



## **MONGOL BASALT JSC**

### Financial Statements

31 December 2024

(With Independent Auditors' Report Thereon)

# MONGOL BASALT JSC

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# MONGOL BASALT JSC

## CORPORATE INFORMATION

Executive director	ENKHGEREL Ariunbold
Chief Accountant	BOLORTUYA Bukhbilegt
Company address	Flamingo Tower, 7 <sup>th</sup> floor, Peace Avenue, 1 <sup>st</sup> khoroo, Sukhbaatar district Ulaanbaatar, Mongolia
Principal bankers	Capitron Bank LLC Golomt Bank LLC Khan Bank LLC State Bank LLC Trade and Development Bank LLC XacBank LLC
Independent auditors	Nexia Global Mongolia Audit LLC Certified Public Accountants

## MONGOL BASALT JSC

### STATEMENT BY EXECUTIVE MANAGEMENT

We, Enkhgerel Ariunbold, being the Executive Director of Mongol Basalt JSC (“the Company”), and Bolortuya Bukhbilegt, being the Chief Accountant primarily responsible for the financial management of the Company, do hereby state that, in our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

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**ENKHGEREL Ariunbold**  
*Executive Director*



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ДУГААН ТУСГААРЛЫГЧ

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**BOLORTUYA Bukhbilegt**  
*Chief Accountant*

Ulaanbaatar, Mongolia

Date: 14 February 2025



## INDEPENDENT AUDITOR'S REPORT

To the shareholders of **MONGOL BASALT JSC**

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### Opinion

We have audited the financial statements of Mongol Basalt JSC (the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with IFRS's, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Other Matter

Our report is made solely to the shareholder of the Company, as a body, in connection with the audit requested by shareholder in accordance with Article 94 of the Company Law of Mongolia and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### NEXIA GLOBAL MONGOLIA AUDIT LLC

Certified Public Accountants:



**BULGAN Enkhbold**  
Partner

**NARANDELGER Ulam-Orgikh**  
Auditor

Ulaanbaatar, Mongolia  
Date: 14 February 2025



## MONGOL BASALT JSC

### STATEMENT OF PROFIT OR LOSS, OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

(In thousands of MNT)	Note	2024	2023
Sales revenue	6	12,275,103	10,019,108
Cost of sales	7	(8,975,800)	(6,736,199)
Gross margin		3,299,303	3,282,909
Other income	8	996	57,977
Other gains / (losses)	9	(7,583)	(35,091)
Marketing and distribution expenses	11	(1,199,691)	(905,602)
General and administrative expenses	12	(335,891)	(444,069)
Other expenses	10	(302,027)	(130,082)
Operating profit		1,455,107	1,826,042
Finance income	13	200,399	78,985
Finance expense	13	(1,469,341)	(539,862)
Profit before income tax		186,165	1,365,165
Income tax expense	23	(49,516)	(157,571)
PROFIT FOR THE YEAR		136,649	1,207,594
Property revaluation gain	19	-	1,692,335
Other comprehensive income for the year		-	1,692,335
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		136,649	2,899,929
Basic earnings per share by MNT		2.42	21.40

*The accompanying notes form an integral part of these financial statements.*

# MONGOL BASALT JSC

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

(In thousands of MNT)	Note	2024-12-31	2023-12-31
<b>ASSETS</b>			
Cash and cash equivalents	14	21,961	5,729,845
Trade receivables	15	455,936	11,528
Other receivables	16	204,983	553,104
Inventories	17	3,772,558	3,087,190
Prepaid expenses and advances	18	2,206,637	2,987,446
<b>Total current assets</b>		<b>6,662,075</b>	<b>12,369,113</b>
Property, plant and equipment	19	24,972,601	20,045,056
Intangible assets	20	11,408,415	11,911,039
Deferred tax assets	23.2	5,755	-
<b>Total non-current assets</b>		<b>36,386,771</b>	<b>31,956,095</b>
<b>TOTAL ASSETS</b>		<b>43,048,846</b>	<b>44,325,208</b>
<b>LIABILITIES</b>			
Trade payables	21	458,910	245,144
Other payables	22	702,345	732,924
Current income tax payable	23.1	106,793	101,514
Other tax payables	24	2,214,595	1,207,573
Borrowings (current)	25	3,837,317	2,735,501
Deferred income	26	124,782	488,447
Provisions	27	749,590	742,278
Salary payable	28	5,262	575
<b>Total current liabilities</b>		<b>8,199,594</b>	<b>6,253,956</b>
Borrowings (non-current)	25	3,833,857	6,268,499
Deferred tax liabilities	23.2	614	-
<b>Total non-current liabilities</b>		<b>3,834,471</b>	<b>6,268,499</b>
<b>TOTAL LIABILITIES</b>		<b>12,034,065</b>	<b>12,522,455</b>
<b>EQUITY</b>			
Share capital	29	5,641,700	5,641,700
Additional paid-in capital	29.1	20,509,765	20,509,765
Revaluation reserve		3,121,609	3,121,609
Retained earnings	29.2	1,741,707	2,529,680
<b>TOTAL EQUITY</b>		<b>31,014,781</b>	<b>31,802,754</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>43,048,846</b>	<b>44,325,208</b>

*The accompanying notes form an integral part of these financial statements.*



## MONGOL BASALT JSC

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

(In thousands of MNT)	Share capital (Note 29)	Additional paid-in capital (Note 29.1)	Revaluation reserve (Note 19)	Retained earnings (Note 29.2)	Total equity
As at 1 January 2023	5,641,700	20,509,765	1,429,274	2,450,426	30,031,165
Profit for the year	-	-	-	1,207,594	1,207,594
Other comprehensive income for the year	-	-	1,692,335	-	1,692,335
Dividends declared	-	-	-	(1,128,340)	(1,128,340)
As at 31 December 2023	5,641,700	20,509,765	3,121,609	2,529,680	31,802,754
Profit for the year	-	-	-	136,649	136,649
Prior year adjustments	-	-	-	260,135	260,135
Dividends declared	-	-	-	(1,184,757)	(1,184,757)
As at 31 December 2024	5,641,700	20,509,765	3,121,609	1,741,707	31,014,781

