant steps to improve the governance, operations, and efficiency of state-owned companies by implementing necessary changes to the charter of Erdenes Mongol LLC. These changes have expanded the company's scope and established a clear directive for all state-owned mining companies to operate under an integrated objective and group structure.

Figure 2. Structure of Erdenes Mongol Group (excluding inactive and dissolved entities)



To enhance coordination and competitiveness in the market, companies with similar operations, which require the transfer and implementation of technology and the formation of an industrial value chain, are grouped under three main clusters: Copper and Metals Group, Fuel and Energy Group, and Infrastructure and Logistics Group. This group-based structure is designed to promote the development of value-added export products with high competitiveness.

- **Copper and Metals Group:** This group includes companies that work in interconnected operations such as the production of copper concentrate, iron ore, fluorspar concentrate, and silver concentrate.
- **Fuel and Energy Group:** This group consists of companies involved in the extraction of coking and thermal coal, which serve as the foundation for the coal-chemical industry. It also includes companies working on the extraction of coal-bed methane, an environmentally friendly fuel source, and uranium mining to produce yellowcake (uranium oxide).
- **Infrastructure and Logistics Group:** This group includes companies responsible for organizing the Group's transport activities, developing petrochemical industries through oil refining, managing industrial technology parks, and implementing gas pipeline projects.

Strategic Importance of the Group Structure

By organizing state-owned mining companies into a group structure based on their core operational sectors, Erdenes Mongol LLC benefits from several strategic advantages:



Implementation of Integrated Policies and Strategies: The Group's companies align under a shared objective, enabling the coordinated execution of government policies and decisions. This approach helps the Group achieve its strategic goals with greater unity and efficiency.

Governance and Shared Values: Under the leadership of the parent company, the Group promotes good governance, protecting the rights and legal interests of its subsidiary companies while building a system that creates long-term sustainable value. This fosters business ethics and a strong corporate culture across the entire Group.

Enhanced Reputation (Brand Strength): By adopting a group structure, the Erdenes Mongol brand is established as a standard for high-quality industrial raw materials in the market. This positive reputation benefits all companies within the Group, enhancing their standing in both the product and labor markets.

Efficient Resource Management: By developing an integrated supply chain system that meets quality standards, companies within the Group can efficiently utilize shared resources, infrastructure, and best practices. This leads to cost savings, reduced expenses, and the opportunity to enhance exploration, extraction, and processing operations through innovation.

Business Growth and Diversification: The Group structure allows mining companies to diversify their operations. For Erdenes Mongol, this means creating an industrial value chain that reduces dependence on a single sector, mitigates risks from raw material price fluctuations, regulatory changes, and operational challenges. This diversification offers investors more stable, multi-faceted investment opportunities and enhances the ability to attract financing from both domestic and international markets.

The Copper and Metals Group comprises five enterprises and companies within the Group. In terms of production, it accounts for 100% of Mongolia's copper concentrate exports, 100% of silver-gold concentrate exports, and approximately 27% of iron ore concentrate exports. As part of its medium-term strategic plan through 2027, the Copper and Metals Group aims to increase the production of essential industrial raw materials and advance processing levels. Major development projects planned include establishing a "Copper Processing Complex" based on Erdenet Mining Corporation SOE, a "Steel Processing Complex" based on Darkhan Metallurgical Plant LLC, and a "Fluorspar Processing Complex" based on the Bor-Undur Mining and Processing Plant of Mongolrostsvetmet SOE.

The Fuel and Energy Group is focused on eliminating financial losses, improving operational efficiency, and ensuring synergy and unity among the companies within the group to increase profitability and enhance shareholder returns. The group aims to coordinate the operations of its subsidiaries and affiliates, introduce coal blending technology, and deeply process coal to reduce Mongolia's energy dependency. Additionally, the group seeks to produce export products that meet international quality standards, positioning itself as a major player in the target markets. These objectives are part of the group's medium-term strategy.

The Infrastructure and Logistics Group is working to establish logistics centers that fully resolve the infrastructure needs for the transportation, storage, and logistics of domestic raw materials and products, as well as export goods. The Group will implement a strategy to transparently sell export products at market prices. Additionally, the "Khutul" Industrial and Technology Park is being established, based on Tsement Shokhoi LLC, for the production of building materials such as cement, lime, and various types of construction materials. Furthermore, Mongol Refinery SOLLIC is scheduled to complete Mongolia's first oil refinery by 2027, laying the foundation for the country's petrochemical industry.

As of now, the Copper and Metals Group oversees 8 enterprises, the Fuel and Energy Group manages 17 enterprises, and the Infrastructure and Logistics Group oversees 6 enterprises and 1 project unit.





STRATEGY

STRATEGY

The main objective of the medium-term strategy of Erdenes Mongol Group is to establish the values, resources, and systems necessary to achieve its mission. This includes ensuring sustainable growth for the Group, creating the Erdenes Mongol brand for product manufacturing, and increasing the number of strategic investors, infrastructure, logistics, and financially capable trading partners. Through the creation of mutual value, the primary goal is to maximize returns for shareholders and investors to the highest possible level.

As part of its core mission to implement government policies, Erdenes Mongol LLC aims to enhance the governance, management, operations, and coordination of its subsidiaries, affiliates, and associated legal entities. By providing integrated strategies and policies, the company seeks to increase the value of the Group's companies and establish itself as a regionally competitive **mining management company**.

Erdenes Mongol LLC has struggled to align its strategic goals with its core founding purpose, failing to establish the necessary structure and system to implement them. As a result, the organization lost its critical ability to integrate its strategic direction into daily operations and guide the company toward a unified goal.

Therefore, under this medium-term strategic plan, Erdenes Mongol LLC has renewed its Vision, Mission, and Core Values, with a focus on sustainable development and responsible mining principles. The strategy also emphasizes applying international best practices and advanced technologies in mineral extraction and processing, while implementing professional-level management practices.



Vision

To play a leading role in the revival of Mongolia's heavy industry and increase the value of mineral resources by optimizing the industrial value chain.



Mission

To lead and manage the Group's companies with integrated policies and strategies, enhancing the value of mineral resources and establishing a system that delivers benefits to both present and future generations.



Core Values

To achieve this mission, Erdenes Mongol will uphold the following core values: a skilled workforce, cutting-edge technology, strong leadership, and fairness.



Strategic Goal

Within the framework of the Group's medium-term strategy, the company will strive to achieve its goals by utilizing all available resources. This will be done while adhering to the principles of sustainable development and responsible mining, applying international best practices in mineral extraction and processing, and implementing professional-level management and leadership approaches.

Objective 1: Increase the value of the Group by focusing on business growth.



Erdenes Mongol will enhance its resource base by conducting exploration in compliance with international standards. The company aims to establish industrial and technology parks that will lay the foundation for the industrial value chain. Additionally, through the development of integrated transport and logistics centers, Erdenes Mongol will implement an optimized sales structure to increase efficiency and drive business growth.

Within the framework of this goal, the following projects will be implemented for the comprehensive development of value-added production and infrastructure. These include:

- ❖ Geological and exploration projects to increase mineral resources



- ❖ Copper processing complex - Erdenet ITP
- ❖ Steel production complex - Darkhan ITP
- ❖ Fluorspar processing complex - Bor-Undur ITP
- ❖ Coke chemical complex – Tavantolgoi ITP
- ❖ Coal chemical complex - Baganuur ITP
- ❖ Building materials manufacturing complex - Khutul ITP
- ❖ Transport logistics infrastructure

Objective 2: Increase the efficiency of sustainable growth in finance and production.



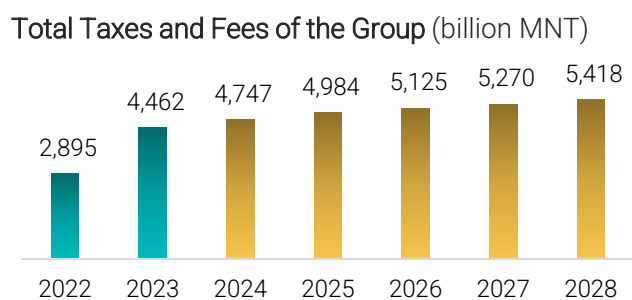
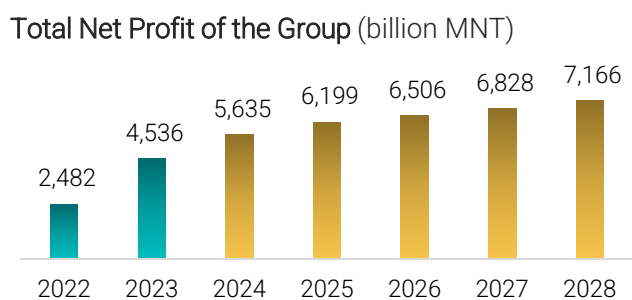
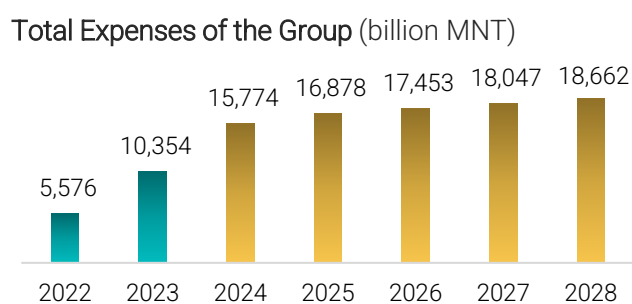
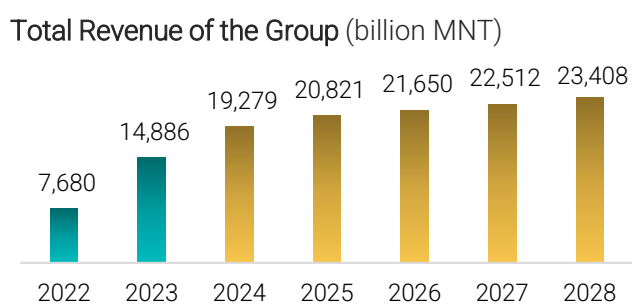
Increase Group Efficiency and Reduce Wasteful Expenses, Implement Proper Management of Resources, Assets, and Capital

- ❖ By enhancing the Group's efficiency, reducing costs, and implementing effective management of resources, assets, and capital, Erdenes Mongol will aim to improve the quality and productivity of its production and services. This will lead to a 30% increase in operational revenue, a 40% increase in profits, and a 20% growth in taxes and fees contributed to the state, ultimately boosting the Group's overall value.
- ❖ The company will implement an integrated resource management policy, including the adoption of an integrated ERP system, Internet of Things (IoT), and advanced technologies to digitalize operations. By automating production processes, Erdenes Mongol LLC will reduce costs and improve efficiency across the Group.

In estimating the five-year financial performance of Erdenes Mongol Group, factors such as changes in exchange rates, price forecasts for copper, molybdenum concentrate, energy, and coking coal (which together account for over 90% of the Group's revenue), and key production indicators (extraction, processing, and production of value-added products) were considered. The projections also take into account new projects and programs expected to come online, which will impact both the quantity and price of products.

Under Objective 2, the implementation of Erdenes Mongol Group's medium-term strategy for 2024-2028 is projected to deliver the following financial results

Graph 1. Forecast of the Group's Target Financial Levels



Objective 3: Implement strategies to overcome energy and water supply shortages



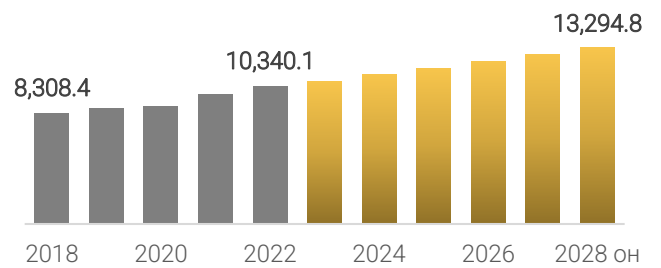
The Group will ensure a reliable energy source for its production and reduce groundwater usage in operations by increasing the use of surface water.

- ❖ Within the Group's medium-term strategy, the capacity of power sources will be increased. This includes the commissioning of the Green Energy Cluster, the Tavantolgoi Thermal Power Plant, and the Shivee-Ovoo 200 MW Thermal Power Plant.
- ❖ To increase the use of surface water in production, the Zag Water Pipeline, Tsagaan Tsav, Kherlen-Toono, and Orkhon-Ongi projects will be implemented.

Electricity Supply

Due to population growth in Mongolia and the expansion of production in the mining sector, the demand and load on the energy system have steadily increased in recent years. According to statistics from the Energy Regulatory Commission, in 2022, a total of 10,340.1 million kWh of electricity was consumed, of which 79% was supplied from domestic sources and 21% from imported electricity. Based on electricity consumption growth projections, it is expected to reach 13,294.8 million kWh by 2028, representing a 28.5% increase compared to 2022.

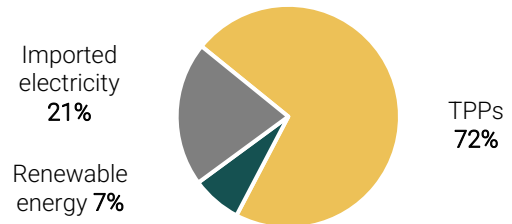
Graph 2: Electricity Consumption in 2022 (million kWh)



Source: Energy Statistics 2022, Energy Regulatory Commission

The peak load of the national grid during the winter of 2022 reached 1,469 MW, with 1,195 MW (82%) supplied by domestic sources and 226 MW (15%) from imports¹. Projections for peak load growth show that it could reach 1,959.3 MW by 2028, a 33.4% increase compared to 2022.

Graph 2: Electricity sources (million kWh)



Source: Energy Statistics 2022, Energy Regulatory Commission.

To meet the growing demand for electricity, reduce dependency, and fulfill the "Energy Revival" goals under the New Revival Policy, several power plant projects are planned with both public and private investments. These include a 300 MW thermal power plant (TPP) at Bagakhangai District, based on the Buuruljuut Coal Mine, a 50 MW TPP in Choibalsan, Dornod Province, and an 18 MW TPP in Tosontsengel soum, Zavkhan Province, all of which are scheduled to be operational by 2025².

Upon the successful implementation of these projects and the connection of new power sources to the national energy grid, domestic installed capacity is expected to reach 1,563 MW. However, the need to import 390.3 MW of electricity will remain. Additionally, the aging infrastructure of key thermal power plants, with lifespans ranging from 36 to 61 years, poses a significant risk of exacerbating energy shortages.

As the mining and heavy industry sectors expand, the demand for electricity is increasing, making it critical to ensure a reliable power supply for new industrial projects. Therefore, the Group will prioritize securing reliable energy sources to support its production, projects, and programs.

¹ Energy Statistics 2022, Energy Regulatory Commission
² Measures to Ensure the Reliability of Energy Supply, 2023, Ministry of Energy



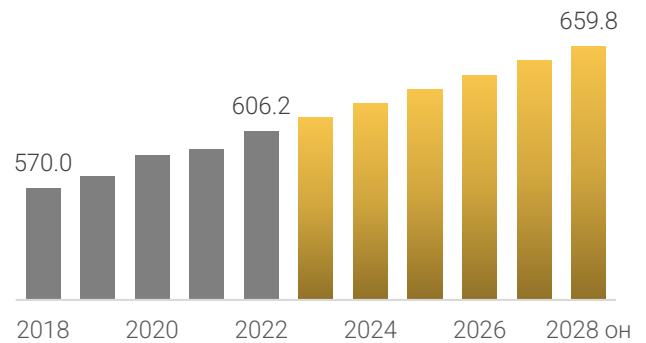
Water Supply

Mongolia's water resources are unevenly distributed geographically, with about 70% of the water reserves concentrated in 30% of the country's territory, primarily in the Khangai region. Due to climate change, the average annual temperature has increased by 2.2°C over the past 80 years, which is three times the global average⁴. This has led to a significant reduction in the flow of major rivers, the drying up of small rivers, streams, and lakes, and the disruption of the ecological balance along riverbanks, resulting in intensified drought conditions.

According to statistics provided by the Water Agency, Mongolia used a total of 606.2 million cubic meters of water in 2022, of which 92.5 million cubic meters (15.2%) were used by the mining sector. Projections indicate that water usage will increase to 659.8 million cubic meters by 2028, reflecting an 8.8% growth compared to 2022⁵. Hydroeconomic analysis suggests that due to the development of the mining and heavy industrial sectors, annual water consumption in the Gobi region is expected to reach 86.6 million cubic meters by 2030 and 91.3 million cubic meters by 2040⁶.

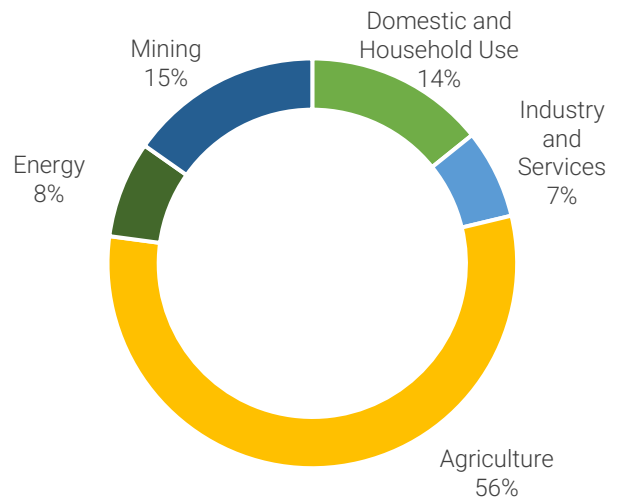
The increasing demand for water poses the risk of future shortages in both industrial and drinking water supplies, which could limit production capacity. Therefore, the Group will prioritize addressing the water supply needs for its production and projects, reducing groundwater usage, and increasing the use of surface water.

Graph 4: Water Consumption - 2022 (million cubic meters)



Source: 2021-2024 Strategic Plan, The Water Agency, Government Implementing Agency

Graph 5: Water Consumption by Sector (million cubic meters)



Source: The Water Agency, Government Implementing Agency

⁴ 2021-2024 Strategic Plan, Water Agency, Government Implementing Agency
⁵ Water Agency, Government Implementing Agency, <https://water.gov.mn/news/stat-info>
⁶ Hydroeconomic Analysis: Water Demand-Supply Hydroeconomic Analysis of the Mining and Heavy Industry Zones in Mongolia's Southern Gobi Region, 2020, Ministry of Mining and Heavy Industry, World Bank.



