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## **MONGOLIAN MINING CORPORATION**

**(In Provisional Liquidation)**

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

**(Stock Code: 975)**

### **RECENT DEVELOPMENT**

This announcement (the “**Announcement**”) is made by Mongolian Mining Corporation (In Provisional Liquidation) (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). The Company and its subsidiaries are collectively referred to as the “**Group**”.

References are made to the announcement of the Company dated 26 January 2016 in relation to the potential restructuring the Company is seeking for its US\$600,000,000 8.875% senior notes due 2017 (the “**Notes**”), the announcement of the Company dated 14 March 2016 in relation to the formation of noteholders’ steering committee (the “**Steering Committee**”), and the announcement of the Company dated 8 July 2016 in relation to the indicative terms of the restructuring of the Notes and the BNP/ICBC Facilities (as defined below) proposed by the Company.

Reference is also made to the announcement of the Company dated 5 March 2014 and the 2014 annual report in relation to the facilities agreement, as amended from time to time (the “**BNP/ICBC Facilities**”), dated 5 March 2014 entered into by the Company as borrower with, amongst others, BNP Paribas Hong Kong Branch as agent, BNP Paribas Singapore Branch and Industrial and Commercial Bank of China Limited as lenders (collectively, the “**Lenders**”).

Reference is also made to the announcement of the Company dated 28 November 2012 in relation to the promissory notes issued to QGX Holdings Ltd. (“**QGX**”).

Reference is also made to the announcement of the Company dated 21 July 2016 that the Grand Court of the Cayman Islands has granted an order to appoint Mr. Simon Conway of PwC Corporate Finance Recovery (Cayman) Limited and Mr. Christopher So Man Chun of PricewaterhouseCoopers Ltd. as joint provisional liquidators of the Company on a soft touch basis to assist the Company and its existing board of directors with the implementation of the proposed debt restructuring.

**THIS ANNOUNCEMENT CONTAINS FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS INVOLVE IMPORTANT RISKS AND UNCERTAINTIES THAT COULD SIGNIFICANTLY AFFECT ANTICIPATED RESULTS IN THE FUTURE AND, ACCORDINGLY, SUCH RESULTS MAY DIFFER FROM THOSE EXPRESSED IN ANY FORWARD-LOOKING STATEMENTS MADE BY THE COMPANY. SHAREHOLDERS OF THE COMPANY, HOLDERS OF THE NOTES (THE “NOTEHOLDERS”), HOLDERS OF OTHER SECURITIES OF THE COMPANY AND POTENTIAL INVESTORS IN THE SECURITIES OF THE COMPANY ARE URGED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS AND TO EXERCISE EXTREME CAUTION WHEN DEALING WITH THE SECURITIES OF THE COMPANY.**

The Company has concluded discussions around key commercial terms with the Steering Committee, the Lenders, QGX and their respective advisors, for effecting a debt restructuring (the “**Debt Restructuring**”) that will safeguard the ability of the Group to continue to trade as a going concern, and thereby maximize returns to the creditors of the Group as a whole.

The Company is pleased to announce that the Steering Committee, the Lenders and QGX have provided their support for the key commercial terms of the updated Debt Restructuring proposal attached hereto as Annex A (the “**Updated Debt Restructuring Proposal**”). The Updated Debt Restructuring Proposal contemplates the Noteholders, the Lenders and QGX accepting the proposed consideration (as detailed below, the “**Proposed Consideration**”) in full satisfaction of the outstanding principal amount and the interest accrued but unpaid under their respective indebtedness. The Proposed Consideration comprises of: (i) the First Ranking Senior Secured Facility, (ii) the New Senior Secured Notes, (iii) the Perpetual Notes, and (iv) the New Shares.

The support from the Steering Committee, the Lenders and QGX is not subject to any binding agreements, and such key terms as disclosed in this Announcement may be subject to change. The final Debt Restructuring proposal for the Group will be subject to agreement between the Group and its creditors on final legal documentation.

**FOR THE AVOIDANCE OF DOUBT, NONE OF THE KEY TERMS AS DISCLOSED IN THIS ANNOUNCEMENT IS LEGALLY BINDING BETWEEN THE GROUP AND ITS CREDITORS. THERE CAN BE NO ASSURANCE THAT SUCH AGREEMENT CAN BE SUCCESSFULLY ACHIEVED.**

The Company will publish further announcements to update the shareholders and potential investors on progress of the Debt Restructuring as and when necessary. The Company will comply with the Listing Rules if and when it enters into any binding agreement with its creditors.