*The accompanying notes form an integral part of these financial statements.*

# MONGOL BASALT JSC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

(In thousands of MNT)	Note	2024	2023
<b>OPERATING ACTIVITIES</b>			
Receipts from the customers		12,173,835	10,239,727
Cash received from operating activities		<u>12,173,835</u>	<u>10,239,727</u>
Paid to employees		(1,786,338)	(1,418,697)
Payments to SHI behalf of employees		(369,847)	(424,238)
Payments to suppliers for materials		(10,376,267)	(9,231,341)
Payments for utility		(7,007)	(22,898)
Payments for petrol and fuel		(59,464)	(4,376)
Payments for loan interest		(134,838)	(350,586)
Payments for tax		(387,660)	(651,835)
Payments for insurance		(20,246)	(20,588)
Other payments for operating activities		(1,571,518)	(232,948)
Cash paid for operating activities		<u>(14,713,185)</u>	<u>(12,357,507)</u>
Net cash flows from operating activities		<u>(2,539,350)</u>	<u>(2,117,780)</u>
<b>INVESTING ACTIVITIES</b>			
Interest received		198,869	78,985
Cash received from investing activities		<u>198,869</u>	<u>78,985</u>
Purchase of property, plant and equipment		(79,095)	(215,744)
Purchase of intangible assets		-	-
Cash paid for investing activities		<u>(79,095)</u>	<u>(215,744)</u>
Net cash flows from investing activities		<u>119,774</u>	<u>(531,112)</u>
<b>FINANCING ACTIVITIES</b>			
Received from loan proceeds		2,986,770	9,786,847
Received donations and others		-	-
Foreign currency translation		18,057	(3,526)
Cash received from financing activities		<u>3,004,827</u>	<u>9,783,321</u>
Payment for loan		(4,459,182)	(2,892,000)
Financial lease payments		(300)	(1,500)
Dividends paid to shareholders		(1,833,559)	(320,916)
Cash paid for financing activities		<u>(6,293,041)</u>	<u>(3,214,416)</u>
Net cash flows used in financing activities		<u>(3,288,214)</u>	<u>6,568,905</u>
Net foreign exchange difference		(94)	(12,848)
Net increase in cash and cash equivalents		(5,707,884)	4,301,518
Cash and cash equivalents at 1 January	14	5,729,845	1,428,327
Cash and cash equivalents at 31 December	14	<u>21,961</u>	<u>5,729,845</u>

*The accompanying notes form an integral part of these financial statements.*

**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

1. General information

Mongol Basalt JSC (hereinafter referred to as “Company”) was incorporated in accordance with the laws and regulations of Mongolia on January 22, 2007. Company address is Flamingo tower 7<sup>th</sup> floor, Peace Avenue, 1<sup>st</sup> khoroo, Sukhbaatar district, Ulaanbaatar, Mongolia. The Company’s registration number is 9010001085 and tax ID is 5112494.

On February 19, 2018, the Company offered its shares (30% of total outstanding shares) to the public as an Initial Public Offering and became a Joint Stock Company.

On September 26, 2016, the Company authorised in the license of “Manufacturing of construction material: 3.4.1-Basalt wool manufacture” regulated by “Construction Rule” of Mongolia.

When the Company was incorporated, the primary operating activity in the State Registration Certificate was to carry out the Foreign and domestic trade. The amended charter of the Company states that the Company carries out the following activities:

- Manufacturing construction materials
- Agricultural activities
- Foreign and domestic trade
- Project implementation
- Greenhouse activities
- Life science research and training
- Engineering consultancy

The share capital of the Company comprises of a total 56,417,000 ordinary shares each with 100 MNT of par value. The following table represents the shareholding structure:

No	Register Number	Shareholders	Percentage in shares	Number of shares
1	ChR65010678	Ariunbold Lkhagvajav	35.7%	20,140,869
2	ChR64112065	Sainbileg Purevbanzragch	13.3%	7,503,461
3	TsD88081664	Enkhgerel Ariunbold	7.0%	3,949,190
4	UP90062043	Enkhmaa Ariunbold	7.0%	3,949,190
5	UP98052329	Enkhjin Ariunbold	7.0%	3,949,190
6	Various	Other shareholders*	30.0%	16,925,100
		<b>TOTAL</b>	<b>100%</b>	<b>56,417,000</b>

\* 16,925,100 of the Company’s total shares (30%) are openly traded at Mongolian Stock Exchange and other shareholders are the owners of such shares.

The financial statements of the Company for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 14 February 2025.



**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

**Board of Directors:**

№	Register Number	Name	Position	Citizenship
1	ChR65010678	Ariunbold Lkhagvajav	Chairman	Mongolian
2	TsD88081664	Enkhgerel Ariunbold	Executive Director, Member	Mongolian
3	KhB47111671	Sharavsambuu Badrakh	Audit Committee Head, Member	Mongolian
4	ChR64112065	Sainbileg Purevbanzragch	Member	Mongolian
5	YeP58042111	Ganzorig Galbadrakh	Member	Mongolian
6	KOR6101194M	Han Kyu Bong	Member	South Korean
7	UK68040211	Zorigtbaatar Chansaa	Independent Member	Mongolian
8	IF69031515	Enkhtur Sharavsambuu	Independent Member	Mongolian
9	ShD80120714	Nyamdorj Purevsukh	Independent Member	Mongolian

**2. Operating environment**

Mongolia's economy remains heavily reliant on the mining sector, with coal and copper exports playing a crucial role in economic performance. In 2023, the economy grew by 7.0%, driven by increased mineral exports and strong trade balances, but inflation, currency depreciation, and global market volatility continue to pose risks.

The legal, tax, and regulatory frameworks are evolving, with frequent amendments impacting businesses. Economic growth projections for 2024 range from 4.1% to 7.5%, reflecting Mongolia's dependence on China's demand for commodities and global price trends.

The business environment remains affected by external uncertainties, including supply chain disruptions, fluctuating commodity prices, and geopolitical risks. The Russia-Ukraine war continues to impact global trade and energy markets, while the Israel-Gaza conflict adds further instability, particularly in oil prices. These factors could influence inflation, financial markets, and Mongolia's overall economic trajectory.

Environmental, social, and governance (ESG) factors are becoming increasingly relevant as Mongolia pushes for economic diversification. The government aims to expand renewable energy, targeting a 30% share by 2030, while mining companies face rising expectations for sustainable operations and transparency. Strengthening ESG compliance is becoming essential for businesses to maintain investor confidence and regulatory alignment.

Management is taking necessary measures to ensure sustainability of the Company's operations and support its employees. However, the future effects of the current economic situation are difficult to predict, and management's current expectations and estimates could differ from actual results.

**3. Accounting Policies**

**3.1. Statement of compliance**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

The financial statements have been prepared on a historical cost basis, except for the items described otherwise in the related notes. The financial statements are presented in Mongolian Tugrug (MNT), which is the functional currency of the Company, and all values are rounded to the nearest thousand (MNT'000), except when otherwise indicated.