Objective 4: Implement good governance and responsible mining principles



The Group will incorporate labor health and safety, environmental, social, and governance (ESG) standards into its operations.

- ❖ **Safety and Automation:** Throughout all stages of production, strict adherence to safety rules, regulations, and standards will be maintained. Employees will be provided with personal protective equipment (PPE), advanced technology, and tools to ensure workplace safety. Additionally, production processes will be automated using the Internet of Things (IoT) and digital technologies to enhance operational safety.
- ❖ **Commitment to Responsible Mining:** The Group's companies will uphold the mission, vision, and core values outlined above. By adopting and implementing internationally recognized responsible mining programs, they will follow key principles of environmental protection, social responsibility, and good governance.

Safety Operations

As a key part of the Group's core values, we prioritize the safety and well-being of our employees, valuing human life and health above all. To achieve this, the following measures will be implemented:

- **Implementation of the ISO 45001:2018 Standard:** The Group will introduce the Occupational Health and Safety Management System across all its companies, ensuring compliance with internationally recognized safety standards.
- **Comprehensive OHS Management:** The Group will implement a comprehensive occupational health and safety (OHS) management system, which will be continuously monitored, analyzed, and evaluated to improve performance. This system will be based on collaboration between management and employees, as well as regular information exchange and participation. The aim is to prevent potential accidents, injuries, and illnesses by fostering a culture of safety through ongoing training, awareness campaigns, and incentive programs that promote safe behaviors and attitudes.

Supporting Green Development and Reducing Environmental Impact

In its operations, the Group will prioritize the sustainable use of natural resources, anticipate potential environmental risks, and implement preventive measures. A comprehensive management system will be established to ensure environmental restoration and minimize the negative impact of mining activities. The following key principles will guide these efforts:

- **Efficient Use of Energy:** The Group will promote energy efficiency by introducing advanced, energy-saving technologies based on innovation. It will also support renewable energy projects, ensuring that the energy consumption of the Group's companies is optimized.
- **Reducing Environmental Pollution:** The Group will adhere to permissible air quality standards by implementing international best practices for reducing greenhouse gas emissions and dust pollution. This will include expanding the use of renewable energy sources and advancing coal processing to produce environmentally friendly, clean fuel for household use.
- **Improving Water Management:** The Group will implement systems for treating and reusing wastewater and promote the efficient and sustainable use of both groundwater and surface water. These principles will also be supported through procurement policies that prioritize water conservation.
- **Enhancing Waste Management:** The Group will adopt international best practices for minimizing, sorting, reusing, recycling, and disposing of waste. Procurement policies will encourage the use of biodegradable products and suppliers will be incentivized to take back used products for recycling, promoting a circular economy approach.

- **Focusing on Mine Closure and Environmental Rehabilitation:** The Group will emphasize the importance of mine closure and rehabilitation, ensuring that plans are developed in collaboration with local communities. This will be done in partnership with the company's social responsibility, extraction, financial investment, and strategic development units, as well as internationally recognized professional organizations. Best practices and global standards will be integrated to ensure responsible and sustainable mine closure.
- **Offset Conservation:** The Group will follow the principle of offsetting unavoidable impacts and environmental degradation caused by mining activities through a comprehensive restoration and conservation policy. As part of this initiative, the Group will collaborate with professional nurseries to actively support and prioritize the implementation of the national "One Billion Trees" program.

Implementing Social Responsibility

The Group is committed to planning and conducting all its operations in accordance with social responsibility principles. In the context of mining activities, the Group will adhere to the following key principles:

- **Community Engagement and Management:** The Group's operations, when directly affecting the quality of life of local communities, will focus on minimizing potential negative impacts on their livelihoods. The Group aims to improve the quality of life for local residents by prioritizing the hiring of locals and purchasing from local businesses, thereby supporting the economic development of the region.
- **Ensuring Community Participation:** The Group will introduce advanced technologies in sectors that are essential for improving the livelihoods of local communities. It will provide technical and technological support for developing industrial models that suit the specific characteristics of local regions. Additionally, the Group will strengthen partnerships with scientific, research, civil society, and other community organizations to support these initiatives.

Implementing Good Governance

The Group will adopt internationally recognized principles of good governance and best practices to protect the rights and legitimate interests of shareholders and stakeholders. The focus will be on creating long-term sustainable value through ethical leadership, promoting fairness, and ensuring transparency.

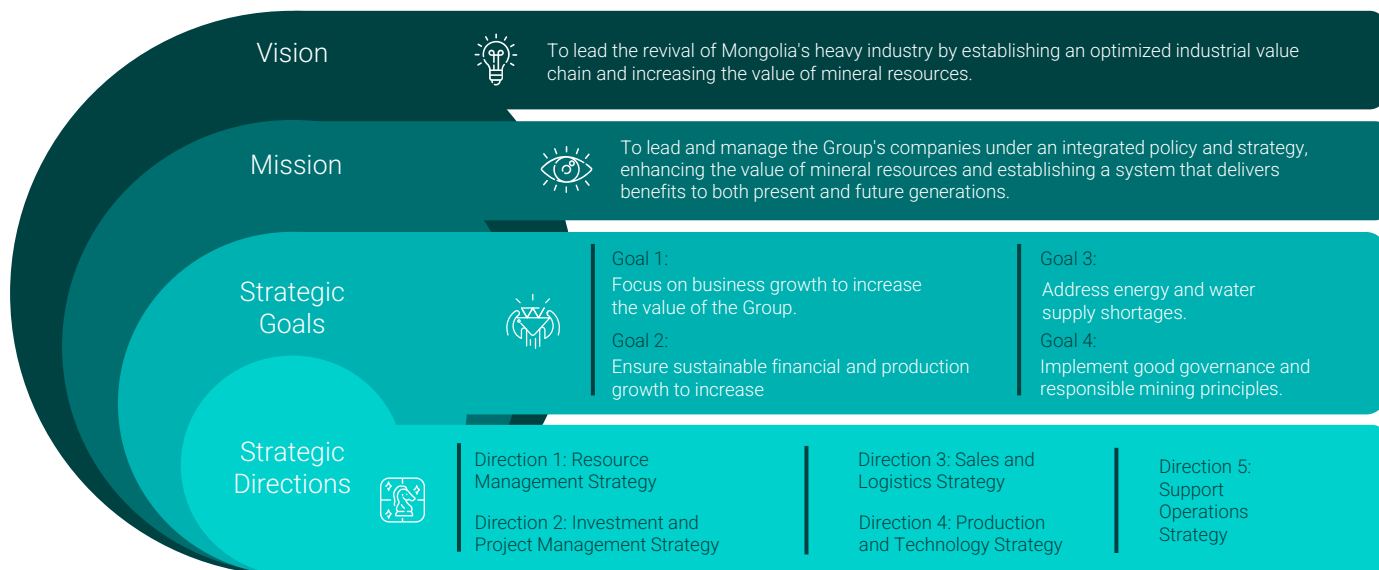
- **Establishing Comprehensive Relationships:** The Group will create a comprehensive governance system aimed at ensuring the equal protection of the rights and legal interests of shareholders, the board of directors, executive management, and other stakeholders, including employees, suppliers, and local communities.
- **Oversight and Accountability:** The Group will implement performance oversight through the board of directors, executive management, and independent audits to ensure the proper structure and organization of good governance.
- **Environmental, Social, and Governance (ESG) Commitment:** The Group will expand its efforts in evaluating and sustainably utilizing natural resources, improving productivity, and preserving and restoring ecosystem balance. This includes adopting eco-friendly practices and policies aimed at promoting environmentally responsible production.
- **International Listing of Shares:** The Group will enhance its governance and operations by gradually listing the shares of its companies on international markets, ensuring the implementation of sustainable financial management.
- **Anti-Corruption and Ethical Leadership:** The Group will uphold fairness and transparency at all organizational levels, avoiding conflicts of interest and corruption. A code of ethics will be established to ensure ethical leadership and adherence to high standards of conduct.
- **Professional Integrity:** The Group's companies will emphasize professionalism, ethical standards, and the importance of results-driven performance.



Strategic Directions

To address the challenges faced by the Erdenes Mongol Group and to implement the integrated strategy, the parent company plans to lead and implement the following core strategic directions.

Figure 3: Strategic Directions



1. RESOURCE MANAGEMENT STRATEGY

To increase the Group's efficiency, reduce unnecessary expenses, and implement proper management of assets, resources, and capital, the Group will introduce integrated smart information technologies for human resources, finance, procurement, and sales across all operations. By implementing an integrated resource management strategy with standardized protocols, the Group aims to enhance service quality and productivity, reducing operational costs by up to 30%.

2. INVESTMENT AND PROJECT MANAGEMENT STRATEGY

The Group will prioritize investment in key projects and programs that facilitate bringing mineral deposits into economic circulation, developing value-added products, and expanding essential infrastructure. The strategy focuses on proper ranking and evaluation of these projects, ensuring thorough preparation and transparent management to guide them to the production stage, maximizing investment returns.

3. PRODUCTION AND TECHNOLOGY STRATEGY

The Group will implement a production and technology strategy focused on the long-term, sustainable, and comprehensive utilization of its mineral deposits. This will include adopting international best practices, advanced technologies, innovations, and digital transformation in its operations. By accelerating geological exploration to increase certified mineral reserves, improving the selection and use of technology, and establishing mineral processing plants, the Group will create an industrial value chain to boost the production of value-added products.

4. SALES AND LOGISTICS STRATEGY

To enhance sales efficiency across the Group, the strategy will focus on expanding the number of reliable trading partners with strong infrastructure, logistics, and financial capacity. The Group aims to create "Erdenes Mongol" brand for industrial raw materials and products by standardizing outputs from companies producing similar products.

Additionally, the Group will address logistics challenges by developing an integrated system of warehouses, transportation, and logistics management through a smart digital platform.

In implementing these strategies, the Group will operate with a vertical integration model tailored to the specific characteristics of its companies, while adopting the organizational structure and operational principles of leading mining companies. This approach will incorporate the best practices of these benchmark companies into the Group’s unique operational framework.

Table 2: Vertical Integration Tailored to the Characteristics of Benchmark Mining Companies

Resource Management						
Investment and Project Management						
Production and Technology						
Sales and Logistics						
Support Operations						
Copper and Metals Group			Fuel and Energy Group		Infrastructure and Logistics Group	
Copper	Precious Metals	Ferrous Metals	Coal	Gas	Oil	Roads, Warehousing
Processing	Processing	Processing	Processing	Processing	Processing	
Enrichment	Enrichment	Enrichment	Enrichment			Storage
Extraction	Extraction	Extraction	Extraction	Extraction	Extraction	Transportation





Strategic Direction 1:

RESOURCE MANAGEMENT STRATEGY

The primary goal of the resource management strategy is to enhance the Group's efficiency, reduce unnecessary expenses, and implement effective management of assets, capital, and resources. This will be achieved by integrating smart information technology systems for human resources, finance, procurement, and sales across the Group. By implementing an integrated resource management strategy with standardized practices, the Group aims to improve service quality and productivity while reducing operational costs by up to 30%.

STRATEGIC DIRECTION 1: RESOURCE MANAGEMENT STRATEGY

Strategic Rationale

In the context of globalization and the rapidly changing digital age, major mining corporations worldwide have begun using integrated resource management systems with a single source of data in their operations. This allows them to increase productivity while reducing costs and enables more efficient and optimized allocation of resources.

Within the Group, companies have used a variety of uncoordinated systems, both locally developed and externally sourced, resulting in a lack of integration. Due to the absence of an integrated management system, intercompany operational coordination is weak, data exchange is slow, and data accuracy is compromised. As a result, there has been no consolidated resource management across the Group. This situation has led each company to incur unnecessary costs by acquiring and maintaining separate systems, resulting in delays in information sharing, inaccuracies in decision-making, and ultimately, inefficient decision-making processes.

In alignment with the Government of Mongolia's goals and the national digital transformation policy, it is essential to accelerate the Group's digital transition. By adopting global best practices and advanced technologies, the implementation of an integrated resource management system is critical to optimizing resource utilization, improving coordination, and enabling more efficient operations throughout the Group.

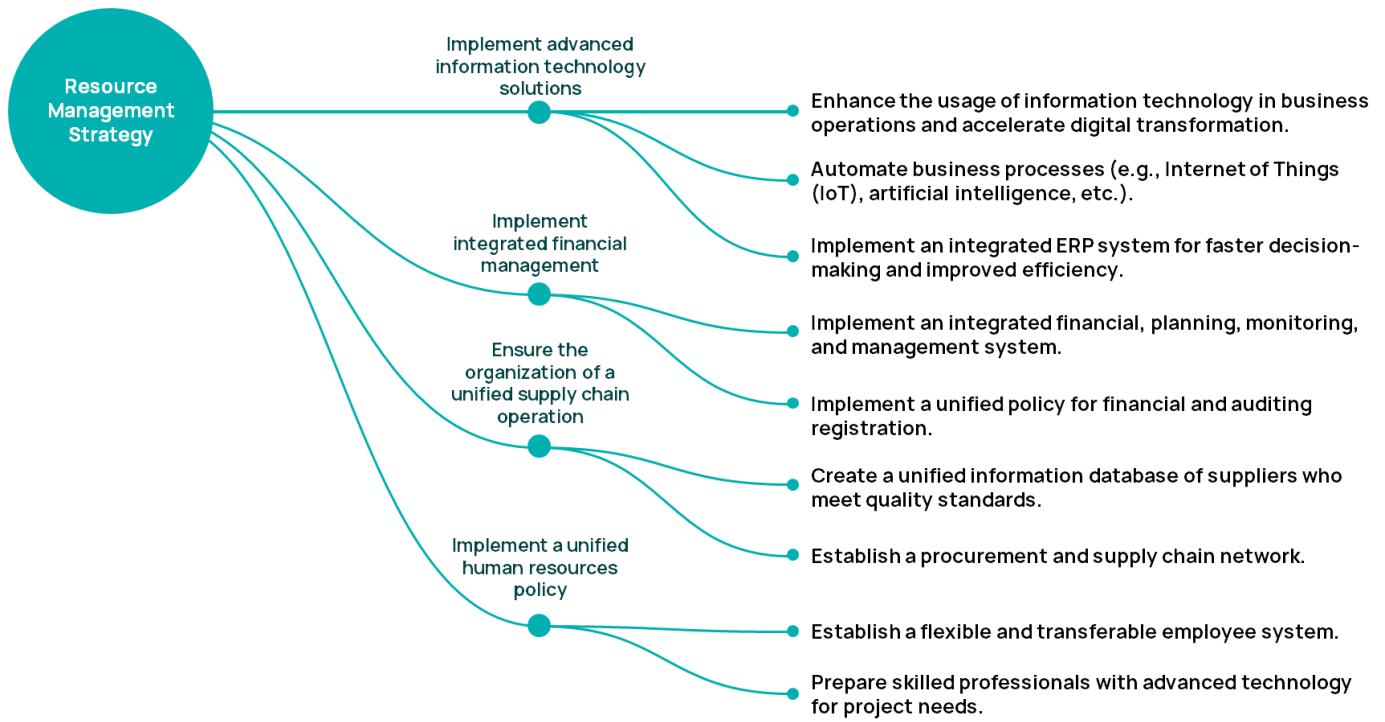
The integrated system for managing the group's equipment and material resources is lacking, and due to the absence of such integrated coordination, the accumulation and usage of physical resources are inefficient. While one company may have an excess or idle equipment of a similar type, another company may face shortages, resulting in disruptions and, ultimately, the risk of halting production activities. Major mining corporations resolve these issues by implementing centralized management of equipment procurement and logistics organization, ensuring the efficient use of internal resources and sources within the group. This approach reduces unnecessary expenses and achieves real cost savings, allowing the group to resolve pressing issues in a timely manner using internal resources without delay. This best practice is already widely adopted. Additionally, efficiency and innovation in exploration, extraction, and processing operations can be enhanced through experience-sharing among companies, creating opportunities for continuous operational improvements.

Up until now, the Group has lacked a unified financial mechanism, and a debt network has developed and persisted between companies, leading to a loss of financial discipline, which shows the need for better planning and management under an integrated policy.

Human resource is a critical asset that transforms other resources into value, so the management of human resources within the group must be prioritized, focusing on implementing human-centered resource management that emphasizes skill. Large international group companies consider human resources in feasibility studies when launching new projects and programs, implementing human resource management in a comprehensive manner. To date, the Group has lacked an integrated human resource policy and centralized information database, resulting in the absence of proper human resource management. This has led not only to the risk of inefficient human resource allocation and unnecessary costs but also presents challenges in improving the governance and operations of state-owned companies, where a policy overhaul is necessary.



Figure 4. Resource Management Strategy Classification



The resource management strategy will be implemented through the following objectives and actions:

Objective:	Activities
Implement integrated IT systems and best practices:	<ul style="list-style-type: none"> Increase the use of advanced technologies in business operations, accelerate digital transformation, and introduce modern advanced technologies more broadly. Implement an integrated ERP system across the group to establish and execute an integrated resource management system. Collect real-time data, analyze it, and use it to make informed decisions. Automate production processes using the Internet of Things (IoT) and advanced technologies to reduce costs and improve safety.
Implement an integrated financial management system:	<ul style="list-style-type: none"> Define an integrated financial and accounting policy across the group and implement integrated financial management. Optimize the management of assets, resources, and funds to ensure sustainable project financing and resource allocation within the group. Introduce advanced financial, planning, monitoring, and management systems throughout the group.

<p>Ensure Integrated System and Policy for Supply Chain Operations</p>	<ul style="list-style-type: none"> • Identify the essential resources related to the main production activities and establish an integrated database for supply chain management. • Determine the medium-term resource needs of the group and create a streamlined procurement process for purchasing standardized goods and products from the State Procurement Agency's Electronic Store, allowing for quick and efficient purchases while establishing a reliable supply chain. • Create a unified database for operational equipment usage information, ensuring a supply chain that meets quality standards.
<p>Implement Unified Human Resource Policies</p>	<ul style="list-style-type: none"> • Establish opportunities for knowledge and experience exchange by rotating employees across group companies. • Optimize the utilization of human resources within the group and increase opportunities for experience sharing. • Develop a system where highly skilled, experienced professionals work across group entities to share their expertise.

Implementing Integrated IT Systems and Best Practices:

In alignment with sustainable development and responsible mining principles, Erdenes Mongol Group will adopt world-leading ERP systems as an integrated information platform to support its mission in mining, production, and transport-logistics operations by integrating international best practices and advanced technologies. Implementing an integrated ERP system across the group will provide:

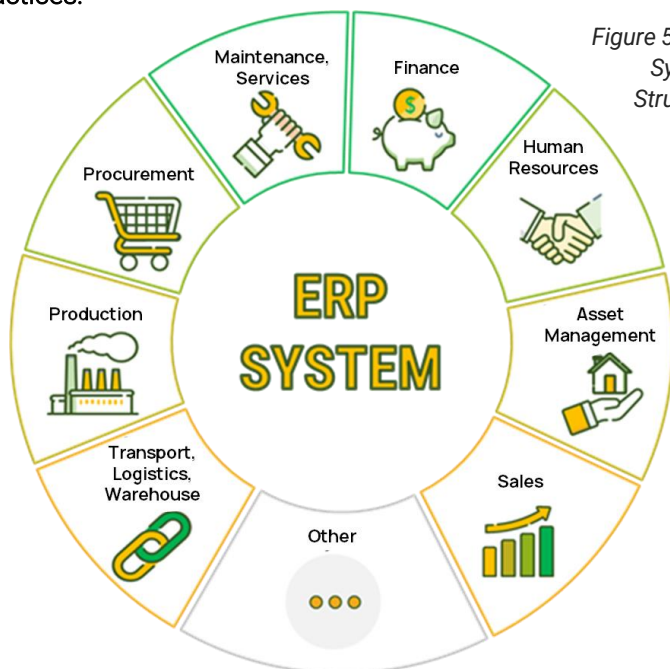


Figure 5: ERP System Structure

- **Data-Driven Strategic and Tactical Decisions:** Analyze data collected from real-time information to make informed strategic and tactical decisions, identify new opportunities, and manage risks effectively.
- **Enhancing Environmental, Health, and Safety Management:** The ERP system will improve safety by providing necessary training, instructions, and real-time accurate information to reduce potential risks and enhance occupational safety. Furthermore, it will minimize environmental impact from mining operations through modules managing water resources, waste management, and greenhouse gas emissions.
- **Streamlining and Automating Business Processes:** By introducing global best practices and standards, the ERP system will streamline and automate business processes, reducing redundancy, integrating diverse operations, and improving overall productivity.





Strategic Direction 2:

INVESTMENT AND PROJECT MANAGEMENT STRATEGY

The strategy focuses on optimizing the introduction of mining deposits into the economy and promoting value-added product manufacturing. By prioritizing necessary infrastructure and expansion projects based on importance and return on investment, the Group will invest in impactful and profitable projects and programs. Furthermore, the Group will ensure the necessary preparations for project approval and provide professional management throughout the process, from project initiation to production launch, ensuring transparency and openness. This approach aims to maximize investment returns.

STRATEGIC DIRECTION 2: INVESTMENT AND PROJECT MANAGEMENT STRATEGY

Strategic Rationale

The lack of integrated investment planning and an effective project management mechanism within the Group has led to extended project timelines, failure to meet objectives, and reduced investment returns. Incomplete project evaluations, inadequate risk assessments, and insufficient project oversight have resulted in inefficiencies, delays, and increased costs, ultimately reducing shareholder returns.

As technology advances, the demand for critical raw materials such as rare earth minerals lithium and radioactive minerals like uranium, which are essential for electric vehicle production and clean energy technologies, continues to grow. Therefore, it is crucial to establish a strategy that optimally manages investment in these key sectors, ensuring proper oversight and maximizing return on investment.

In Mongolia, there are over 3 million tons of rare earth elements (REE) reserves distributed across 4 major deposits, more than 80 occurrences and around 300 mineralized points. Additionally, significant lithium deposits such as Khukh Del, Arbayan, and Munkhtiin Tsagaan Durvuljin contain 175.5 thousand tons of lithium reserves. While geological surveys of these deposits were conducted with state funding before in the 1990s, the exploitation licenses have since been transferred to private entities. Unfortunately, due to the lack of substantial investment and technological testing by the private sector, none of these deposits are currently ready for commercial exploitation.

Radioactive mineral deposits, specifically uranium, are categorized as strategically important and are regulated under the Nuclear Energy Law. As of today, 13 uranium deposits in Mongolia—including Dornod, Ulaan, Kharaat, Khairkhan, Gurvanbulag (central ore body), Dulaan-Uul, Gurvansaikhan, Ulziit, Zuuvch-Ovoo, Nemer, Mardain Gol, Enger Ar, and Dalt—have been identified with approximately 192,000 tons of geological reserves registered in the national reserve inventory. This accounts for around 2% of the world's total documented uranium reserves.

The Mongolian Parliament, through Resolution No. 45 of 2009, approved the "Policy on Radioactive Minerals and Nuclear Energy," which includes objectives such as classifying uranium deposits as strategically important, increasing the proven reserves of radioactive minerals, prohibiting the export of uranium in ore form, exporting uranium products for peaceful purposes to foreign countries, and utilizing ecologically clean and environmentally friendly technologies for nuclear energy production.

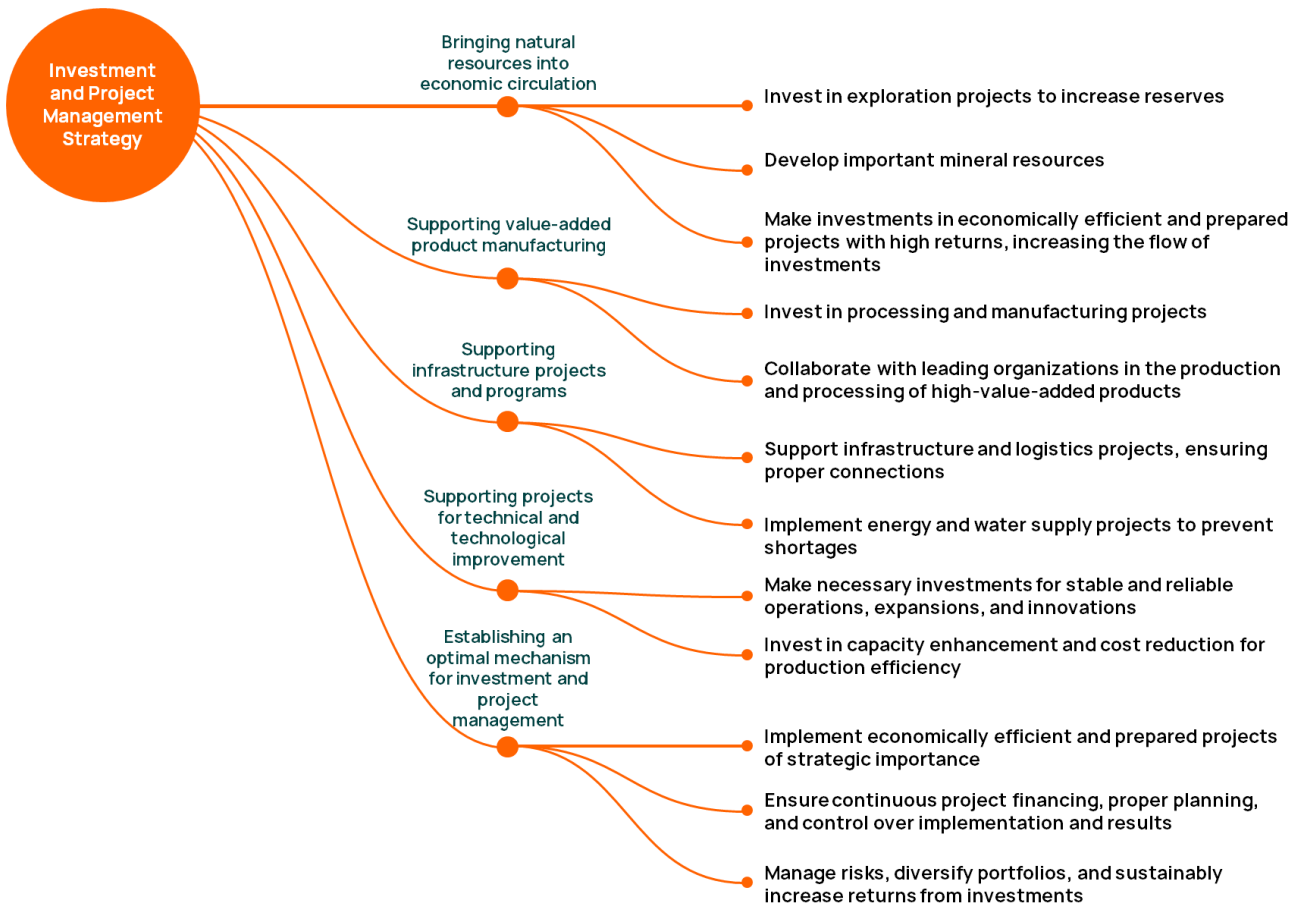
Based on global market trends, demand, and the availability of reserves, it is essential for the company to systematically implement initiatives to discover new deposits of critical minerals such as rare earth elements, lithium, and uranium. This includes increasing and expanding reserve estimates, preparing adequate production reserves, and fully assessing these resources according to international standards for economic development.

The current shortage of energy, the aging power plants, and the continuous rise in energy demand are significant limiting factors in implementing the government's industrial revitalization policy and developing heavy industries. Preliminary estimates indicate that the planned new industrial and technology parks outlined in the company's strategic plan will require a total of 320 MW of electricity. There is an urgent need to ensure this energy requirement is met by reliable sources and to reduce the country's dependence on imported energy.

The company's strategic deposits, such as Tavantolgoi and Oyu Tolgoi, are located in the Gobi region, which has high evaporation rates and limited renewable groundwater resources. Groundwater accounts for 95% of the total water used in the production of Erdenes Mongol Group, with 43.1 million cubic meters of groundwater consumed in 2022. Additionally, the new industrial and technology parks will require an additional 3.5 million cubic meters of water per year. Reducing the consumption of groundwater in a phased approach, increasing the use of surface water, and improving water utilization through storage and recycling are critical priorities, not just for the Group but for the country's long-term interests.



Figure 6. Classification of the Investment and Project Management Strategy



The investment and project management strategy will be implemented with the following goals and objectives:

Objective:	Activities
<p>Bringing natural resources into economic circulation:</p>	<ul style="list-style-type: none"> • Attract investment to exploration and extraction projects with strategic importance, economic viability, and readiness to increase the flow of investment resources. • Conduct preliminary studies in promising areas to increase the reserves of rare earth elements, lithium, and uranium, and acquire relevant licenses. • Expand cooperation with technologically advanced countries and investors in the exploration, extraction, enrichment, and processing of rare earth elements, lithium, and uranium, while developing a skilled national workforce. • Carry out laboratory and semi-industrial technological tests to produce rare earth elements in the form of mixed oxides, preparing for their industrial application. • Perform laboratory and semi-industrial technological tests for lithium enrichment and processing, preparing for the production of battery-grade lithium carbonate with a purity of 99.99%. • Develop a uranium oxide (U3O8) or yellowcake processing plant to expand the range of mining-derived export products. • Work towards listing rare earth element, lithium, and uranium deposits on international stock exchanges.

Supporting Value-Added Product Manufacturing	<ul style="list-style-type: none"> Invest in fundamental raw material processing projects and related infrastructure necessary to establish an industrial value chain. Collaborate with experienced investors in mutually beneficial partnerships to implement high-cost, technologically sophisticated projects.
Supporting Infrastructure Projects and Programs	<ul style="list-style-type: none"> Attract investments from partners with logistics and infrastructure capabilities to collaborate on mutually beneficial infrastructure and transportation projects. Implement infrastructure projects aimed at increasing the efficiency of the Group's projects and programs. Execute projects and programs to build new energy sources to address electricity shortages and reduce dependence on external sources. Implement projects to reduce the use of groundwater in production and increase surface water usage and storage capabilities.
Support for Improving Technology Selection and Utilization	<ul style="list-style-type: none"> Implement investment and expansion projects necessary to ensure the operational reliability and stability of the Group. Make efficient investments aimed at increasing production capacity and reducing costs.
Establishing an Effective Investment and Project Management Mechanism	<ul style="list-style-type: none"> Execute strategically significant, economically viable projects with ready conditions (preparedness). Ensure continuous funding for projects. Enhance project planning, alignment, and consistency while improving monitoring of project progress and results. Diversify the project and investment portfolio, managing risks while maintaining stable growth in returns. Monitor the performance of investment returns and ensure the reinvestment of profits into subsequent projects, fostering the growth of future financing sources.

Principles of Investment and Project Management:

Evaluate, prioritize, and select projects based on funding sources and the investment portfolio. Monitor project performance and ensure repayment of investment to align the investment and project management strategy with other strategies, increasing the value for all stakeholders.

Efficiency: The project and program prioritization list will be based on the following criteria:

Strategic Importance:	Projects should align with Mongolia's development policies, the government's action programs, and mining industry requirements.
Economic Return:	Projects must meet specific economic return criteria based on cost-benefit analyses.
Project Readiness:	Project readiness will be evaluated based on established readiness indicators to ensure the necessary conditions for implementation are in place.



Strategic Distribution: When financing the Group’s projects and programs, special attention will be given to allocating investments towards exploration projects aimed at increasing and solidifying mineral reserves, production projects that enhance returns, as well as necessary infrastructure and logistics projects that are integral to these efforts. In doing so, potential risks and the required investment throughout the project lifecycle will be calculated and accounted for.

Table 3. Process for Securing Investment Sources

Project Type	Resource Expansion and Reserve Reinforcement Exploration Projects	Production Projects	Infrastructure and Logistics Projects	Contingent Investments
Capital Allocation	~20%	Up to 50%	Up to 20%	~10%
Project Implementation	Projects identifying mineral resources	Projects involving mineral extraction and processing	Transport, energy, water supply, and other infrastructure projects	Additional investments in the three core project categories

Resource Expansion and Reinforcement Exploration Projects

As part of the primary goal to establish mineral reserves and sustainably increase these resources, projects and programs will be implemented to explore, evaluate, and define reserves for gold, copper, silver, molybdenum, rare earth elements, lithium, uranium, and other minerals, ensuring they are brought into economic circulation.

To establish new production industries for the Group's key strategic minerals such as rare earth elements, lithium, and uranium, the plan includes conducting geological exploration, beneficiation, and processing technology trials. This will be done in collaboration with strategic partners that possess high-level technologies, maintaining a balance of risk and reward.

In this context, comprehensive surveys for rare earth elements, lithium, and uranium will be advanced. Exploration will be carried out according to international standards by acquiring necessary licenses and conducting geological exploration activities. This will create production reserves and facilitate research on beneficiation and processing technologies. Once the rare earth element production reserves are established, preparations will be made for producing neodymium-praseodymium oxide and other composite oxides, laying the groundwork for the future development of neodymium-praseodymium magnet production.

By identifying lithium pegmatite and salt lake-type deposits and establishing production reserves, technological trials will be conducted to prepare for the production of lithium carbonate with a purity of 99.99%, which is a key raw material for battery production. This will lay the foundation for private sector manufacturers to develop lithium battery production facilities in the future.

For uranium, efforts will focus on increasing production reserves and conducting research and trials on both in-situ leaching and conventional mining methods. This will prepare for the production of uranium oxide, commonly known as yellowcake.



Production Projects

The technological modernization, innovation introduction, and advancement of processing levels within the companies operating under the Group are not only vital for increasing revenue and profitability but also for establishing an industrial value chain. This chain begins with the production of essential raw materials for industrial manufacturing and culminates in the processing of those materials into finished products. The strategic industrial and technology parks proposed within this framework will be implemented in coordination with other projects. Given the high costs and long payback periods of such projects, collaboration with domestic and international strategic investors, based on mutually beneficial principles, will be emphasized.

Once the industrial and technology parks are operational, they will enable the Group to transition away from raw mineral exports. Instead, value-added products such as copper cathode, steel billets, lime, and coke will be produced, contributing to increased economic stability. These exports of final goods, enriched with value-added processes, will expand the economy and make a significant contribution to the country's development.

Infrastructure and Logistics Projects

In addition to the logistics infrastructure projects identified in the medium-term strategy, the Group will implement projects and programs aimed at addressing the pressing issues of energy and water supply shortages.

Energy: To ensure the uninterrupted operations of companies and industrial plants engaged in extraction and processing activities and to introduce and localize high technology that meets international standards, expansion and modernization efforts will be carried out. Comprehensive solutions will be provided for the infrastructure required to build and operate industrial and technology parks. This includes supporting energy and water supply infrastructure projects and programs that address the challenges currently faced by the Group.

To mitigate the risks associated with electricity shortages in the Group and to ensure reliable and accessible energy sources for industrial operations, energy projects and programs based on the Shivee-Ovoo, Tavantolgoi, and Bor-Undur processing plants will be implemented. Taking into account local specifics, geography, infrastructure, labor resources, and regional development, a 200 MW power plant will be built based on the Shivee-Ovoo coal mine, a 107 MW coking power plant based on the Tavantolgoi coal deposits, and a 6 MW thermal power plant will be constructed and modernized at the Bor-Undur processing plant.

Additionally, in collaboration with the Ministry of Energy, efforts will be made to economically develop the strategic deposits in the Gobi region, meet the growing energy demand of the Tavantolgoi coal deposits, and provide the Oyu Tolgoi mine with 2.2 billion kWh of energy sourced domestically. A 450 MW thermal power plant will be established at Tavantolgoi to meet this demand. This plant will allow for the production of electricity using coal from Tavantolgoi that does not meet export standards, thereby integrating this resource into economic circulation. In June 2022, an agreement was signed with Erdenes Tavantolgoi JSC to supply coal for the Tavantolgoi thermal power plant during its operational phase. Additionally, in January 2022, an agreement was signed with Oyu Tolgoi LLC to supply long-term electricity to the Oyu Tolgoi mine from Mongolia's integrated power grid. Efforts to introduce renewable energy into the Group's companies will be undertaken through trials and research in collaboration with strategic partners who possess leading technology in this area, with a strong focus on reducing greenhouse gas emissions.