These financial statements are presented in Mongolian tugrug ("MNT"), which is also the functional currency of the Company and the currency of the primary economic environment in which the Company operates. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

### 3.2. Going concern

The financial statements have been prepared on a going concern basis, which management has assessed as being appropriate.

### 3.3. Use of estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The key sources of estimation uncertainty and judgments used in preparation of these financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and earnings within the next financial year, are discussed below.

#### 3.3.1. Deferred income taxes

In calculating the income taxes, the Company considers factors such as tax rates in Mongolia, non-deductible expenses, changes in tax law, and management's expectations of future results. The Company estimates deferred income taxes based on temporary differences between the income and losses reported in its financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effects of these temporary differences are recorded as deferred tax assets or liabilities in the financial statements.

The Company recognises deferred tax assets where management expects such assets to be realised based upon current forecasts. In the event that actual results differ from these estimates, adjustments are made in future periods in these estimates, and changes in the amount of the deferred tax assets derecognised may be required, which could materially impact the financial position and the income for the period.

#### 3.3.2. Useful lives of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The estimated useful lives of the Company's assets are set out in Note 5.9.



**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

**3.3.3. Estimating net realisable value of inventories**

The net realizable value of inventories represents the estimated selling price for inventories less all estimated costs of necessary to make the sale. Reviews are made periodically by management on damaged, obsolete and slow-moving inventories.

While the Company believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

**3.3.4. Fair value measurement**

The Company aims to use the best available observable inputs in the market when measuring fair values of assets or liabilities. Fair values are classified within the fair value hierarchy based on inputs used in the valuation method, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If various inputs used to measure the fair value of assets or liabilities are transferred between levels of the fair value hierarchy, the Company classifies the assets and liabilities at the lowest level of inputs among the fair value hierarchy which is significant to the entire measured value and recognizes transfers between levels at the end of the reporting period of which such transfers occurred.

**4. Changes in accounting policies**

**4.1. Adoption of new or revised standards and interpretations**

The following amended standards became effective from 1 January 2024. The Company adopted these standards if applicable.

- |                                  |   |
|----------------------------------|---|
| • IFRS S1                        | General Requirements for Disclosure of Sustainability-related Financial Information |
| • IFRS S2                        | Climate-related Disclosures   |
| • Amendments to IFRS 16          | Lease Liability in a Sale and Leaseback   |
| • Amendments to IAS 1            | Classification of Liabilities as Current or Non-current                             |
| • Amendments to IAS 1            | Non-current Liabilities with Covenants  |
| • Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements   |

The adoption of the new and amended standards and interpretations did not have any significant impact on the financial performance or position of the Company.



**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

**4.2. Standards issued but not yet effective**

The Standards and Interpretations effective for periods beginning on or after 1 January 2025, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

• Amendments to IAS 21	Lack of Exchangeability	1 January 2025
• Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
• IFRS 18	Presentation and Disclosures in Financial Statements	1 January 2027
• IFRS 19	Subsidiaries without Public Accountability Disclosures	1 January 2027

**5. Summary of significant accounting policies**

**5.1. Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

**5.2. Foreign currency translation**

The Company's financial statements are presented in MNT, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded by the Company at their respective currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the currency spot rates of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to profit or loss.

**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

**5.3. Revenue from contracts with customers**

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The specific recognition criteria described below must also be met before revenue is recognised.

**5.4. Interest income**

Interest income is comprises interest received on outstanding money in the bank. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

**5.5. Contract liabilities**

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Company renders the related services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfer control of the services to the customer).

**5.6. Expenses**

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. General and administrative and other expenses are recognised in profit or loss in the period these are incurred.

**5.7. Employee benefits**

**5.7.1. Short-term benefits**

Wages, salaries and other salary-related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Company.

Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when absences occur.

**5.7.2. Defined contribution plans**

As required by the law, companies in Mongolia make contributions to the government pension scheme, Social Security and Health Insurance Fund. Such contributions are recognised as an expense in profit or loss as incurred.



**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

**5.8. Taxes**

**5.8.1. Current income tax**

The Company provides for current income tax based on its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purpose, in accordance with the regulations of the Mongolian Government. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in Mongolia, the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**5.8.2. Deferred tax**

Deferred tax is provided using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**5.8.3. Value added tax**

Revenue, expenses and assets are recognised net of the amount of value added tax ("VAT"), except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable;
- Trade receivables and payables that are stated with the amount of VAT included.

The net amount of VAT receivable from, or payables to, the taxation authority is included as part of trade receivables or payables in the statement of financial position. Where a provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

**5.9. Property and equipment**

Property and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property and equipment when the costs are incurred if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively.



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Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life as follows:

Type of Asset	Estimated Useful Life in Years
Buildings	25 years
Equipment	10 years
Vehicles	10 years
Furniture	10 years
Computers	2 years
Other assets	10 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss. Asset under construction is stated at cost less any impairment losses and is not depreciated. Asset under construction is reclassified to the appropriate category of property and equipment when completed and ready for use.

**5.10. Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised at disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Land-use rights (license) is stated using revaluation model. Under the revaluation model, revaluations should be carried out regularly, so that the carrying amount of the asset does not differ materially from its fair value at the balance sheet date. If an intangible asset is revalued, the entire class of assets to which that asset belongs should be revalued.

Revalued intangible assets are amortized in the same way as under the cost model.

If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it should be recognised in profit or loss.

A decrease arising as a result of a revaluation should be recognised as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset.

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When a revalued intangible asset is disposed of, any revaluation surplus may be transferred directly to retained earnings, or it may be left in equity under the heading revaluation surplus. The transfer to retained earnings should not be made through profit or loss.

**5.11. Financial Assets and Financial Liabilities**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**5.11.1. Financial Assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date,

**Subsequent Measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**Financial assets at amortised cost (debt instruments)**

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding



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Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes cash and cash equivalents, and trade and other receivables.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



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**5.11.2. Financial Liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include other payables and amounts due to related parties. All financial liabilities are classified as loans and borrowings.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

**5.12. Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**5.13. Fair value of financial instruments**

Management has assessed that the fair values of the Company's financial instruments approximate to their carrying amounts largely due to short term maturities of these instruments.