Moreover, within the planning framework for the industrial and technology parks, it is planned to implement 3,000 MW of energy projects, of which over 80% will be sourced from renewable energy resources in the Gobi region, utilizing natural resources such as solar and wind power, with the goal of exporting this energy.



Water Supply: To reduce the use of groundwater and increase water resources through surface water accumulation, the Group plans to implement the "Orkhon-Ongi" and "Kherlen-Toono" projects, which are part of the Khukh Mori project under the New Revival Policy for Green Development.

The "Orkhon-Ongi" project aims to construct water complexes at the Mungut Uul and Tsagaan Burgastai areas of the Orkhon and Ongi rivers to regulate flow, thereby improving the natural flow of the Ongi River and restoring Ulaan Lake. This will also provide surface water to support the mining operations and industrial technology parks in the Gobi region. Additionally, it will supply surface water to 29,200 residents and over 230,000 livestock along the Ongi River in three provinces, making it a project of significant ecological importance.

The feasibility study (FS) for the "Orkhon-Ongi" project was commissioned by the Ministry of Environment and Tourism (MEGDT) and carried out by private companies. It was discussed and supported by the Ministry's Water Resources Council on December 10, 2020. According to the Group's mid-term strategic plan, the initial phase of the project will involve designing and securing funding for the construction of water complexes at the Tsagaan Burgastai areas of the Ongi River to regulate its flow.

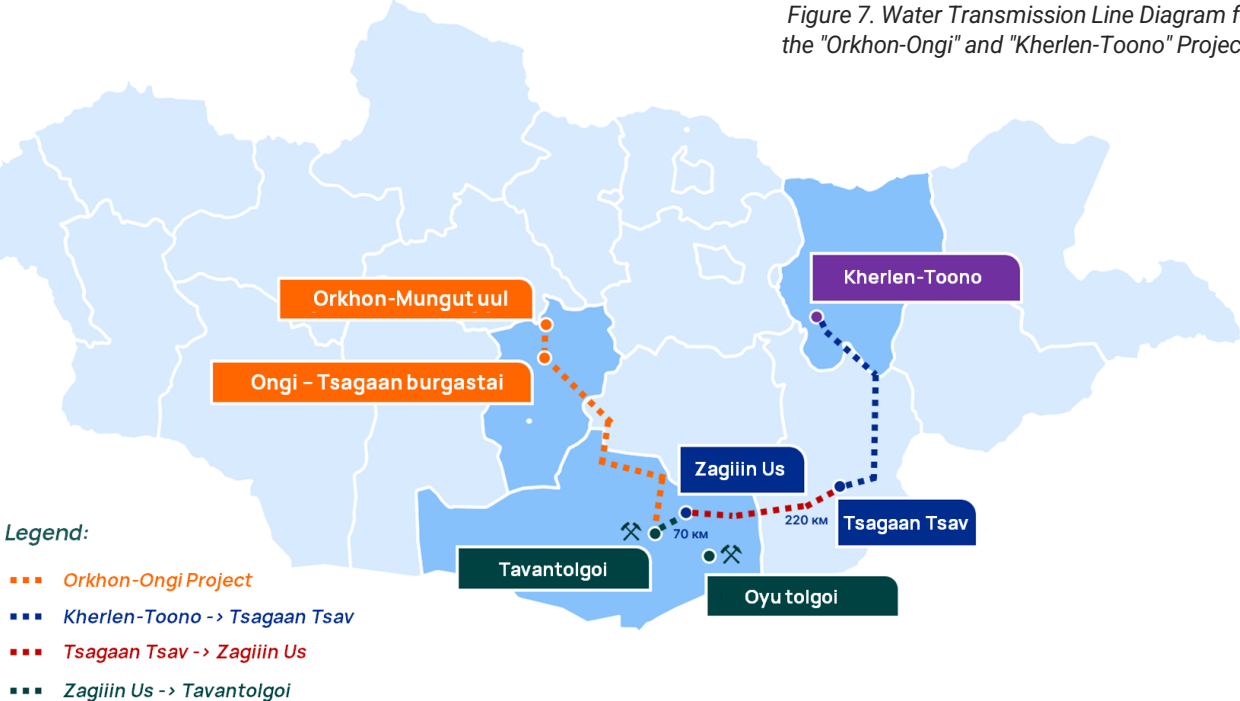
The "Kherlen-Toono" project aims to create a 1.6 billion cubic meter artificial lake by regulating the flow of the Kherlen River in Delgerkhaan soum, Khentii province, to accumulate surface water. Water pipelines will be extended from the artificial lake to supply water to settlements, residents, mining operations, and industrial technology parks in the eastern region and the southeastern Gobi area.

The Terms of Reference (ToR) for the feasibility study (FS) of the "Kherlen-Toono" project was developed by Erdenes Oyu Tolgoi LLC and approved by the Water Agency on September 6, 2023. As part of the Group's mid-term strategic plan, the feasibility study will be completed and approved, and funding for the project will be secured.

Additionally, in preparation for the "Kherlen-Toono" project's pipeline construction, pipelines and related infrastructure will be built to supply water from the Tsagaan Tsav groundwater deposit, located 290 km northeast of the Tavantolgoi deposit, until surface water supply from the Kherlen-Toono project becomes available for the Tavantolgoi ITP.

By implementing the "Orkhon-Ongi" and "Kherlen-Toono" surface water accumulation projects, the union expects to reduce its reliance on groundwater from the current 95% to 68%.

Figure 7. Water Transmission Line Diagram for the "Orkhon-Ongi" and "Kherlen-Toono" Projects



Mid-term projects and programs

Table 4: Erdenes Mongol Group will implement the following projects and programs as part of its medium-term strategy:

Projects		2024	2025	2026	2027	2028
Projects for industrial and technology parks, as well as additional processing plants						
Coke – Chemical Complex-Tavantolgoi ITP	Coal beneficiation plant (beneficiated coking coal)					
	Coke - Energy plant (coke and energy)					
	Tavantolgoi Thermal Power Plant (energy)					
	Coal - Chemical plant (syngas, methanol, alcohol, and fertilizer)					
	Green energy cluster (Mongolia-China Two Countries Twin Parks)					
Coal – Chemical Complex – Baganuur ITP	Coal - Chemical plant Phase I (carbon-based synthetic gas fuel)					
	Coal - Chemical plant Phase II (plastic raw materials, gasoline, and fuels)					
	Baganuur Power Plant (energy)					
Copper Processing Complex – Erdenet ITP	Copper concentrate refining and smelting plants (copper cathode, gold, silver bullion, sulfur)					
	Heap leaching of oxidized ore (copper cathode)					
	Molybdenum processing plant (ferromolybdenum)					
Steel Production Complex – Darkhan ITP	Iron ore wet processing plant (iron ore wet concentrate)					
	Lead smelting plant (lead)					
	Cast iron and steel plant (cast iron and steel billet)					
	Steel production plant (steel product)					

Projects		2024	2025	2026	2027	2028
Fluorspar Processing Complex – Bor Undur ITP	Lead smelting plant will be built on "Bor Undur" FPP <i>(lead)</i>					
	Fluorspar enrichment plant <i>(Fluorspar concentrate)</i>					
	Melter of acid factory <i>(fluor acid)</i>					
Building Materials Manufacturing Complex – Khutul ITP	Gypsum production plant <i>(gypsum)</i>					
Mongolia Oil Refinery Plant	Oil refinery plant <i>(gasoline and diesel fuel)</i>					
	Crude oil pipeline					
"Mon-Atom" LLC	Put the Zuuvch Ovoo project into operation and produce uranium concentrates <i>(uranium oxide / yellowcake)</i>					
Infrastructure projects						
Energy infrastructure	Shivee Ovoo 200 MW Power plant					
Water supply infrastructure	"Orkhon-Ongi" project					
	"Kherlen-Toono" project					
	"Zag" water pipe project					
	"Tsagaan Tsav" water project					
Transportation and logistics infrastructure	To build domestic logistics center					
	To build export logistics center					
Geology and exploration projects						
Increase and enhance mineral reserves	To conduct exploration work at the Asgat silver deposit to increase its reserves in compliance with JORC standards, as well as to provide a reserves report and feasibility study.					
	To carry out rare earth element research and exploration.					
	Lithium exploration and research					
	Uranium exploration and research					
	Determine coal bed methane gas reserves through exploration and research.					
	Exploratory projects of gold, copper, molybdenum, iron, coal and other minerals					



STRATEGIC DIRECTION 3:

INDUSTRY AND TECHNOLOGY STRATEGY

Within the industry and technology strategy we will use strategically significant mining assets in a consistent and comprehensive manner over the long term, introduce international best practices, advanced technology, innovation, and digital transformation into mining and production operations, intensify geological exploration to accumulate proven mineral reserves, optimize technology selection and utilization, create opportunities to establish multiple facilities for the next phase of production, introduce the "Erdenes Mongol brand" in international mining and commodity markets, adopt a strategy that sets quality standards and lays the groundwork for an industrial supply chain, and encourage the production of value-added final products.

STRATEGIC DIRECTION 3: INDUSTRY AND TECHNOLOGY STRATEGY

Strategic Rationale

Erdenes Mongol Group is a major producer of the mining industry, which holds 16% of the total coal reserves registered in the country, 17% of the copper, 19% of the fluorspar, 15% of the iron ore reserves, and contributes 30% of export earnings.

However, group's companies primarily produce a limited range of products, extract mineral resources, and export them in raw or semi-finished form, making transportation and border crossing difficult, diminishing product competitiveness in the international market, and increasing dependence on a single market.

Furthermore, product sales have begun to suffer due to the deposit's geological characteristics, concentration plant capacity, customer standards, changes in foreign trade criteria, and rising costs.

For example, during the operation of the Erdenet Ovoo deposit, the mine depth grew, the copper content in the ore declined by twice, and the ore's hardness increased by 1.5 times. As a result, operating costs surged, the production cost of a ton of copper reached \$6,700 and the concentrate's output volume and profit decreased year after year.

The Bor-Undur concentration plant of Mongolroostsvetmet SOE produced fluorspar concentrate with a 95% percentage and supplied it to Russia. However, the geopolitical situation in Russia, as well as the Chinese market demand to produce a concentrate with 97% content, escalated the plant's operating costs. As a result, the plant has not been able to generate revenue in the last three years. Nonetheless, due to the nature of underground mining, it is not possible to entirely cease mining operations, thus extraction continues at a low level, and extracted ore is kept on the field.

The sulfur level in the ore of the Tumurtei strategic deposit of Darkhan Metallurgical Plant LLC increased to more than 3%, resulting in a rise in the amounts of penalties under the trade agreement and decreased competitiveness.

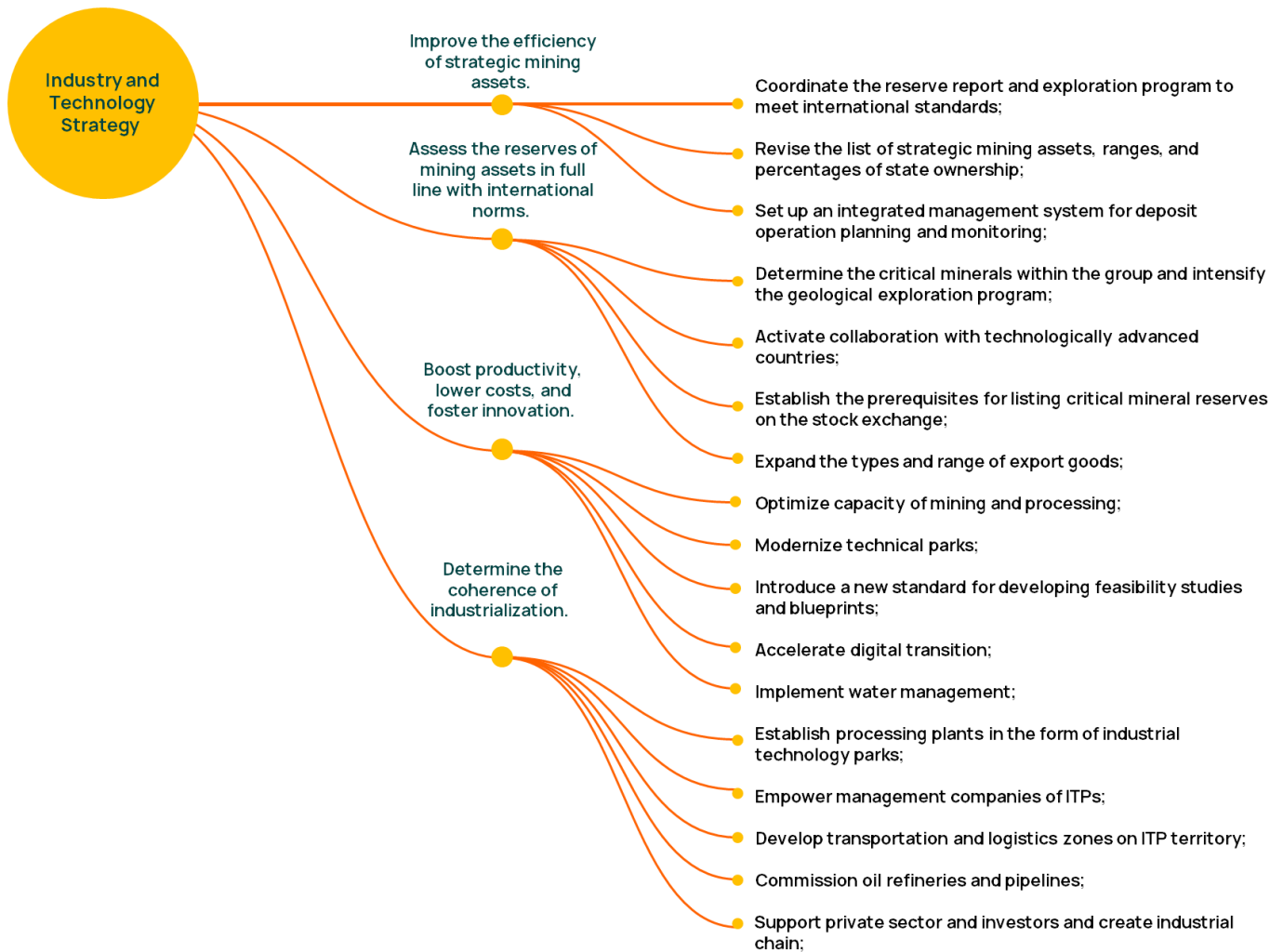
Erdenes Tavantolgoi JSC is currently producing high-quality coking coal from the third and fourth layers while unevenly mining coal of lower quality and demand from the other layers, putting refineries at risk of running out of raw materials when they are put into operation and, in the long run, de-escalating the possibility of mining out and thus shortening the mine's lifespan.

Baganuur JSC and Shivee Ovoo JSC deliver thermal coal to thermal power plants in the central region at a regulated price that is less than the cost of extraction, resulting in an annual deficit. Furthermore, this leads to debt accumulation, which prevents them from reforming the mine's technological park and increasing its mining capacity.

Since the lime plant of Tsement Shokhoi LLC began operations in 1983, there has been no technological upgrading or output expansion. As a result, technical lime, the processing plant's principal raw material, is unable to meet market criteria and consumer demand.

We propose the following strategy to establish the conditions for long-term sustainable development, complete and waste-free use of deposits, lower production costs, increased efficiency and product competitiveness, and adding next-generation manufacturing to the current output of the aforementioned mining companies, as well as producing essential raw materials for the industrial sector and constructing factories with external infrastructure.

Figure 8. Industry and Technology Strategy category



We will implement the industry and technology strategy with the following goals and objectives:

Objectives	Activities
<p>Improve the efficiency of mineral resources</p>	<ul style="list-style-type: none"> • We coordinate the planning, execution, prospect assessment of mineral resource exploration programs, reserve reports, and feasibility studies to satisfy international stock exchange standards. • We update the list and boundaries of significant mining reserves, ascertain the state's ownership stake, and initiate reforms to perfect the legal environment. • We develop and enforce internal regulations and guidelines for mineral deposit production activities, as well as implement an integrated system for operational planning and monitoring.

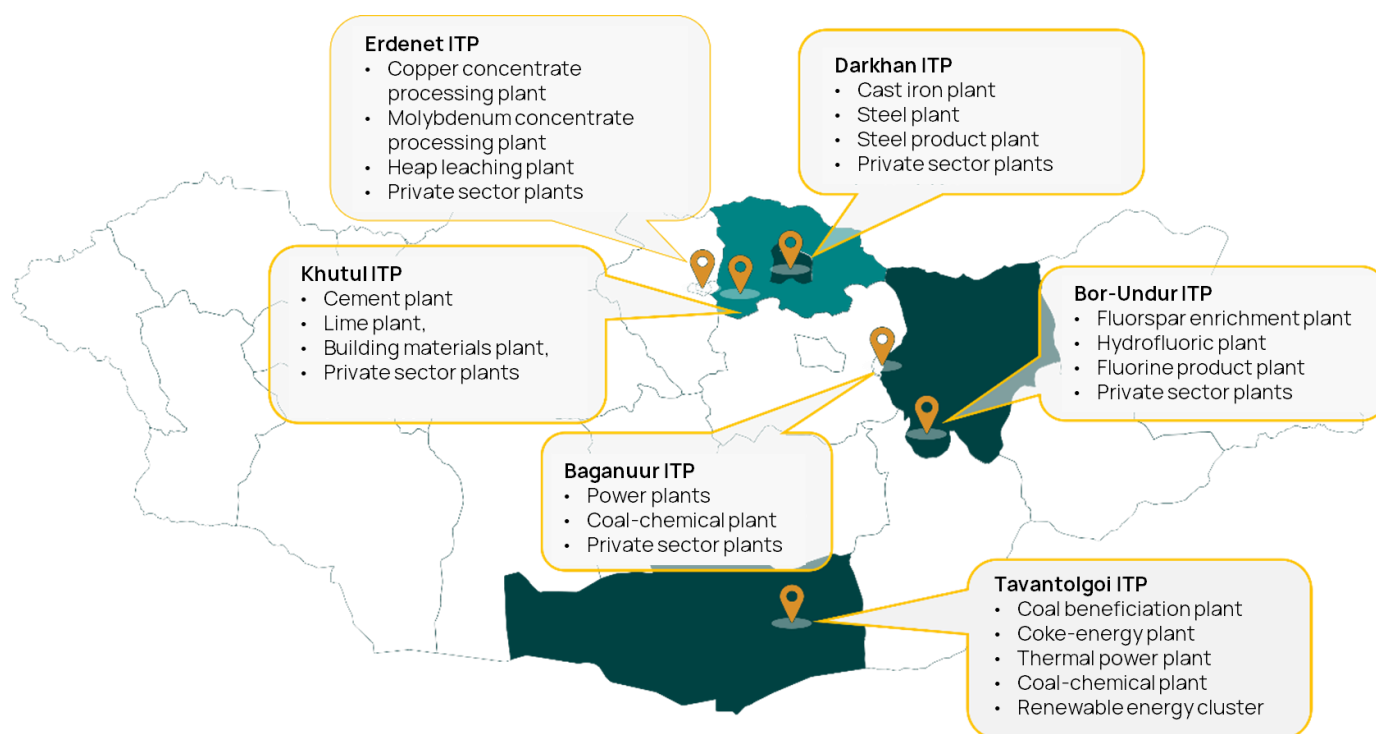


<p>Assess mining assets completely in accordance with international stock exchange norms.</p>	<ul style="list-style-type: none"> • We identify key minerals based on global market trends, Mongolian development policies, and mineral prospect outlooks, and we ramp up geological exploration operations. • We enhance collaboration in exploration, extraction, beneficiation, and processing with technologically advanced countries and train national professionals. • We assess the reserves of mining assets in full line with international norms, prepare reserve report, and establish the prerequisites for listing on the stock exchange. • We will support the production of value-added products, increase the types and range of mining export products derived from the group, and establish the Erdenes Mongol brand in the global market. • We will prepare for the economic integration of emergent deposits resulting from production activities by adopting and implementing advanced techniques and technologies, supporting waste-free production.
<p>Boost productivity, lower costs, and foster innovation</p>	<ul style="list-style-type: none"> • We will increase productivity, cut costs per unit of output, and optimize production operations through technology reform and mineral quality improvements, consequently boosting product competitiveness. • We advance the technical park to be ecologically friendly, appropriate for the deposit's geological characteristics, commercially useful, and comprised of a chosen number of manufacturer technologies. • We will create and apply standards for carrying out research projects, feasibility studies, engineering blueprints, regulations, and guidelines. • We accelerate digital transformation, automate manufacturing processes, and constantly develop our integrated control management systems. • We improve circulating water reuse, reduce groundwater usage, and carry out projects to build surface water transmission, collection, and storage infrastructure.
<p>Create industrial supply chain</p>	<ul style="list-style-type: none"> • We will leverage the group's major mining assets to establish a comprehensive industrial foundation for processing raw materials into primary output commodities, modeled after industrial and technology park frameworks. • We will strengthen the management company of the park to plan and establish an industrial supply chain, ensuring the implementation and oversight of the planning. • We will establish transportation and logistics centers within the industrial and technology park area. • We will commission oil refineries and pipelines. • We will enhance the output of final products by supporting and supplying private sector and investors with infrastructure and primary raw materials.

As part of Mongolia's long- and medium-term development policy and industrial revival, we will establish industrial and technology parks in six locations, build an industrial chain, increase the types and quantities of mine-derived raw materials and export products, and promote the production of goods that will replace imports.



Figure 9. The location of ITPs, which will be developed based on the major mining companies of Erdenes Mongol Group



Source: "Mid-term strategic plan, Erdenes Mongol LLC 2023"

Establishing base plants to manufacture primary commodities for industrialization and process raw materials based on the group's major mining entities is critical to promoting stable and sustainable growth, maximizing returns from mineral resources, increasing product competitiveness, lowering costs, using strategic deposits in a consistent and comprehensive manner over time, and creating value for private sector investors. As a result, we will construct a copper concentrate processing plant based on the Erdenet Mining Corporation SOE, a wet processing plant, a lead smelting plant, a cast iron and steel plant, a steel products manufacturing plant based on the Darkhan Metallurgical Plant LLC, a coal beneficiation plant, and a coke plant based on the Erdenes Tavantolgoi JSC, while Mongolrostsvetmet SOE will serve as a base for fluorspar processing plant and hydrofluoric plant, a lime plant based on the Tsement Shokhoi LLC, and a coal-chemical plant for beneficiating lignite based on the Baganuur JSC.

These essential plants will feed their products to the next-stage processing units, which will be established in the various parks with private sector investments, increasing exports and creating import-substituting final products, thereby building an industrial supply chain.

Copper Processing Complex Erdenet ITP: We plan to establish the "Erdenet" industrial and technology park in the Bayan-Undur and Jargalant soums of Orkhon province in the fields of metallurgy, chemical production, metal fabrication, and energy production to produce copper cathode, elemental sulphur, precious metals, copper products, and energy.

In this location, the affiliated entity of Erdenes Mongol LLC, the Erdenet Mining Corporation SOE, operates in the Erdenet Ovoo strategic deposit. The company will establish an industrial and technology park in the area to fully utilize low-grade copper ore reserves, extend mine life, contribute to regional development, boost the benefits to the state and local economies, and create jobs.

Erdenet Ovoo strategic deposit contains 2.9 billion tons of ore reserves, including 10.7 million tons of copper and 499 thousand tons of molybdenum. Erdenet Mining Corporation SOE extracts 40 million tons of ore every year and produces 560 thousand tons of copper concentrate and 6.0 thousand tons of molybdenum concentrate.



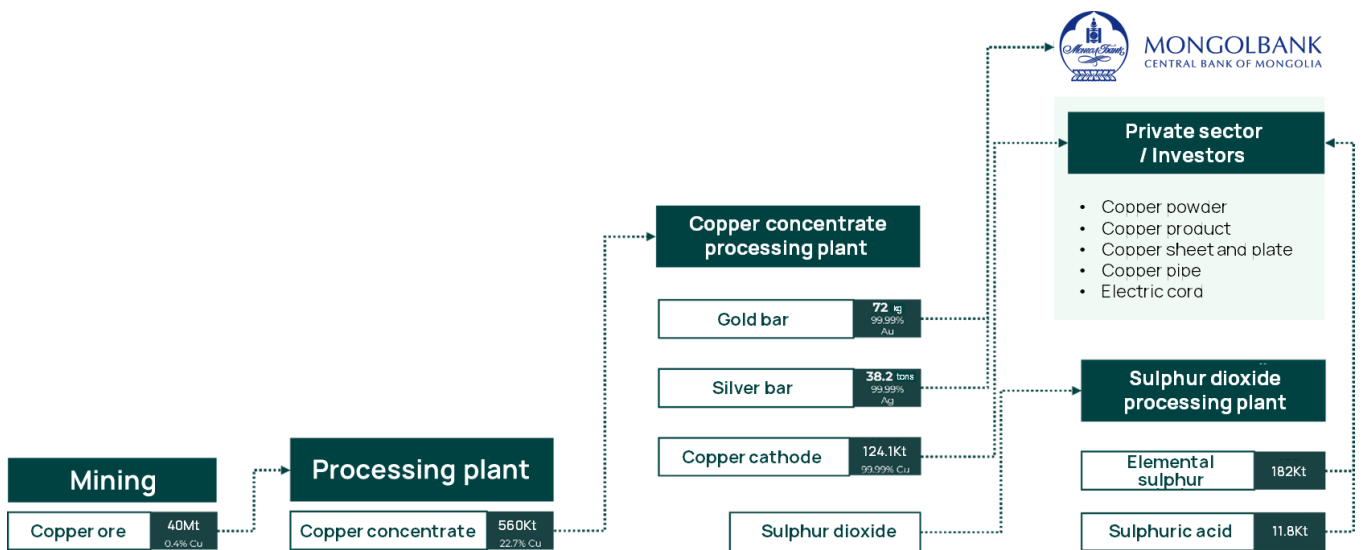
During the mining period, the average copper content of the ore decreases from 0.8 to 0.38 percent as the mine depth grows and the ore's hardness increases. This has a detrimental impact on output, increasing the cost of producing copper concentrate with a content of at least 21% and reducing profit. To eliminate these difficulties, fully utilize the low-grade copper ore reserves, and extend mine life, we have a feasibility study and detailed environmental assessment approved for the project of constructing a smelting and refining plant with SKS technology to process a low-grade concentrate of 15-20 percent.

The state designated 1,217 hectares of land as a special need area for the development of industrial and technology parks, according to Government Resolution No. 171 of 2022. On around 400 hectares of land, we will construct base plants for the ITPs. Furthermore, we will establish processing plants in the remaining locations through active collaboration between the public and private sectors, as well as foreign and domestic investors.

According to Government Resolution No. 129 of 2021, Erdenete Mining Corporation SOE would fund the development of park infrastructure, the copper concentrate smelting and refining plant, which is the base plant of the Erdenet ITP, and the construction of rails and roads at a 55 percent rate.

By constructing a copper concentrate processing plant, we will produce 560,000 tons of copper concentrate per year, 125 thousand tons of cathode copper, 72 thousand tons of gold, 38.2 tons of silver bar, and 182 thousand tons of sulfur, generating sales revenue of 1.1 billion dollars.

Figure 10. Structure of the Copper Processing Complex in Erdenet Industrial and Technology Park (ITP)



Source: "Mid-term strategic plan, Erdenes Mongol LLC 2023"

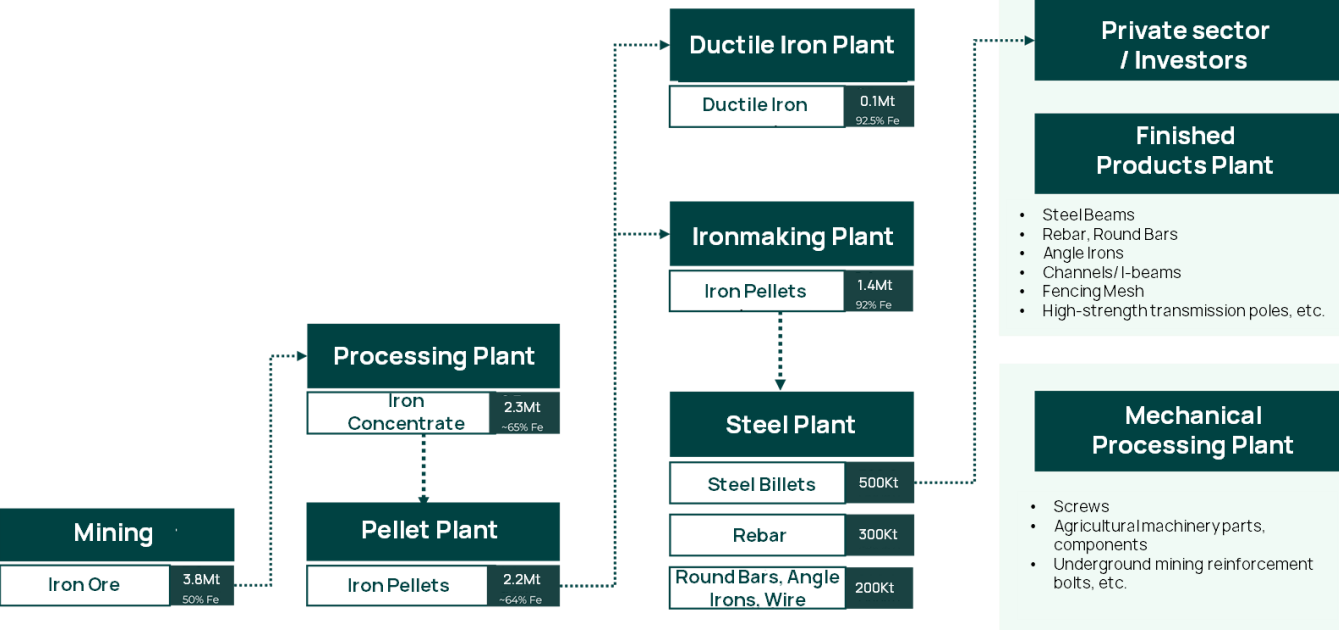
Steel Production Complex Darkhan ITP: Within the framework of the "Darkhan Industrial and Technology Park for Steel Production", the park will be established in Darkhan and Khongor soums of Darkhan-Uul province, focusing on metallurgical production, casting, and the manufacture of steel products. Planned production includes pig iron, steel billets, construction rebar, steel angles, metal products, metal structures, and spare parts for agricultural machinery.

At this location, Darkhan Metallurgical Plant LLC, a subsidiary of Erdenes Mongol LLC, is operating in the metallurgical field, relying on the strategic Tumurtein iron ore deposit. To fully utilize the deposit, including low-grade iron ore reserves, and extend the mine’s lifespan, an industrial and technology park will be established to enhance its contribution to the national and local economies and increase the production of key construction materials. The Tumurtein iron ore deposit holds reserves of 220 million tons of iron ore. The region has well-developed infrastructure, with a population of 104,600 people, and hosts the Technological College of the Mongolian University of Science and Technology (MUST) as well as three polytechnic colleges, which are essential for training skilled professionals.

The steel plant, which will serve as the core facility of the "Darkhan Industrial and Technology Park for Steel Production", will be constructed along with the necessary infrastructure. In its initial phase, the plant is set to produce 500,000 tons of pig iron and 500,000 tons of steel billets. From these billets, steel products such as construction rebar, steel angles, and steel wire will be manufactured, fully covering the domestic demand for construction rebar.

Under the Government Resolution No. 145 of 2023, a total area of 77.7 hectares in Darkhan and Khongor soums of Darkhan-Uul province has been designated for the construction of the steel production complex as a special state-use area. The downstream processing plants will be developed based on active partnerships between the government, private sector, and both domestic and international investors.

Figure 11. Structure of the Steel Production Complex in the Darkhan Industrial and Technology Park (ITP)



Source: "Mid-term strategic plan, Erdenes Mongol LLC 2023"



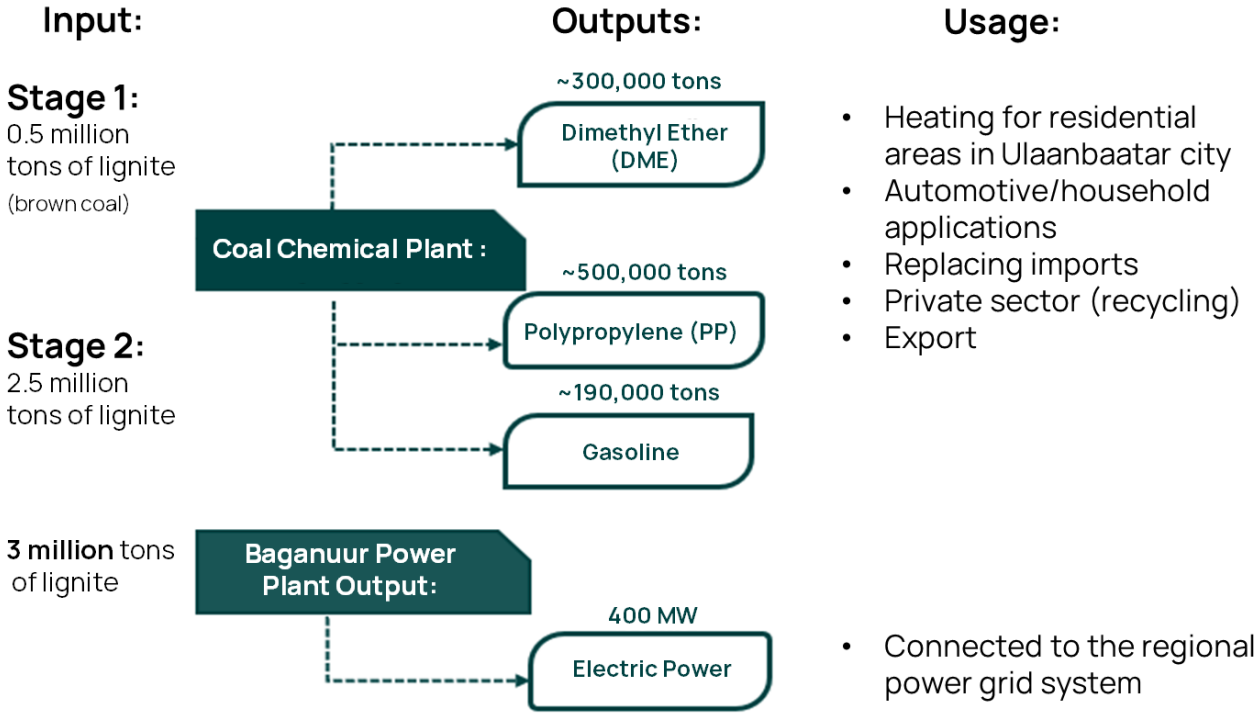
Coal – Chemical Complex Baganuur ITP: As part of the "Coal-Chemical Complex Baganuur Industrial and Technology Park" project, in the first phase of the Coal-Chemical plant, 0.5 million tons of coal will be gasified and synthesized annually to produce methanol. From the methanol, 300 thousand tons of synthetic gas-based domestic and fuel gas products (such as sulfur-free, odorless, and environmentally friendly dimethyl ether) will be produced, providing import-substituting products for the market. According to data from the Mongolian Customs Authority, in 2022, 45.9 thousand tons of fuel gas worth USD 18.9 million were imported, and in 2023, 61.8 thousand tons worth USD 17.7 million were imported.

Moreover, synthetic gas-based fuel (such as dimethyl ether) derived from coal can be used as a heating source for households in ger districts, thereby contributing to the reduction of greenhouse gas emissions.

By implementing the second phase of the Coal-Chemical Complex, 2.5 million tons of coal per year can be used to produce 500 thousand tons of methanol-based polypropylene (PP), a key element for various types of plastic production, as well as 190 thousand tons of automotive gasoline. Private enterprises can utilize these products as raw materials in line with market demand to further process them into a wide variety of finished products. This establishes the foundational conditions to support the production of high-value-added products domestically.