**5.14. Cash and bank balances**

Cash and bank balances in the statement of financial position comprise cash at banks. For the purpose of the statement of cash flows, cash at banks balances consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

**5.15. Equity**

Ordinary shares are classified as equity and are recognised at their par value. When shares are sold at a premium, the excess over par value is credited to the share premium. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

**5.16. Contingencies**

Contingent liabilities are not recognised in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

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**5.17. Related Party Transactions**

A party is considered to be related to the Company if:

- a) the party is a person or close member of that person's family and that person
  - i) has control or joint control over the Company;
  - ii) has significant influence over the Company; or
  - iii) is a member of the key management personnel of the Company or of a parent of the Company;
  
- b) the party is an entity where any of the following conditions applies:
  - i) the entity and the Company are members of the same Company;
  - ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - iii) the entity and the Company are joint ventures of the same third party;
  - iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  - vi) the entity is controlled or jointly controlled by a person identified in (a);
  - vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - viii) the entity, or any member of a Company, provides key management personnel services to the Company or to the parent of the Company.

**6. Sales revenue**

(In thousands of MNT)	2024	2023
Sales revenue from Rockwool sheet	12,008,433	10,007,912
Sales revenue from Rockwool sewn cover	93,200	23,983
Sales revenue from Basalt armature	190,921	9,737
Sales discount	(17,451)	(22,524)
<b>Total amount</b>	<b>12,275,103</b>	<b>10,019,108</b>

The Company recognises sales in accordance with International Financial Reporting Standard 15 – Revenue from contracts with customers.

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7. Cost of sales

(In thousands of MNT)	2024	2023
Cost of sales	8,975,800	6,736,199
<b>Total amount</b>	<b>8,975,800</b>	<b>6,736,199</b>

The Company is the sole manufacturer and distributor of construction materials such as armature and insulation material produced using natural Basalt rocks in the Mongolian market.

8. Other income

(In thousands of MNT)	2024	2023
Donations received	996	54,376
Insurance recoveries	-	3,601
<b>Total amount</b>	<b>996</b>	<b>57,977</b>

9. Other gain/ (loss)

(In thousands of MNT)	2024	2023
Foreign currency exchange gain / (loss) – unrealised	4,610	(12,848)
Foreign currency exchange loss – realised	(12,193)	(22,243)
<b>Total amount</b>	<b>(7,583)</b>	<b>(35,091)</b>

10. Other expense

(In thousands of MNT)	2024	2023
Factory accidental expenses	163,932	-
Donations expenses	135,576	5,670
Penalties and fine	2,363	-
Inventory write-off expenses	-	122,412
Other expenses	156	2,000
<b>Total amount</b>	<b>302,027</b>	<b>130,082</b>



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11. Marketing and distribution expense

(In thousands of MNT)	2024	2023
Salary and related expenses	730,223	399,146
Marketing expenses	233,069	217,083
Professional services fees	118,099	91,587
Taxes and fees	30,885	34,713
Fuel expenses	23,216	28,162
Insurance fee	20,246	90
Communication expenses	9,833	19,799
Training expenses	2,751	5,026
Rent expenses	-	20,889
Security expense	-	17,122
Others	31,369	71,985
<b>Total amount</b>	<b>1,199,691</b>	<b>905,602</b>

12. General and administrative expense

(In thousands of MNT)	2024	2023
Board related expenses	150,722	141,147
Salary and related expenses	72,458	169,530
Professional service fee	26,638	32,248
Business trips	22,225	16,190
Training expenses	16,822	16,085
Fuel expenses	11,680	18,081
Events	6,603	8,447
Communication	570	15,789
Rent expense	300	1,500
Insurance fee	-	20,498
Others	27,873	4,554
<b>Total amount</b>	<b>335,891</b>	<b>444,069</b>

13. Finance income and expense

(In thousands of MNT)	2024	2023
Interest income on bank deposit (Note 14)	200,399	78,985
Finance expenses	(1,469,341)	(539,862)
<b>Total amount</b>	<b>(1,268,942)</b>	<b>(460,877)</b>

In 2024, the Company earned MNT 200,399 thousand (2023: MNT 78,985 thousand) in interest income from its current accounts with Mongolian banks (Note 14).

In 2024, the Company incurred a total of MNT 1,469,341 thousand (2023: MNT 539,862 thousand) in interest expenses from its borrowing balances (Notes 25).

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**14. Cash and cash equivalents**

The cash and cash equivalents balance as at year-ends of 2024 and 2023 are shown below:

(In thousands of MNT)	2024-12-31	2023-12-31
Cash on hand – Note 14.1	1,405	1,340
Bank current account – Note 14.2	14,072	107,880
Bank savings account – Note 14.3	6,484	5,620,625
<b>Total amount</b>	<b>21,961</b>	<b>5,729,845</b>

Bank current accounts consist of Mongolian MNT, American USD, Russian RUB, European EUR and Chinese CNY accounts placed with Mongolian commercial banks.

**14.1 Cash on hand**

(In thousands of MNT)	2024-12-31	2023-12-31
Mongolian tugrug-MNT	1,405	1,340
<b>Total amount</b>	<b>1,405</b>	<b>1,340</b>

**14.2 Bank account current**

(By currency)	2024-12-31	2023-12-31
Mongolian tugrug-MNT	11,985,256	102,301,340
American dollar-USD	157	535
European - EUR	23	-
Chinese yuan-CNY	2,037	3,821
Russian ruble-RUB	15,588	50,983

Bank current account (In thousands of MNT)	2024-12-31	2023-12-31
Mongolian tugrug-MNT	11,985	102,301
American dollar-USD	538	1,824
European - EUR	82	-
Chinese yuan-CNY	955	1,834
Russian ruble-RUB	512	1,921
<b>Total amount</b>	<b>14,072</b>	<b>107,880</b>

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**14.3 Bank savings account**

(By currency)	2024-12-31	2023-12-31
Mongolian tugrug – MNT	6,484,499	4,916,321,917
American dollar – USD	-	206,499

**Bank savings account**

(In thousands of MNT)	2024-12-31	2023-12-31
Mongolian tugrug – MNT	6,484	4,916,322
American dollar – USD	-	704,303
<b>Total amount</b>	<b>6,484</b>	<b>5,620,625</b>

The balances of current accounts in foreign currencies are revaluated using the closing rates of the Central Bank of Mongolia and differences are recognised into the profit or loss.

In 2024, the Company earned MNT 200,399 thousand (2023: MNT 78,985 thousand) in interest income from its current accounts with Mongolian banks (Note 13).