Through the advanced processing of olefins and polypropylene, manufacturers will have the opportunity to produce a wide range of items, including cleaning agents, adhesives, paints, food containers, packaging, wallpaper, carpets, ropes, linings, and construction materials. Furthermore, any chemical elements produced in excess of domestic demand can be exported, thereby diversifying the product portfolio of the company.

Figure 12. Structure of the Coal-Chemical Complex in Baganuur Industrial and Technology Park (ITP)



Source: "Erdenes Tavantolgoi JSC (Feasibility Study for the Coal-Chemical Pilot Plant) / Energy Ministry website, Baganuur Power LLC presentation"

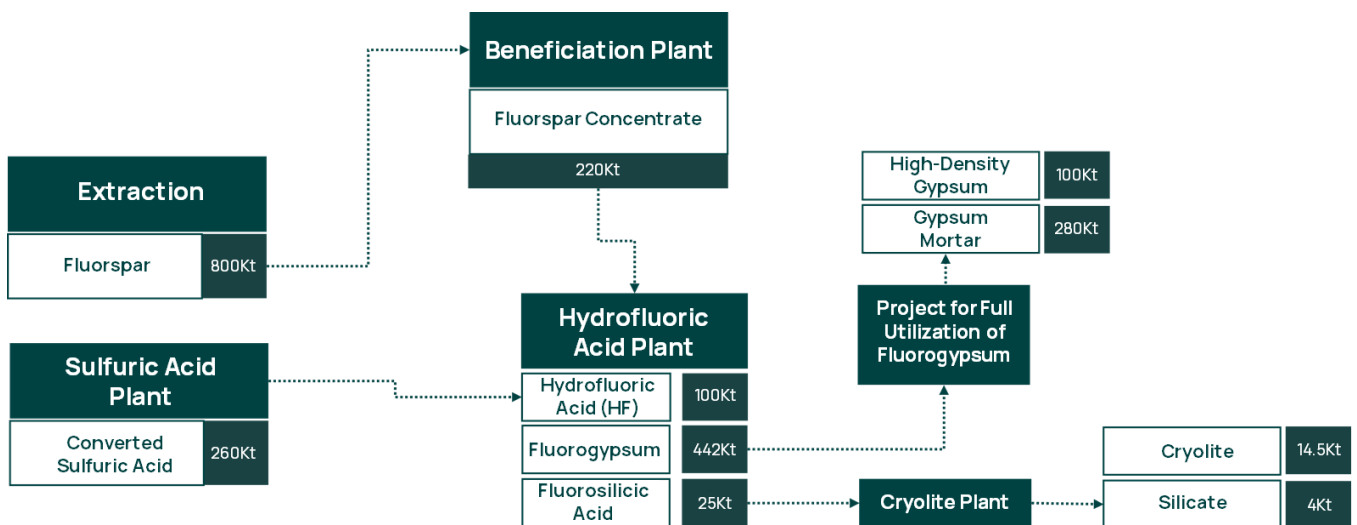
Fluorspar Processing Complex Bor Undur ITP: As part of the "Fluorspar Processing Complex at Bor-Undur Industrial Technology Park", located in Bor-Undur soum, Khentii province, the aim is to establish a facility focusing on the enrichment, processing, and chemical production of fluorspar, as well as the manufacture of export-oriented products. The complex plans to produce 97% fluorspar concentrate, hydrofluoric acid, aluminum fluoride, and various fluorinated products.

In the 21st century, fluorspar is considered a strategic resource internationally and is utilized under strict policies. Fluorspar is a non-metallic mineral that is not traded on international exchanges. Its production is closely linked to the cement industry and the ferrous and non-ferrous metallurgical sectors, making it crucial for the industrialization of countries. As a result, many nations have prohibited the export of raw fluorspar. The total global reserves of fluorspar are estimated at 500 million tons. Mongolia ranks fourth globally, following Mexico, China, and South Africa, possessing 9% of the world's fluorspar reserves. Currently, Mongolia has 163 deposits and 545 occurrences registered, containing a total of 122 million tons of ore or 48.3 million tons of mineral reserves. More than 90% of Mongolia's fluorspar reserves are concentrated in Tuv, Dornogovi, Khentii, Dundgovi, and Sukhbaatar provinces.

In recent years, Mongolia has been exporting an average of approximately 300,000 tons of metallurgical fluorspar annually, including FC-75, FC-85, and FC-92 grades, as well as about 150,000 tons of FF-95 and FF-97 flotation concentrate. Additionally, 300,000 to 600,000 tons of fluorspar ore (with calcium fluoride content ranging from 20% to 55%) have been exported in raw form. Therefore, moving forward, it is crucial to develop a chemical-technology-based industry that utilizes fluorspar reserves. In the first phase, the plan is to process fluorspar concentrate to produce fluorinated compounds. As the business environment in the fluorspar sector improves, with an increase in product variety, competitiveness, and trade volume, Mongolia aims to become a producer and exporter of hydrofluoric acid and aluminum fluoride.

According to research by Mordor Intelligence, due to the post-pandemic growth of the chemical industry in the Asia-Pacific region, increasing steel production, and the rising demand for fluoropolymers (derived from fluorspar) used in lithium-ion batteries, global fluorspar demand is expected to grow by 7% annually through 2028. Some of the world's major players in the fluorspar sector include Mexichem Fluor SA de CV (Koura) (Mexico), China Kings Resources Group Co. Ltd. (China), Mongolrostsvetmet SOE (Mongolia), Minersa Group (Spain), and Masan Resources Corporation (Vietnam).

Figure 13. Structure of the Fluorspar Processing Complex of Bor-Undur Industrial and Technology Park (ITP)



Source: "Mid-term strategic plan, Erdenes Mongol LLC 2023"



Coke – Chemical Complex Tavantolgoi ITP: The Coke-Chemical Complex at the Tavantolgoi Industrial Technology Park is part of Erdenes Tavantolgoi JSC's medium-term "A6-20" business plan, which outlines the development of a coal processing plant with an annual capacity to process 30 million tons of coal. In the first phase of the coal beneficiation plant, 10 million tons of coking coal will be washed, producing 5.4 million tons of processed coal and 3 million tons of middlings. Out of the processed coal, 2.7 million tons will be utilized for coke production, while 1.5 million tons of middlings will be used for power generation at the Tavantolgoi thermal power plant. Any surplus of the 2.7 million tons of processed coal and 1.5 million tons of middlings will be allocated to support private sector industries, establish the industrial value chain within the group, and diversify the product range.

Once the coal processing plant becomes operational, lower-quality coal seams (0, 5, 8, 9) from the Tavantolgoi deposit will be extracted, processed, and upgraded, thereby increasing the economic value of the coal and extending the mine's lifespan.

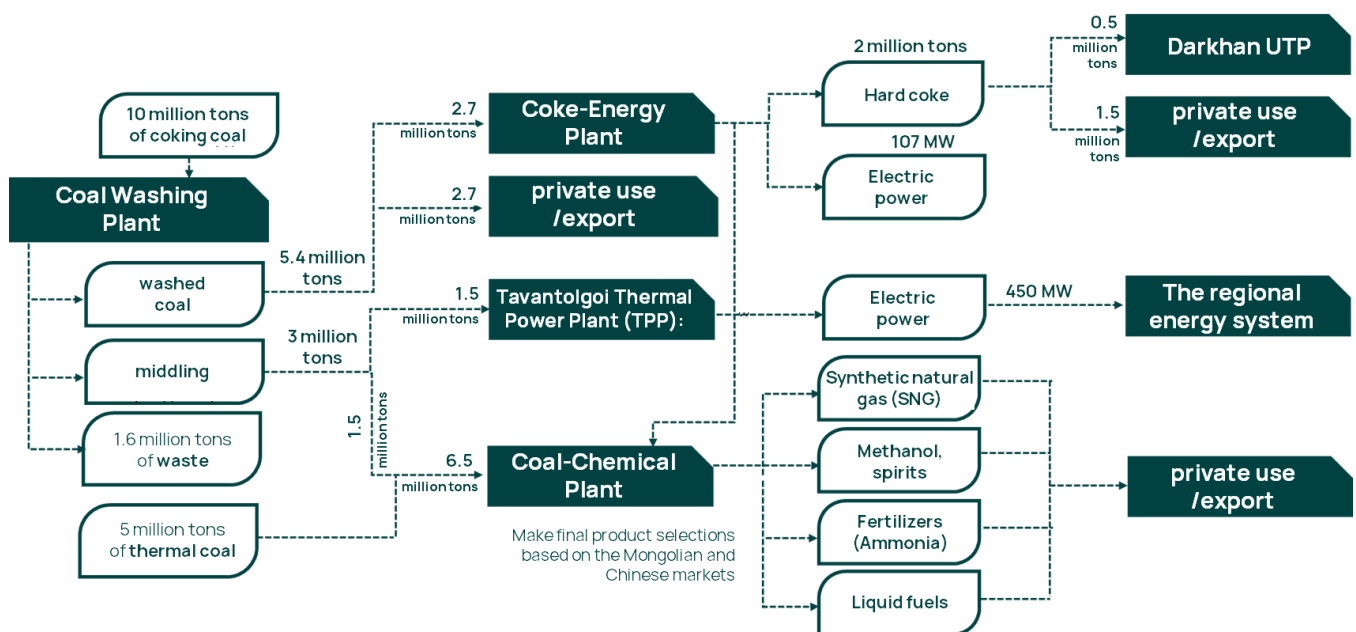
The Coke-Energy Plant will consist of infrastructure for receiving, preparing, cooling, drying, coking, and waste heat energy production. It will process 2.7 million tons of processed coal, yielding 2 million tons of hard coke and generating 107 MW of electricity. The electricity generated from the thermal decomposition process during coke production will fully support the plant's operational energy needs.

The Coke-Energy Plant will supply 0.5 million tons of hard coke to the steel plant based at the Darkhan Metallurgical Complex, laying the foundation for developing Mongolia's heavy industry. Any surplus of the 1.5 million tons of coke beyond domestic consumption will be exported as part of the group's product diversification strategy.

Additionally, the group will collaborate on the commissioning of the Tavantolgoi Thermal Power Plant, as outlined in the Resolution on the Approval of the New Revival Policy by the State Great Khural (Parliament of Mongolia). This initiative will create a reliable energy source for the southern region's mining industry, reducing reliance on imported energy.

In line with the group's policy of establishing an industrial value chain, the Coal-Chemical Plant will utilize 1.5 million tons of middlings from the coal processing plant and 5 million tons of thermal coal to produce methanol, fertilizers (ammonia), and liquid fuel.

Figure 14. Structure of the Coking-Chemical Complex of Tavantolgoi Industrial and Technology Park (ITP)



Source: "Erdenes Tavantolgoi LLC, Feasibility Study (FS) of Coal Washing Plant, FS of Coke-Energy Plant, FS of Tavantolgoi TPP, FS of Coal-Chemical Experimental Plant."

The Coal-Chemical Plant will operate similarly to the deep-processing technology employed at the Baganuur Coal-Chemical Complex, where coal is gasified and synthesized to produce synthetic gas and methanol, and subsequently, various products based on synthetic gas. Notably, fertilizers produced from this deep processing can be used not only in agriculture but also for mine reclamation efforts.

By commissioning these Coke-Energy and Coal-Chemical Plants, value-added, environmentally friendly final products will be produced, making substantial progress towards achieving the green development objectives set forth by the group.

In the medium-term strategy to develop these industries and enhance value-added production, the following key actions will be implemented to lay the groundwork for heavy industry development:

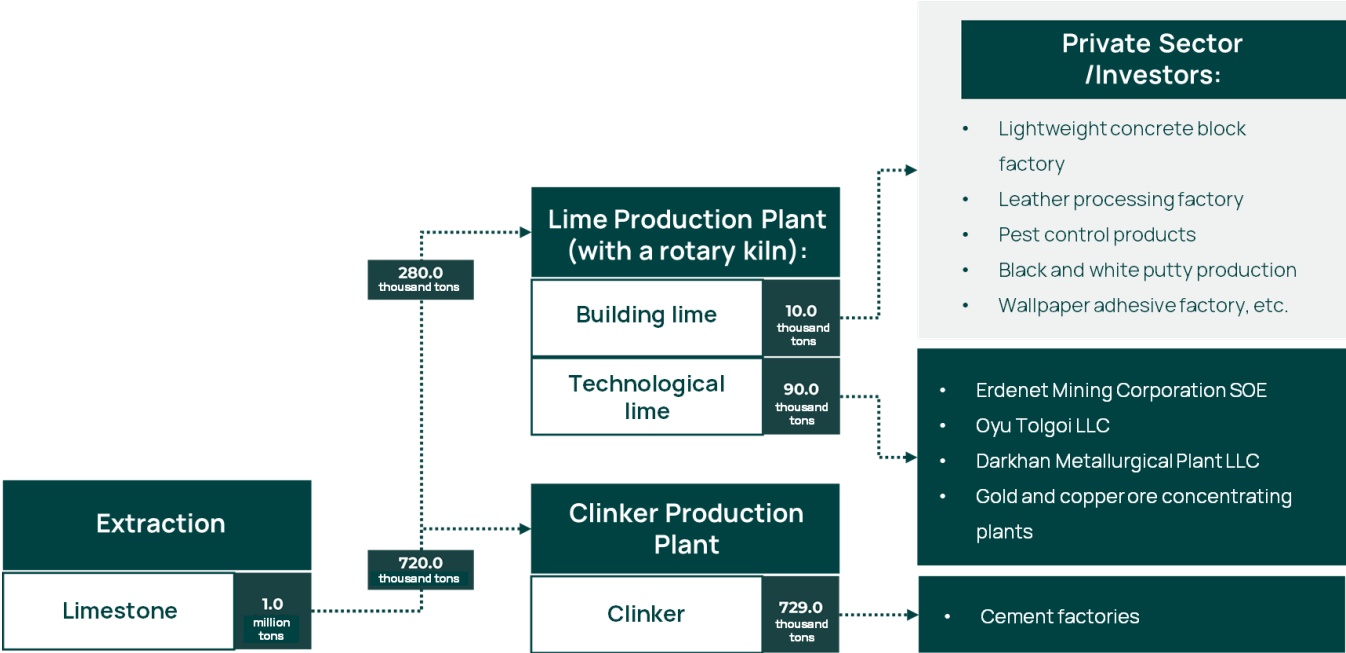
- Collaborate with internationally accredited laboratories to optimize technology selection and operational modes, aiming to increase product yields.
- Conduct infrastructure, energy, water supply, and logistics studies, and prepare a detailed development plan for the Industrial and Technology Parks.
- Train highly specialized professionals to ensure the safe operation of technological processes, hazardous chemicals, and explosives, in compliance with international standards.



Building Materials Manufacturing Complex Khutul ITP: Under the "Building Materials Production Complex at Khutul Industrial and Technology Park" initiative, located in Saikhan soum of Selenge province, a comprehensive facility for building materials production is planned. The park will focus on the production of cement, lime, and various building materials.

The park's location will leverage the operations of Tsement Shokhoi LLC, a subsidiary of Erdenes Mongol LLC, which currently utilizes the Khutul-1 and Khutul-2 limestone deposits. The aim is to fully utilize these deposits, extend the operational life of the quarry, and enhance the local and national economy. The park will also increase the production of lime, a crucial material for beneficiation plants, and produce import-substitute products. The Khutul-1 and Khutul-2 limestone deposits contain 4 million tons of limestone reserves. Saikhan Soum, where the park is located, is well-developed with supporting infrastructure and a population of 9,300.

Figure 15. Structure of the Building Materials Production Complex of Khutul Industrial and Technology Park (ITP)

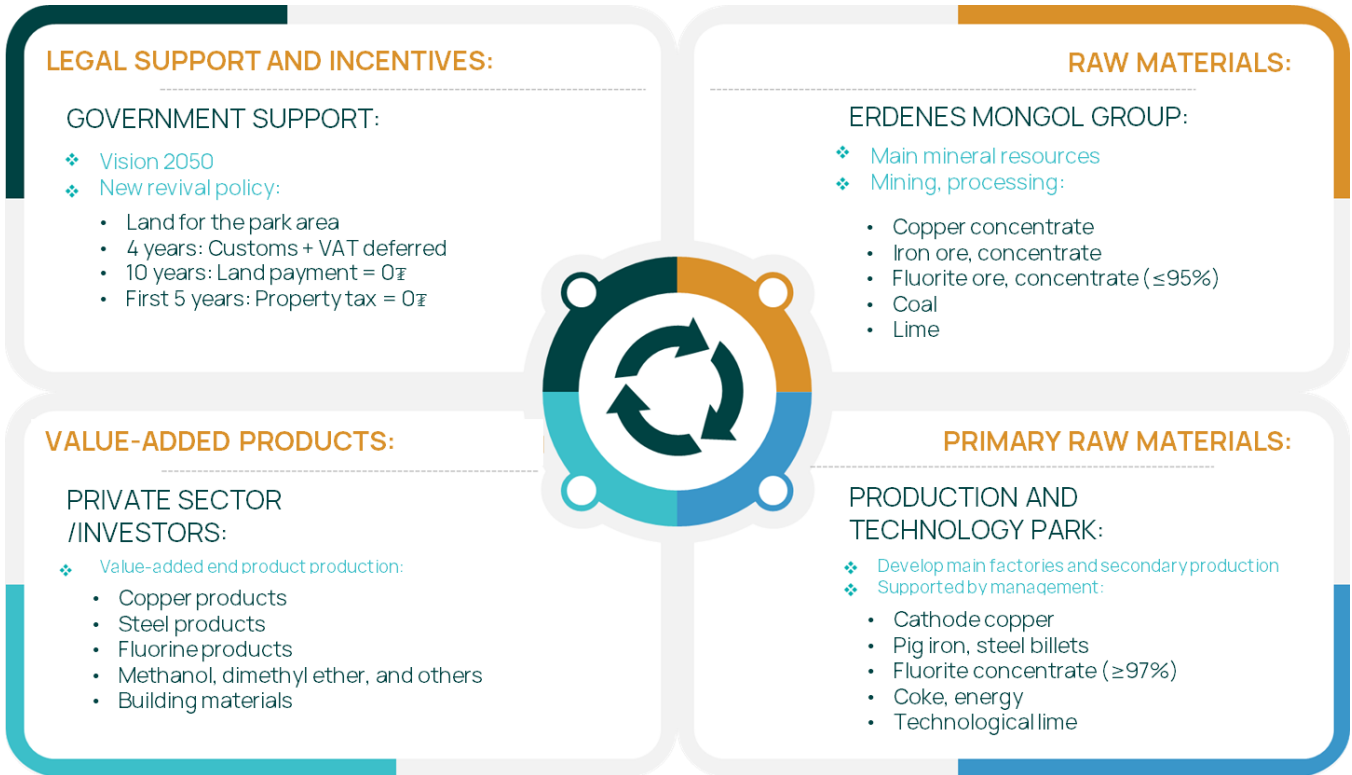


Source: "Mid-term strategic plan, Erdenes Mongol LLC 2023"

A key facility within the park will be the lime plant, which will produce 100,000 tons of lime annually, with 90,000 tons of industrial-grade lime supplied to major clients such as Erdenet Mining Corporation SOE, Oyu Tolgoi LLC, Darkhan Metallurgical Plant LLC, and other private-sector beneficiation plants.