**15. Trade receivables**

(In thousands of MNT)	2024-12-31	2023-12-31
Trade receivables	493,112	342,141
Allowance for doubtful receivables	(37,176)	(330,613)
<b>Total amount</b>	<b>455,936</b>	<b>11,528</b>

Trade receivables balances are non-interest bearing and credit payment terms are approved on a case-by-case basis.

Movements in allowance for doubtful receivables in 2024 and 2023 are summarized below:

(In thousands of MNT)	2024-12-31	2023-12-31
As at 1 January	330,613	330,613
Charged during the year	-	-
Written off during the year	(33,302)	-
Recovered during the year	(260,135)	-
<b>As at 31 December</b>	<b>37,176</b>	<b>330,613</b>



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Trade receivables' ageing and allowance provision as at 31 December 2024.

(In thousands of MNT)	0-90 days	91-180 days	181-270 days	271-365 days	Over 365 days	Total
Trade receivables	229,274	222,482	-	-	41,356	493,112
Allowance	-	-	-	-	(37,176)	(37,176)
<b>Total amount</b>	<b>229,274</b>	<b>222,482</b>	<b>-</b>	<b>-</b>	<b>4,180</b>	<b>455,936</b>

16. Other receivables

(In thousands of MNT)	2024-12-31	2023-12-31
Amount due from employees	195,956	186,758
Amount due from individuals	7,497	366,173
Interest receivable	1,530	-
Other receivable	-	173
<b>Total amount</b>	<b>204,983</b>	<b>553,104</b>

Amounts due from employees and from individuals are non-interest bearing and management of the Company views them to be fully recoverable within the next 12 months.

17. Inventories

(In thousands of MNT)	2024-12-31	2023-12-31
Finished product	999,615	788,149
Supply materials	1,484,426	1,399,743
Raw materials	1,288,517	899,298
<b>Total amount</b>	<b>3,772,558</b>	<b>3,087,190</b>

At the end of the reporting period, the Company conducts an inventory counting, expressed at cost and net realizable value.

On 29 May 2023, the Company pledged its inventory, equipment, and buildings to a credit line obtained from Khan Bank. The value of the inventory is MNT 2,976,016 thousand in contract for collateral.

18. Prepaid expenses and advances

(In thousands of MNT)	2024-12-31	2023-12-31
Prepaid expenses	2,109,603	2,193,722
Purchase advance	72,742	767,176
Others	24,292	26,548
<b>Total amount</b>	<b>2,206,637</b>	<b>2,987,446</b>

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**19. Property, plant and equipment**

Changes in property, plant, and equipment during the reporting period are presented in the table below. The balances of property, plant, and equipment of the Company was confirmed by the physical counting at the end of the reporting period. The items in the property, plant, and equipment were measured at historical cost and were not revalued. Management considers that the Company's plant, property and equipment balances are free of impairment.

(In thousands of MNT)	Buildings and premises	Equipment	Vehicles	Furniture and fixtures	Computers and parts	Other fixed asset	Total
<i>Cost</i>							
Balance at January 2023	2,633,974	14,346,739	1,811,165	183,459	166,352	2,406,709	21,548,399
Additions	280,948	2,207,018	228,549	82,906	20,172	2,660,331	5,479,924
Disposals	(73,732)	-	(21,938)	(22,111)	(91,823)	(648,456)	(858,060)
Balance at 31 December 2023	2,841,190	16,553,757	2,017,776	244,254	94,701	4,418,584	26,170,263
Additions	762,441	1,843,419	131,791	14,394	64,511	4,500,798	7,317,354
Disposals	-	-	-	-	-	-	-
Balance at 31 December 2024	3,603,631	18,397,176	2,149,567	258,648	159,212	8,919,382	33,487,617
<i>Depreciation and Impairment</i>							
Balance at January 2023	324,829	3,085,297	748,629	72,497	121,427	347,042	4,699,721
Additions	107,268	1,154,743	181,914	28,195	25,461	217,829	1,715,410
Disposals	(21,213)	-	(19,379)	(21,872)	(91,808)	(135,653)	(289,925)
Balance at 31 December 2023	410,884	4,240,040	911,164	78,820	55,080	429,218	6,125,206
Additions	128,696	1,259,698	244,051	43,679	36,023	677,662	2,389,809
Disposals	-	-	-	-	-	-	-
Balance at 31 December 2024	539,580	5,499,738	1,155,215	122,499	91,103	1,106,880	8,515,015
<i>Net book value</i>							
Balance at 31 December 2023	2,430,306	12,313,717	1,106,612	165,434	39,621	3,989,366	20,045,056
Balance at 31 December 2024	3,064,051	12,897,438	994,352	136,149	68,109	7,812,502	24,972,601

The Company has its property, plant and equipment counted and reviewed at the end of the reporting year. On December 31, 2023, the Company pledged its inventory, equipment, and buildings to a credit line obtained from Khan Bank. The value of the pledged equipment is MNT 1,595,528,800 and the value of the pledged properties is MNT 1,074,691,800 in contract for collateral.

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20. Intangible asset

The company deducts the amortization of intangible assets from the balances in the previous reporting period and reports it as an expense.

(In thousands of MNT)	Software	Land-use right (license)*	Other	Total
<i>Cost</i>				
Balance at January 2023	49,128	12,311,709	15,000	12,375,837
Additions	-	-	-	-
Revaluation	-	1,692,335	-	1,692,335
Write-offs	(13,432)	(1,371,555)	-	(1,384,987)
Balance at 31 December 2023	35,696	12,632,489	15,000	12,683,185
Additions	6,969	-	-	6,969
Revaluation	-	-	-	-
Write-offs	-	-	-	-
Balance at 31 December 2024	42,665	12,632,489	15,000	12,690,154
<i>Amortisation</i>				
Balance at January 2023	30,649	1,615,641	8,182	1,654,472
Additions	13,148	486,797	2,715	502,661
Disposals	(13,431)	(1,371,555)	-	(1,384,987)
Balance at 31 December 2023	30,366	730,883	10,897	772,146
Additions	5,330	501,540	2,723	509,593
Disposals	-	-	-	-
Balance at 31 December 2024	35,696	1,232,423	13,620	1,281,739
<i>Net book value</i>				
Balance at 31 December 2023	5,330	11,901,606	4,103	11,911,039
Balance at 31 December 2024	6,969	11,400,066	1,380	11,408,415

\*The Company recognised asset revaluation gain on its land-use rights license amounting to MNT 1,692,335 thousand in accordance with a property (land-use rights) revaluation report in compliance with International Valuation Standards and issued by independent appraiser, Munkh-Orgil Trade LLC.

21. Trade payables

(In thousands of MNT)	2024-12-31	2023-12-31
Trade payables	458,910	245,144
Total amount	458,910	245,144

Trade payables are non-interest bearing and are expected to be settled within the next 12 months.



**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

22. Other payables

(In thousands of MNT)	2024-12-31	2023-12-31
Amount due to other individuals	648,640	-
Amount due to entities	50,000	-
Amount due to employees	3,705	3,078
Dividends payable	-	729,846
<b>Total amount</b>	<b>702,345</b>	<b>732,924</b>

Other payables are non-interest bearing and are expected to be settled within 1 to 3 months.

23. Corporate income tax

Corporate income tax expense: (In thousands of MNT)	2024	2023
Profit before income tax	186,166	1,365,165
Permanent tax difference:		
Taxable income in accordance with special tax rates by income types	(200,399)	(82,586)
Non-deductible expenses	363,489	197,702
Taxable income adjusted by the permanent difference:	349,256	1,480,281
Temporary difference:		
Unrealized (gain) / loss on foreign currency rates	(4,610)	12,848
Accrued interest income	1,530	-
Accrued interest expense	(57,546)	-
Taxable income adjusted by the temporary difference:	288,630	1,493,129
Income tax using statutory tax rate	28,862	149,313
Tax under the special tax rate	20,040	8,259
Effect from deferred taxes	614	-
<b>Income tax expenses for current year</b>	<b>49,516</b>	<b>157,572</b>

In the current and prior reporting periods, under new tax legislation, a 10% tax rate is applied for taxable profits up to MNT 6 billion and 25% on the portion of taxable profits above MNT 6 billion.

23.1. Corporate income tax payable:

(In thousands of MNT)	2024	2023
As at 1 January	101,514	113,842
Charge for the year	49,516	157,572
Tax payment	(44,237)	(169,900)
<b>As at 31 December</b>	<b>106,793</b>	<b>101,514</b>

**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

23.2. Changes in deferred taxes as follows:

(In thousands of MNT)	Deferred tax assets	Deferred tax liabilities
As at 1 January 2023	-	-
Movement:		
Deferred tax on unrealized foreign exchange gain/(loss)	-	-
Accrued Interest income	-	-
Accrued interest expense	-	-
As at 31 December 2023	-	-
Movement:		
Deferred tax on unrealized foreign exchange gain/(loss)	-	461
Accrued Interest income	-	153
Accrued interest expense	5,755	-
As at 31 December 2024	5,755	614

24. Other tax payables

(In thousands of MNT)	2024-12-31	2023-12-31
Value added tax payables	1,673,450	997,756
Personal income tax payable	397,324	209,613
SHI payable	143,821	55
Other tax payable	-	149
Total amount	2,214,595	1,207,573

25. Borrowings

(In thousands of MNT)	Currency	Annual Interest	2024.12.31	2023.12.31
Credit line-Khan Bank*	MNT	16.80%	1,345,000	-
Project loan - Khan Bank*	MNT	14.40%	6,268,628	8,500,000
Deposit secured loan - Khan Bank*	MNT	16.00%	-	204,000
Deposit secured loan - Capitrone Bank**	MNT	15.8%	-	300,000
Interest payable*	MNT	14.4-16.8%	57,546	-
Total amount			7,671,174	9,004,000

In 2024, the Company incurred a total of MNT 1,469,341 thousand (2023: MNT 539,862 thousand) in interest expenses from its borrowing balances (Notes 13).

**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

\* Credit line loan agreement with Khan Bank JSC for MNT 1.5 billion was signed on the 12<sup>th</sup> of September 2024 with a duration of 24 months (2 years). Interest rate and commitment interest rate on the credit line are 16.8% per annum and 2% per annum respectively.

On 29 May 2023, the Company obtained a green loan (line) of MNT 8,500,000 thousand with a maturity duration of 36 months. The loan's annual interest rate is 14.4% per annum.

Interest payables breakdown as per contract:

(In thousands of MNT)	2024-12-31
Credit line – Khan Bank	3,138
Project loan – Khan Bank	54,408
<b>Total amount</b>	<b>57,546</b>

\*\* In addition to the beginning balane of MNT 300 million, the Company obtained deposit (savings)-backed loans from Capitron Bank totaling to MNT 2,371,800 thousand with annual interest rates ranging from 12.8% - 16.5% per annum during the year of 2024. The Company has fully paid off these loans as off 31 December 2024.

Short-term borrowings:

(In thousands of MNT)	2024-12-31	2023-12-31
Credit line-Khan Bank	1,345,000	-
Project loan-Khan Bank	2,434,771	2,231,501
Interest payable	57,546	-
Deposit secured loan - Khan Bank	-	204,000
Deposit secured loan-Capitron Bank	-	300,000
<b>Total amount</b>	<b>3,837,317</b>	<b>2,735,501</b>

All loans are categorized in short-term and in the normal category.

Long-term borrowing:

(In thousands of MNT)	2024-12-31	2023-12-31
Project loan-Khan Bank	3,833,857	6,268,499
<b>Total amount</b>	<b>3,833,857</b>	<b>6,268,499</b>



**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

29. Owner's equity

Summary of outstanding shares and shareholders:

Shareholders	Share percent	Number of shares	(In thousands of MNT)	
			2024-12-31	2023-12-31
Ariunbold Lkhagvajav	35.7 %	20,140,869	2,014,087	2,014,087
Sainbileg Purevbanzragch	13.3 %	7,503,461	750,346	750,346
Enkhgerel Ariunbold	7.0 %	3,949,190	394,919	394,919
Enkhmaa Ariunbold	7.0 %	3,949,190	394,919	394,919
Enkhjin Ariunbold	7.0 %	3,949,190	394,919	394,919
Others	30.0 %	16,925,100	1,692,510	1,692,510
<b>Total amount</b>	<b>100.0 %</b>	<b>56,417,000</b>	<b>5,641,700</b>	<b>5,641,700</b>

The share capital of the Company comprises total of 56,417,000 ordinary shares each with 100 MNT of par value.

29.1. Additional paid-in capital

(In thousands of MNT)	2024-12-31	2023-12-31
Additional paid-in capital	20,509,765	20,509,765
<b>Total amount</b>	<b>20,509,765</b>	<b>20,509,765</b>

29.2. Retained earnings are summarized as follows:

(In thousands of MNT)	2024	2023
Balance as at 1 January	2,529,680	2,450,426
Declared dividends*	(1,184,757)	(1,128,340)
Prior year adjustment	260,135	-
Current year earnings	136,649	1,207,594
<b>Balance as at 31 December</b>	<b>1,741,707</b>	<b>2,529,680</b>

\*According to the resolution of the Board of Directors on February 16, 2024, dividend declaration of MNT 1,184,757 thousand was announced from the the net profit of 2023 and paid to the shareholders.