In addition, processing plants will be developed through active public-private partnerships and investor engagement to further extend the park's capabilities.

Figure 16. Structure of the Industrial Value Chain



Source: "Mid-term strategic plan, Erdenes Mongol LLC 2023"

By establishing the industrial value chain,



It will contribute significantly to ensuring the country's economic independence, sustainable growth, increasing the variety of export products, boosting foreign exchange earnings, and improving the trade balance;



The country's annual export revenue will increase by \$2,250.7 million, and the share of the processing industry in the domestic GDP will reach 16.5%;



The volume of export-bound mining cargo transportation will decrease by 77%;



A total of 4,071 new jobs will be created within the core industries, leading to population migration to mining and industrial towns, reducing the overconcentration in the capital;



By leveraging the infrastructure of industrial and technology parks, the conditions for establishing international dry ports will be created.





Strategic Direction 4:

SALES AND LOGISTICS STRATEGY

To build the necessary infrastructure for creating an industrial value chain and sell export products at competitive market prices in a transparent and open manner, the strategy aims to increase the number of reliable trade partners with logistics, infrastructure, and financial capabilities. An integrated system will be introduced to provide coordinated management and operations for sales, transportation, and logistics.

Furthermore, new logistics centers will be established at key industrial and technology parks, operational mines, factories, and major trade ports to comprehensively address the transportation, logistics, and storage infrastructure needs for domestic raw materials, products, and exports.

STRATEGIC DIRECTION 4: SALES AND LOGISTICS STRATEGY

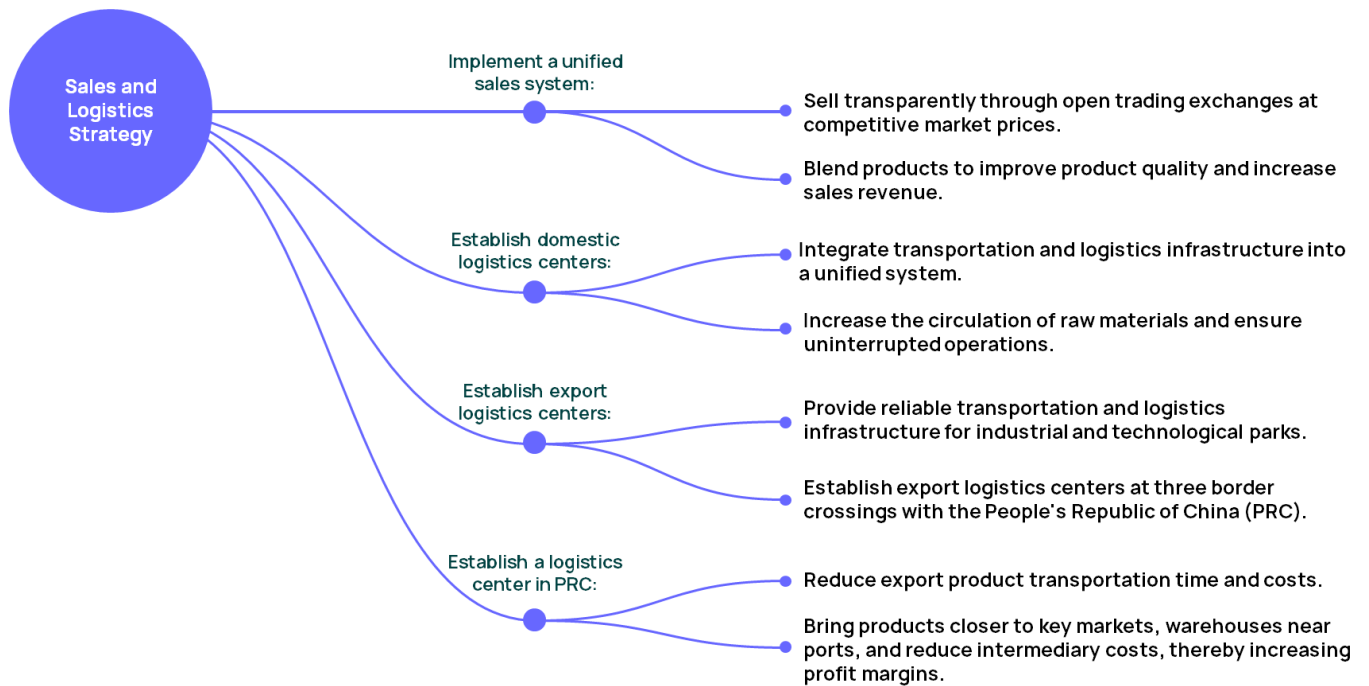
Strategic Rationale:

Due to the absence of an integrated sales and logistics policy and strategy at the group level, several challenges have arisen. These include selling export products below market price, disruptions in transportation due to insufficient logistics infrastructure, overstocked warehouses, and failure to meet sales targets. Additionally, delays in the turnover of export products have led to an excess of manufactured goods, which not only disrupts the financial stability of producers but also poses risks to foreign currency reserves of Mongolia.

International mining corporations have demonstrated the best practices by aligning their operations with entities or internal units responsible for transportation and sales, ensuring their products are sold in global markets at competitive prices with minimal costs, and securing stable cash flows.

Based on these best practices, the group will implement a comprehensive sales and logistics strategy, strengthening the operations of the Infrastructure and Logistics Group, which includes companies with specific roles. The goal is to establish an integrated logistics management system.

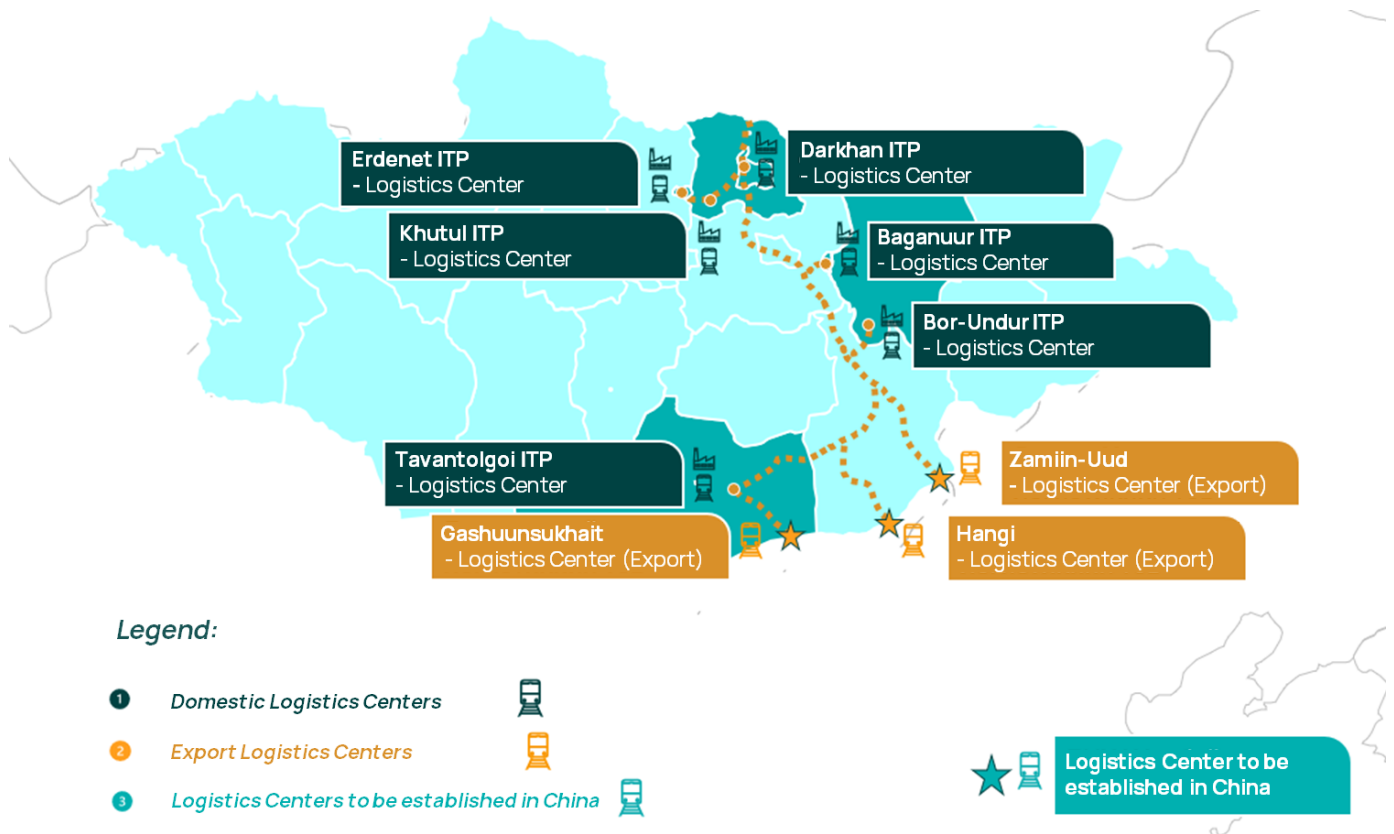
Figure 17. Sales and Logistics Strategy Classification



Sales and Logistics Strategy Implementation: Goals and Activities

Goal:	Activities
<p>Implement an Integrated Sales System</p>	<ul style="list-style-type: none"> • Restructure Erdenes Ashid LLC to focus on infrastructure and logistics operations. • Analyze sales contracts of the group’s companies and factories. • Improve sales contracts terms and reduce discount levels. • Sell mining products on transparent, open exchanges at competitive market prices. • Diversify companies with similar operations and sell products of the same standard, meeting the requirements by blending the quality of their products. • Expand strategic buyer base by conducting research through foreign representative offices on major mining product buyers.
<p>Establish a Domestic Raw Material and Product Logistics Center</p>	<ul style="list-style-type: none"> • Conduct analysis of raw materials and products for the group’s companies and industrial entities. • Assess current transportation and logistics infrastructure, including main and auxiliary facilities. • Identify necessary expansions and updates, including railcar supply, and make phased investments. • Implement a unified information and management system. • Optimize domestic raw material and product transportation.
<p>Establish an Export Product Logistics Center</p>	<ul style="list-style-type: none"> • Determine the location and acquire necessary permits for logistics centers at the Zamiin-Uud, Hangi, and Gashuunsukhait border points in collaboration with relevant state administrative bodies. • Develop the overall and sectional planning of the logistics center based on the characteristics of the group’s export products and unified sales system. • Conduct and approve feasibility studies (FS), environmental impact assessments (EIA), and geodetic analyses. • Secure the required investments and initiate the construction phase. • Commission the export product logistics center and begin operations.
<p>Establish a Logistics Center in China</p>	<ul style="list-style-type: none"> • Develop a feasibility study and select a location for the logistics center in collaboration with reliable trade partners with infrastructure, logistics, and financial capacity. • Select qualified investors and execute the construction of the logistics center. • Commission the logistics centers for export products and commence operations.

Figure 18. Location of Logistics Centers



Source: "Mid-term strategic plan, Erdenes Mongol LLC 2023"

Integrated Sales System: An integrated sales strategy will be implemented across the group by aligning the sales plans with the international market demand, supply, and pricing analysis of mining products, while also considering risk assessments. The sales strategy will be customized for each product based on its specific characteristics.

The group's companies with similar operations will be categorized to create a brand, "Erdenes Mongol," for standardized products, enabling competitive pricing. A centralized logistics infrastructure will be established to support the integrated sales system and the transportation and logistics needs of the group.

Domestic Raw Materials Logistics Center: The existing transportation and logistics infrastructures of companies engaged in extraction and processing operations will be integrated into a unified system. To develop a comprehensive, reliable, and accessible logistics system, domestic raw materials logistics centers will be established. These centers will support the coordination of industrial and technology parks mentioned in the mid-term strategic plan, ensuring the smooth transport of raw materials and products. They will also address current challenges in transportation, including infrastructure and wagon supply, by conducting analysis and making necessary investments.

Export Product Logistics Centers: To reduce transportation costs, meet customer requirements for timely delivery to multiple locations, and maintain product quality control, export product logistics centers will be established at strategic points, including Zamiin-Uud, Gashuunsukhait, and Hangi border points. These centers will consolidate various logistical capabilities in one place, providing multiple solutions for export product management.



By connecting export product logistics centers to an integrated smart information system, key actions will be taken to improve transport coordination, including centralized management of transportation crossing border points, and logistics arrangements for transshipment terminals between standard and broad-gauge railways. The establishment of export product logistics centers is expected to yield the following results:

- Reduce transportation time by 1.5 times and lower costs by 20%;
- Increase export product volumes by 25%;
- Bring products closer to end consumers in primary markets and sell them at competitive prices;
- Sell mining products directly from storage warehouses at border points via an electronic trading platform;
- Facilitate the open sale of products through international exchanges.

At the export product logistics centers, Customs branch laboratories will be established, equipped with modern testing equipment for analyzing mineral raw materials and coal. These laboratories will be accredited by ILAC (International Laboratory Accreditation Cooperation) and certified by CNAS (China National Accreditation Service for Conformity Assessment). Centralizing inspection, customs assessments, processing, and monitoring at one point will expedite the delivery of export products to consumers, while improving quality and quantity control.

Logistics Center in China: A logistics center will be established near key markets and ports in China, the world's leading consumer of mining commodities. By transporting products to nearby warehouses, selling through exchange platforms under port conditions, and avoiding intermediaries, the sales channels will be expanded, improving profitability. This logistics center will support the competitive sale of export products through various routes and provide essential supply chain support for large-scale projects and production activities implemented by the corporation.

Initially, the integrated sales system across the group will increase efficiency by introducing standardized "Erdenes Mongol" branded products such as iron ore concentrates and thermal coal to the market.

Iron Ore Concentrates:

Within the group, Darkhan Metallurgical Plant LLC and Mongolroostsvetmet SOE are the producers of iron ore concentrates. Darkhan Metallurgical Plant LLC produces an average of 1.7 million tons of dry iron concentrate annually, with an iron content of 50-58% and sulfur content of approximately 3%, exporting primarily to China. Mongolroostsvetmet SOE, on the other hand, produces an average of 211,000 tons of wet concentrate with an iron content of 65% and 460,000 tons of dry concentrate with an iron content of 52% and a sulfur content of approximately 0.05%, also exported to China.

The high sulfur content in iron ore concentrates negatively impacts the steelmaking process, resulting in a penalty of \$0.7 per ton for every 1% sulfur content.

By blending the dry iron concentrates produced by Darkhan Metallurgical Plant LLC and Mongolroostsvetmet SOE in a 65:35 ratio, it is possible to produce a standardized iron concentrate with a 2% sulfur content. This method of averaging the quality of the two types of iron concentrates would reduce the sulfur content, and selling 2 million tons of this blended dry iron concentrate could result in \$4.6 million in additional annual sales revenue, by avoiding the penalties typically imposed on sulfur content.



Table 5. Blending of Iron Ore Concentrates

Iron Ore Concentrate Blending	Darkhan Metallurgical Plant LLC Concentrate	Mongolrostsvetmet SOE Concentrate
Blending Ratio (%)	65%	35%
Blended Concentrate Amount (tons)	1,300,000	700,000
Iron Content (%)	58.0%	52.0%
Sulfur Content (%)	3%	0.05%
Export Product		
Total Blended Concentrate (tons)	2,000,000	
Iron Content (%)	55.6%	
Sulfur Content (%)	2%	

Source: "Mid-term strategic plan, Erdenes Mongol LLC 2023"

Thermal Coal

The coal from Shivee Ovoo JSC and Baganuur JSC mines independently meets export quality standards, but their pricing is insufficient to cover extraction and transportation costs. To address this issue, it is planned to blend higher-quality coal from the Tavantolgoi mine with coal from the Baganuur and Shivee-Ovoo mines to produce a product that meets market quality standards and is valued higher. This blended product can potentially be sold to thermal power plants in northern Inner Mongolia Autonomous Region (IMAR), China, specifically in areas such as Chifeng, Xilin Gol, Hohhot, and Baotou.

An initial estimate suggests that blending 50% oxidized and thermal coal from Tavantolgoi, 30% from the Baganuur mine, and 20% from the Shivee-Ovoo mine can produce an export product that meets the coal quality requirements of China's commercial energy sector.