30. Risk management framework

The management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The management is responsible for developing, implementing and monitoring the Company's risk management policies on a day-to-day basis. The management reports regularly to the shareholders on its activities. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to

monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company acts as a credit and risk management function reviewing major deals in excess of certain thresholds that require board approval as well as providing assistance in structuring and negotiating complex long-term transactions such as obtaining tenor loans for capital expenditure programmes or multi-year off-take or supply agreements (e.g. capital expenditure loan, mine fuel supply agreement).

### 30.1. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The followings are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

(In thousands of MNT)	2024-12-31	2023-12-31
<b>Financial assets</b>		
Cash and cash equivalent - Note 14	21,961	5,729,845
Trade receivables - Note 15	455,936	11,528
Other receivables - Note 16	204,983	553,104
<b>Total amount of financial assets</b>	<b>682,880</b>	<b>6,294,477</b>
<b>Financial liabilities</b>		
Trade payables - Note 21	(458,910)	(245,144)
Other payables - Note 22	(702,345)	(732,924)
Corporate income tax payable - Note 23.1	(106,793)	(101,514)
Other tax payables – Note 24	(2,214,595)	(1,207,573)
Borrowing - Note 25	(7,671,174)	(9,004,000)
<b>Total amount of financial liabilities</b>	<b>(11,153,817)</b>	<b>(11,291,155)</b>
<b>Net financial liabilities</b>	<b>(10,470,937)</b>	<b>(4,996,678)</b>

### 30.2. Foreign currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company, MNT. The foreign currencies in which these transactions are primarily denominated are US Dollar (USD), Chinese Yuan (CNY), European Euro (EUR), and Russian Ruble (RUB). The Company closely monitors foreign currency fluctuations and manages its future foreign currency cash flows to mitigate the currency risk.



**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

Closing rates from the Central Bank of Mongolia at the end of the reporting period are shown in table below:

Foreign currency	2024.12.31 (by MNT)	2023.12.31 (by MNT)	Variance /+/-/
US dollar (USD)	3,420.25	3,410.69	9.56
Russian ruble (RUB)	32.85	37.67	-4.82
European euro (EUR)	3,566.98	3791.66	-224.68
China yuan (CNY)	468.57	480.01	-11.44

### 30.3. Interest rate risk

Interest rate risk is the risk of fluctuations in the interest rate changes in the future, which mainly occur in floating rate deposits and borrowings. The objective of interest rate risk management is to minimize the financial costs and uncertainty associated with interest rate changes.

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's borrowings.

### 30.4. Operational risk

The Company's financial management policies and guidelines aim to establish sound financial and operating practices by imposing a recommended range of financial ratios on subsidiaries' liquidity positions, working capital management, capital structure and maximum indebtedness as well as target profitability and equity return taking into account distinctive features of the priority industries and market conditions. The Company's investees are required to develop and implement their business plans and operating budgets maintaining at certain levels the financial ratios to ensure sound financial standing. Further, financial ratio compliance is embedded into an annual performance appraisal system that measures performance of executive management teams at subsidiaries and magnitude of their variable salary component (bonus pay). The most common financial ratios used by the Company's financial management are:

Current ratio = current asset/current liability;

Financial debt/earnings before interest, taxes, depreciation and amortization (EBITDA);

Target number of days on hand (receivable, inventory and payable);

Debt service cover ratio = free cash flow/debt service;

Internal rate of return; and

Target profitability: EBITDA margin, after tax profit margin.

The Company aims to create a comprehensive risk management system to minimize the risk to the Company while maximizing the return on investment.

## 31. Capital management

For the purpose of the Company's capital management, capital includes share capital attributable to the equity holders of the Company. The primary objective of the Company's capital management is to support its business and maximize shareholder value.



**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

The Company's debt to equity ratio at the end of the reporting period was as follows:

(In thousands of MNT)	2024-12-31	2023-12-31
Debt	12,029,062	12,522,455
Total equity	30,969,741	31,802,753
Debt to equity ratio	38.80%	39.38%

**32. Related parties**

**32.1. Shareholders and Management of the Company**

As at 31 December 2024, the main categories of related parties with which The Company transacted in the year were as follows:

№	Related parties	Nationality	Relation	Transactions
1	Ariunbold Lkhagvajav	Mongolian citizen	Shareholder, Chairman of Board	Salary and dividends
2	Sainbileg Purevbanzragch	Mongolian citizen	Shareholder	Dividends
3	Enkhgerel Ariunbold	Mongolian citizen	Shareholder Executive Director	Salary and dividends
4	Enkhmaa Ariunbold	Mongolian citizen	Shareholder	Dividends
5	Enkhjin Ariunbold	Mongolian citizen	Shareholder Employee	Salary and dividends

**32.2. Related party transactions:**

Related party's dividend transaction details for the year ended 31 December 2024.

Shareholders	Number of shares	Earnings per share /MNT/	Dividend declared /in thousands of MNT/	Withholding tax 5% /in thousands of MNT/	Received dividend /in thousands of MNT/
Ariunbold.L	20,140,869	21.00	422,958	21,148	401,810
Sainbileg.P	7,503,461	21.00	157,573	7,879	149,694
Enkhgerel.A	3,949,190	21.00	82,933	4,147	78,786
Enkhmaa.A	3,949,190	21.00	82,933	4,147	78,786
Enkhjin.A	3,949,190	21.00	82,933	4,147	78,786
Total amount	39,491,900	21.00	829,330	41,467	787,864

**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

Related party's salary transaction details for the year ended 31 December 2024.

Related parties	Salary /in thousands of MNT/	Withholding SHI /in thousands of MNT/	Withholding tax /in thousands of MNT/	Received salary /in thousands of MNT/
Ariunbold.L	73,800	10,287	6,744	60,693
Sainbileg.P	22,420	498	1,683	19,609
Enkhgerel.A	68,500	8,984	6,381	57,432
Enkhjin.A	12,726	1,591	914	10,348
<b>Total amount</b>	<b>177,446</b>	<b>21,360</b>	<b>15,722</b>	<b>148,082</b>

**32.3. Other related parties**

Other related parties include entities related to the shareholders and their close family members, entities with a director or key management in common with the Company, and entities related to the directors, key management and their close family members.

**33. Commitments and contingencies**

**Legal**

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company.

**34. Events after the reporting period**

Management is not aware of other events that occurred after the end of reporting period which would have an impact on these financial statements.

**35. Mongolian translation**

These financial statements are also prepared in the Mongolian language. In the event of discrepancies or contradictions between the English version and the Mongolian version, the English version will prevail.

## MONGOL BASALT JSC

### NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024

#### Collateral for Loans

Part of the Company's assets was pledged as collateral for a Khan Bank credit line and a project loan guarantee. The details of the pledged assets under the loan agreement are as follows.

Valuation of contract (In thousands of MNT)	2024-12-31	2023-12-31
Inventory	2,976,016	2,976,016
Receivable	129,283	129,283
Equipment	1,515,393	1,515,393
Property	1,074,692	1,074,692
Right of use land	900,281	900,281
<b>Total amount</b>	<b>6,595,665</b>	<b>6,595,665</b>

#### 26. Deferred income

(In thousands of MNT)	2024-12-31	2023-12-31
Deferred income	124,782	488,447
<b>Total amount</b>	<b>124,782</b>	<b>488,447</b>

#### 27. Provisions

(In thousands of MNT)	2024-12-31	2023-12-31
Mine rehabilitation provision	551,089	543,777
Compensation reserve	198,501	198,501
<b>Total amount</b>	<b>749,590</b>	<b>742,278</b>

The mine rehabilitation provision of MNT 543,777 thousand has been recognised in 2022 on the "Nogoon Uul" mining site where the Company extracts Bazalt Rock in line with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. There was an addition of MNT 7,312 thousand made to the reserve within the reporting period.

#### 28. Salary payable

(In thousands of MNT)	2024-12-31	2023-12-31
Salary payable	5,262	575
<b>Total amount</b>	<b>5,262</b>	<b>575</b>



**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

29. Owner's equity

Summary of outstanding shares and shareholders:

Shareholders	Share percent	Number of shares	(In thousands of MNT)	
			2024-12-31	2023-12-31
Ariunbold Lkhagvajav	35.7 %	20,140,869	2,014,087	2,014,087
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Others	30.0 %	16,925,100	1,692,510	1,692,510
<b>Total amount</b>	<b>100.0 %</b>	<b>56,417,000</b>	<b>5,641,700</b>	<b>5,641,700</b>

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29.1. Additional paid-in capital

(In thousands of MNT)	2024-12-31	2023-12-31
Additional paid-in capital	20,509,765	20,509,765
<b>Total amount</b>	<b>20,509,765</b>	<b>20,509,765</b>

29.2. Retained earnings are summarized as follows:

(In thousands of MNT)	2024	2023
Balance as at 1 January	2,529,680	2,450,426
Declared dividends*	(1,184,757)	(1,128,340)
Prior year adjustment	260,135	-
Current year earnings	136,649	1,207,594
<b>Balance as at 31 December</b>	<b>1,741,707</b>	<b>2,529,680</b>

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**MONGOL BASALT JSC**  
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<b>Total amount of financial liabilities</b>	<b>(11,153,817)</b>	<b>(11,291,155)</b>
<b>Net financial liabilities</b>	<b>(10,470,937)</b>	<b>(4,996,678)</b>

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**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

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Current ratio = current asset/current liability;

Financial debt/earnings before interest, taxes, depreciation and amortization (EBITDA);

Target number of days on hand (receivable, inventory and payable);

Debt service cover ratio = free cash flow/debt service;

Internal rate of return; and

Target profitability: EBITDA margin, after tax profit margin.

The Company aims to create a comprehensive risk management system to minimize the risk to the Company while maximizing the return on investment.

## 31. Capital management

For the purpose of the Company's capital management, capital includes share capital attributable to the equity holders of the Company. The primary objective of the Company's capital management is to support its business and maximize shareholder value.



**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

The Company's debt to equity ratio at the end of the reporting period was as follows:

(In thousands of MNT)	2024-12-31	2023-12-31
Debt	12,029,062	12,522,455
Total equity	30,969,741	31,802,753
Debt to equity ratio	38.80%	39.38%

**32. Related parties**

**32.1. Shareholders and Management of the Company**

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2	Sainbileg Purevbanzragch	Mongolian citizen	Shareholder	Dividends
3	Enkhgerel Ariunbold	Mongolian citizen	Shareholder Executive Director	Salary and dividends
4	Enkhmaa Ariunbold	Mongolian citizen	Shareholder	Dividends
5	Enkhjin Ariunbold	Mongolian citizen	Shareholder Employee	Salary and dividends

**32.2. Related party transactions:**

Related party's dividend transaction details for the year ended 31 December 2024.

Shareholders	Number of shares	Earnings per share /MNT/	Dividend declared /in thousands of MNT/	Withholding tax 5% /in thousands of MNT/	Received dividend /in thousands of MNT/
Ariunbold.L	20,140,869	21.00	422,958	21,148	401,810
Sainbileg.P	7,503,461	21.00	157,573	7,879	149,694
Enkhgerel.A	3,949,190	21.00	82,933	4,147	78,786
Enkhmaa.A	3,949,190	21.00	82,933	4,147	78,786
Enkhjin.A	3,949,190	21.00	82,933	4,147	78,786
Total amount	39,491,900	21.00	829,330	41,467	787,864

**MONGOL BASALT JSC**  
**NOTES TO FINANCIAL STATEMENTS – 31 DECEMBER 2024**

Related party's salary transaction details for the year ended 31 December 2024.

Related parties	Salary /in thousands of MNT/	Withholding SHI /in thousands of MNT/	Withholding tax /in thousands of MNT/	Received salary /in thousands of MNT/
Ariunbold.L	73,800	10,287	6,744	60,693
Sainbileg.P	22,420	498	1,683	19,609
Enkhgerel.A	68,500	8,984	6,381	57,432
Enkhjin.A	12,726	1,591	914	10,348
<b>Total amount</b>	<b>177,446</b>	<b>21,360</b>	<b>15,722</b>	<b>148,082</b>

32.3. Other related parties

Other related parties include entities related to the shareholders and their close family members, entities with a director or key management in common with the Company, and entities related to the directors, key management and their close family members.

33. Commitments and contingencies

Legal

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company.


34. Events after the reporting period

Management is not aware of other events that occurred after the end of reporting period which would have an impact on these financial statements.

35. Mongolian translation

These financial statements are also prepared in the Mongolian language. In the event of discrepancies or contradictions between the English version and the Mongolian version, the English version will prevail.



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