Table 6. Coal Blending

Coal Blending	Erdenes Tavantolgoi	Baganuur	Shivee-Ovoo
Product Name	Thermal Coal	Lignite	Lignite
Blending Ratio (%)	50%	30%	20%
Calorific Value (kcal/ton)	6,200	3,500	3,000
Ash (Ad %)	18.2	12.0	8.5
Sulfur Content (St d %)	0.70	0.72	1.44
Volatile Matter (V daf %)	29	43	42
Export Product			
Blended Calorific Value (kcal/ton)	4,750		
Blended Ash (Ad %)	10.74		
Blended Sulfur Content (St d %)	0.85		
Blended Volatile Matter (V daf %)	35.8		

Source: "Mid-term strategic plan, Erdenes Mongol LLC 2023"



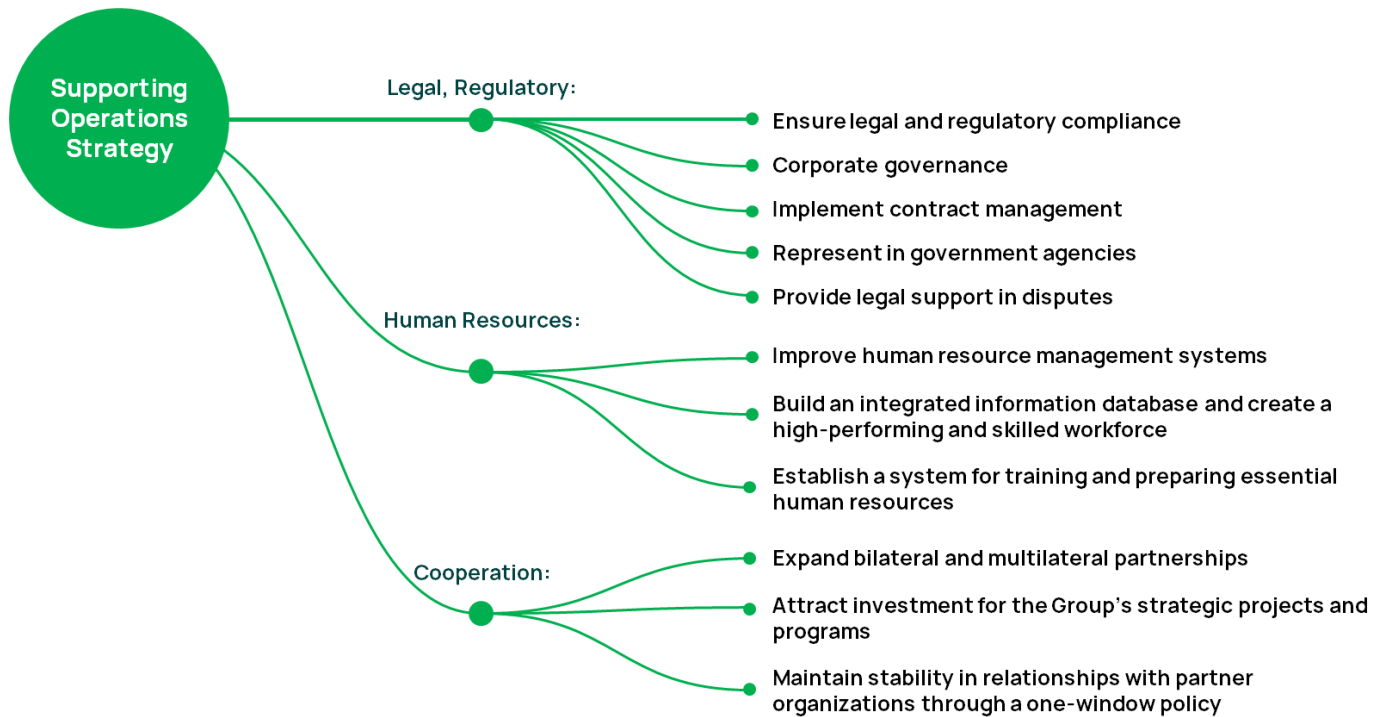


Strategic Direction 5:

SUPPORTING OPERATIONS STRATEGY

In implementing the Group's strategy, supporting functions such as legal, regulatory compliance, safety, human resources, and cooperation strategies will be implemented based on policy documents adhered to across the Group.

Figure 19. Sales and Logistics Strategy



Legal and Regulatory Compliance

The Group will pursue a strategy focused on monitoring the implementation of legislation, improving the structure and organization of the Group's companies, strengthening corporate governance, and establishing a legal framework for operating under an integrated group system.

Objectives	Activities
Ensure Legal and Regulatory Compliance:	<ul style="list-style-type: none"> Implement oversight to ensure that subsidiaries and affiliated companies are adhering to relevant laws, regulations, and industry standards, while providing legal consultancy and support. Monitor the implementation of corporate governance and policy documents followed across the group, offering necessary supports.
Implement Corporate Governance:	<ul style="list-style-type: none"> Support the organization and monitoring of the regular and extraordinary meetings of the Board of Directors and shareholders of the group companies, ensuring the execution of decisions.
Implement Contract Management:	<ul style="list-style-type: none"> Provide feedback, review for compliance, and assist in negotiations on investment, shareholder, and significant transaction agreements for the subsidiaries of the Erdenes Mongol Group.
Represent in State Authorities:	<ul style="list-style-type: none"> Represent subsidiaries of the Erdenes Mongol Group in state authorities, protecting their legal rights and interests.
Provide Support in Legal Disputes:	<ul style="list-style-type: none"> Offer legal advice and support in resolving cases in courts, arbitration, or other legal bodies, and take preventive measures to mitigate potential risks.



Human Resources

The Group will pursue a strategy aimed at building a skilled workforce equipped with adaptable knowledge and capabilities to meet the rapidly evolving demands of technology and innovation. The focus will be on ensuring equal employment opportunities, continuous learning and development, and creating a favorable working environment.

The human resources strategy consists of the following key components:

Objectives	Activities
Enhance the Human Resource Management System:	<ul style="list-style-type: none"> • Introduce governance standards for the human resource management system. • Implement a unified human resource management system based on information technology. • Establish a corruption- and conflict-of-interest-free working environment. • Ensure compliance with legislation promoting gender equality. • Implement risk management for human resources.
Create a Unified Database and Build a High-Productivity Workforce:	<ul style="list-style-type: none"> • Recruit skilled, high-performance employees. • Establish the “Erdenes Mongol” brand in the labor market. • Develop a sophisticated salary system. • Implement an optimal policy for bonuses and incentives. • Establish flexible working hours and remote work options. • Create a rotation system for employee placement. • Ensure the stability of key employees through social security measures.
Develop a Training and Qualification System for Necessary Human Resources:	<ul style="list-style-type: none"> • Implement training programs to prepare the workforce needed for strategic projects. • Provide continuous development opportunities through training programs.

In support of the workforce, the Erdenes Mongol Group will implement a systematic approach to ensure stable employment conditions, improve productivity, evaluate job performance fairly, and foster both professional and personal skill development through consistent policies.



Cooperation

A strategy focused on establishing relationships and fostering collaboration with domestic and international mining companies and global organizations will be implemented with the principle of mutual benefit. The aim is to attract investment for the group's projects and programs through these partnerships.

The cooperation strategy consists of the following key components:

Objectives	Activities
<p>Expand Bilateral and Multilateral Cooperation:</p>	<ul style="list-style-type: none"> • Expand partnerships in alignment with policies, priorities, and strategies of Erdenes Mongol Group. • Foster and strengthen mutually beneficial bilateral and multilateral cooperation with investors, leading multinational mining companies, and strategic buyers. • Establish a representative office of the group to support foreign cooperation, attract investments, increase product sales, and enhance transportation and logistics operations. • Collaborate with and become members of international organizations.
<p>Attract Investment for Group Projects and Programs:</p>	<ul style="list-style-type: none"> • Work with international banks, financial institutions, and consultancy service providers to attract the necessary investments, particularly for industrial and technology park projects. • Promote the group's activities, projects, and programs by participating in domestic and international mining and resource sector events.
<p>Maintain Stability Through a One-Window Policy for Partner Organizations:</p>	<ul style="list-style-type: none"> • Implement a one-window policy for communication with partner organizations. • Fulfill obligations under memorandums of understanding, agreements, and contracts signed with partner organizations. • Ensure corruption-free business cooperation.





3

STRATEGIC PROJECTION

STRATEGIC PROJECTION

In line with the previously introduced strategic objectives of the Erdenes Mongol Group, the parent company has outlined the goals and directions that each subsidiaries within the group should follow over the next five years. Based on these guidelines, the group's subsidiaries, affiliates, and associated entities have developed their own medium-term strategic plans as follows:

Copper and Metals Group

"Erdenet Mining Corporation" SOE - Within the framework of the Copper Processing Complex at the Erdenet Industrial and Technology Park, the following facilities will be established: a copper concentrate smelting and refining plant, a heap leaching plant for oxidized ore stockpiles, and a molybdenum concentrate processing plant. These developments aim to enhance the stages of processing and advance the production of value-added products. The company will ensure the long-term, comprehensive, and sustainable exploitation of the Erdenet deposit, while developing internationally standardized, safe, and responsible mining and processing operations. Advanced technologies and equipment will be integrated, targeting an increase in ore processing capacity to 40 million tons annually.

In addition to the core production activities, the company plans to implement various projects and programs related to expansion, modernization, occupational health, safety, environmental protection, and corporate social responsibility (CSR). The expected results from these initiatives include progress in mineral processing, environmental management, and advancements toward sustainable development goals. For example, in support of the "Billion Trees" national initiative proposed by the President of Mongolia, Erdenet Mining Corporation SOE is committed to planting, cultivating, and maintaining a total of 100 million trees by 2031. As part of this effort, the company will establish an Erdenet Forest Innovation Park, which will include a genetic resource center for forestry, a soil innovation and biotechnology center, a green development center, and a tree nursery complex.

"Erdenes Oyu Tolgoi" LLC – During this strategic planning period, the project investor aims to complete the construction of the underground mine project 100% and bring it into operation. Once the Oyu Tolgoi open-pit and underground mines reach full capacity between 2028 and 2036, they are expected to produce 500 thousand tons of copper concentrate annually, tripling the economic and fiscal benefits to Mongolia. Additionally, large-scale projects, such as the copper concentrate processing plant and the Oyu Tolgoi railway, are planned to commence during this period. In line with the strategy to address the shortage of energy and water supply, the feasibility study (FS) of the Kherlen Toono project is being updated to solve the water supply for the Tavantolgoi Industrial and Technology Park (ITP) and other heavy industries in the Gobi region, aiming to reduce groundwater consumption and increase the use of surface water.

"Darkhan Metallurgical Plant" LLC – As part of the Steel Production Complex within the framework of the Darkhan ITP, it is planned to bring the wet iron ore beneficiation plant and pellet plant into operation, based on the Tumurtein deposit. The Darkhan ITP is aimed at fully meeting the country's increasing demand for steel rebar and other steel products. The plan includes establishing blast furnace, steel, and steel product manufacturing plants in a complex, with a capacity to produce 1.0 million tons of steel billets and products. The steel plant, which will serve as the foundation of the Darkhan ITP, will be built along with its infrastructure. In the first stage, it will produce 500 thousand tons of pig iron and 500 thousand tons of steel billets. From these billets, construction rebar, angle iron, steel wire, and other steel products will be produced, fully meeting the domestic demand for construction rebar. Moreover, the company has planned several projects within the scope of Occupational Safety and Health (OSH), environmental protection, and social responsibility, including a project to build housing for 800 families of factory workers.



"Mongolrostsvetmet" SOE – In the framework of the Bor-Undur Industrial and Technology Park (ITP), the company plans to establish a complex for beneficiation, processing, chemical production, and export-oriented production based on fluorospar resources. The goal is to produce 97% fluorospar concentrate, hydrogen fluoride, aluminum fluoride, and other fluorine-based products. By processing fluorospar concentrate into fluorine compounds within the Bor-Undur ITP, the business environment in the fluorospar sector will improve, increasing product variety, competitiveness, and trade volume. The company aims to position Mongolia as a producer and exporter of hydrofluoric acid and aluminum fluoride. Additionally, the company plans to gradually phase out the export of raw iron ore, increase the capacity of the wet beneficiation plant, and establish a pellet plant to boost production and efficiency. To expand its mineral reserves, Mongolrostsvetmet SOE plans to undertake several geological exploration activities.

"Erdenes Alt Resource" LLC – The company has set the objective of improving the operations of the Salkhit Silver Ore Beneficiation Plant and extending its production lifecycle by reprocessing accumulated waste or secondary deposits from previous years in a cost-effective manner. To increase gold reserves and bring them into economic circulation, the company's strategic plan includes conducting phased geological exploration activities in deposits such as eastern site of Salkhit, Ovoot Khyar, Khurentsav, Mukhar Khar Tolgoi, Dovjoot, and Khalzan.

Fuels and Energy Group

"Erdenes Tavantolgoi" JSC – The company's five-year strategic direction focuses on increasing coal extraction capacity, reducing costs, and positioning the company as the largest supplier of coking coal to China. The strategy also includes establishing the Tavantolgoi Industrial and Technology Park (ITP) based on the Tavantolgoi coal deposit. This park will include a coal beneficiation plant, a coke-energy plant, a coal-chemical plant, the Tavantolgoi thermal power plant, and a green energy cluster. Once operational, the coke-energy and coal-chemical plants will enable the production of value-added, environmentally friendly end products, facilitating the achievement of the green development goals set by the conglomerate.

To meet the water needs of the planned industrial plants within the Tavantolgoi ITP, the company has included in its strategic plan the construction of water pipelines and other infrastructure to bring water from the underground aquifer at Tsagaan Tsav, as part of the preparations for the Kherlen-Toono project's water pipeline.

"Baganuur" JSC – In response to the continuously growing domestic energy demand, the company's strategy emphasizes upgrading equipment and facilities of the Baganuur mine and increasing its extraction capacity to ensure reliable energy supply while safeguarding the interests of other shareholders. The strategy also outlines the establishment of a coal-chemical plant in two phases within the Baganuur ITP, aimed at producing methanol through coal gasification and synthesis processes. This would lay the foundation for supporting domestic value-added production. By further processing olefins and polypropylene derived from this deep processing, manufacturers will be able to produce a variety of products, including cleaning agents, adhesives, paints, food containers, packaging, wallpapers, carpets, ropes, linings, and construction materials.

"Shivee Ovoo" JSC – The company's strategy is aligned with the growing demand for energy by increasing its extraction capacity through the renewal of mining equipment and confirming the reserves of the deposit in accordance with international JORC standards. The strategy aims to protect shareholders' interests and ensure efficient operations. The company plans to conduct detailed and supplementary exploration work in the Shine Us area to increase coal reserves. This exploration will enable the company to accurately assess the deposit's reserves according to JORC standards and improve the optimization of open-pit mining operations.

Additionally, in line with the strategy to address energy and water supply shortages, the company plans to build and commission a thermal power plant based on the Shivee-Ovoo coal deposit.



"Erdenes Methane" LLC – The company's primary mission moving forward is to identify methane gas reserves within Mongolia's coal basins, conduct exploration and detailed drilling, prepare feasibility studies, and assess the economic benefits. Additionally, the company will focus on attracting the necessary funding and investment to bring methane gas extraction into economic circulation. To this end, the company is working to secure investment from Australia for the development and utilization of coal bed methane gas from the Tavantolgoi deposit.

"Mon Atom" LLC – The strategic plan includes preparing the Investment Agreement, Deposit Development Agreement, and Shareholders' Agreements for the Zuuvch Ovoo deposit within the framework of Mongolian laws and regulations to bring the deposit into economic circulation. By utilizing the Zuuvch Ovoo deposit, it is expected to extract 2,500 tons of uranium annually over a 38-year period, generate \$1.149 billion of taxes for the state and local budgets and create 1,454 new jobs.

"Erdenes Bayanbogd" LLC – Given its direct connection to reducing air pollution in the capital, the parent company is committed to providing technical and methodological support for the company's geological exploration, coal extraction, and processing stages. In 2023, the company plans to conduct a detailed exploration work based on the preliminary geological assumptions for the Bogd-Uul coal deposit, ensuring resource certification in compliance with the JORC standard to prepare it for economic circulation. By 2027, the goal is to establish a complex comprising one dry coal processing line (ZM-600) and two wet coal processing lines. Once the deposit is fully operational, it is expected to produce and sell 8.5 million tons of high-quality thermal coal from 10 million tons of extracted coal.

Infrastructure and Logistics Group

"Tsement Shokhoi" LLC – The company plans to establish the Khutul Industrial and Technology Park to manufacture construction materials, including cement, lime, and various building materials. Aligned with the Mongolian Government's 2020-2024 action plan, specifically clause 3.7.13, which supports reducing imports by producing essential construction materials domestically using the country's mineral resources, the parent company aims to begin construction of the lime production facility in 2024 and have it operational by 2025.

"Gashuun Sukhait Road" LLC – The company plans to enhance automation on the Tavantolgoi-Gashuunsukhait road to improve safety and monitoring. The system development aims to minimize human involvement, ensuring transparency in the road usage registration process. Key initiatives include:

- The newly implemented SorPlus system currently operates with 26 modules and will be further integrated with the information technology systems of the National Transport Center, Customs General Administration, e-Mongolia Academy, and the Customs-Tax-Financial Information Technology Center for seamless data exchange.
- Develop an ERP system to streamline coal transport companies' accounting processes, manage discrepancies, assign responsibilities, sign agreements, disseminate information, provide safety training for drivers, and enable companies to track their own fleet and manage vehicle transfers electronically.
- Relocate and upgrade inspection checkpoints, connect them to permanent electricity sources, and gradually increase capacity.
- Introduce an RFID system for transportation and logistics platforms to improve analysis and control.



"Erdenes Industrial and Technology Park" LLC – This entity will oversee the development of industrial and technology parks by leveraging large enterprises within the group, aiming to create a comprehensive industrial chain. The goal is to formulate development plans, support investors, and establish industrial and technology parks based on the following:

1. **Copper Processing Complex** based on "Erdenet Mining Corporation" SOE;
2. **Building Materials Complex** based on "Tsement Shokhoi" LLC;
3. **Coking Coal Processing Complex** based on "Erdenes Tavantolgoi" JSC;
4. **Fluorspar Processing Complex** based on the Bor-Undur Mining and Processing Plant of "Mongolrostsvetmet" SOE;
5. **Steel Production Complex** based on "Darkhan Metallurgical Plant" LLC;
6. **Brown Coal Processing Complex** based on "Baganuur" JSC.

The establishment of these parks will lead to a GDP growth of 23.7% by 2026, increasing Mongolia's economic growth by 9.4%. The first phase of these projects is expected to create 792 direct jobs and significantly contribute to the nation's socioeconomic development. By the second phase (2030), during the production phase of the projects, GDP growth is projected to reach 33.3%, driving economic growth up by 12.6%, and generating 4,881 direct and 57,110 indirect jobs.

"Mongol Refinery" SOLLC – In order to secure Mongolia's fuel supply and establish the foundations for a petrochemical industry, a 1.5 million-tons oil processing plant is under construction in Altanshiree, Dornogovi Province. This plant will process crude oil extracted from domestic oil fields, producing Euro-V and MNS-standard compliant fuels.

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