**THERE CAN BE NO ASSURANCE THAT ANY DISCUSSIONS BETWEEN THE GROUP AND ITS CREDITORS WILL LEAD TO A PROPOSAL ACCEPTABLE TO ALL OF THEM MORE GENERALLY OR SUCH DISCUSSIONS CAN BE PROGRESSED TO ANY POSITIVE CONCLUSION. ACCORDINGLY, THE COMPANY OFFERS NO ASSURANCE THAT THE DEBT RESTRUCTURING WILL BE SUCCESSFULLY CONCLUDED. SHAREHOLDERS OF THE COMPANY, THE NOTEHOLDERS, HOLDERS OF OTHER SECURITIES OF THE COMPANY AND POTENTIAL INVESTORS IN THE SECURITIES OF THE COMPANY ARE ADVISED TO EXERCISE EXTREME CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.**

For and on behalf of the Board  
**Mongolian Mining Corporation**  
**(In Provisional Liquidation)**  
**Simon Conway**  
*Joint Provisional Liquidator*  
*Who acts without personal liability*

Hong Kong, 3 November 2016

*As at the date of this announcement, the board of directors of the Company consists of Mr. Odjargal Jambaljamts and Dr. Battsengel Gotov, being the executive directors of the Company, Dr. Oyungerel Janchiv, Mr. Od Jambaljamts and Mr. Gankhuyag Adilbish, being the non-executive directors of the Company, and Dr. Khashchuluun Chuluundorj, Mr. Unenbat Jigjid and Mr. Chan Tze Ching, Ignatius, being the independent non-executive directors of the Company.*

## **Annex A**

**SUBJECT TO INPUT FROM MONGOLIAN MINING CORPORATION (IN PROVISIONAL LIQUIDATION) AND ITS CREDITORS**

**WITHOUT PREJUDICE**

***Mongolian Mining Corporation  
(In provisional liquidation)***

***Compromise Term Sheet  
for Restructuring of  
Creditor Claims against MMC***

*Pursuant to the authority granted to the joint provisional liquidators of MMC (“JPLs”) by the order of the Grand Court of the Cayman Islands to develop and propose a restructuring of MMC (as defined herein), this compromise term sheet is being provided to the Noteholders, the Bank Lenders and QGX (each as defined herein, and together the “Parties”) as an attempt to reach an accommodation as between the respective parties’ views as to the form a consensual financial restructuring of MMC may take.*

*This compromise term sheet seeks to accommodate the commercial needs of the Parties, as expressed prior to the date hereof. It does NOT seek to reflect the views of the JPLs or MMC as to the legal rights of the respective Parties vis-à-vis MMC. Furthermore, it does NOT seek to reflect any perceived differences that either of the Parties may believe exists in relation to their legal rights against MMC when compared against the rights that other creditors have against MMC.*

*The terms set out in this compromise term sheet are subject to regulatory, tax and local law advice the Parties may receive and definitive legal documentation that is in form and substance satisfactory to the Parties in all respects. This term sheet does not create or evidence any legal rights or obligations whatsoever. Furthermore, this term sheet is only a summary, and does not purport to be a comprehensive or exhaustive statement of the requirements of the Parties involved. For the avoidance of doubt, nothing in this term sheet shall amend any term of any existing indebtedness or constitute a waiver of any right of any party.*

The proposed terms include restructuring of the (i) US\$600 million 8.875% senior secured notes due 2017 issued by Mongolian Mining Corporation (“MMC”) pursuant to an indenture dated 29 March 2012 (the “**2017 Notes**”), (ii) amounts outstanding under a US\$150 million facility agreement dated 5 March 2014 (as amended, supplemented, novated and restated from time to time, including by way of an amendment agreement dated 11 December 2015) between (amongst others) MMC as borrower, BNP Paribas Singapore Branch and Industrial and Commercial Bank of China Limited as mandated lead arrangers, BNP Paribas Singapore Branch as bookrunner and BNP Paribas Hong Kong Branch as agent and as security agent (the “**Bank Facilities**”) and (iii) amounts outstanding under the promissory notes issued by MMC to QGX Holdings Ltd. (“**QGX**”). Except as expressly provided for or unless the context otherwise requires, capitalized terms used but not defined in this term sheet shall have the respective meanings assigned to them in the proposal as announced by MMC on the Stock Exchange of Hong Kong on 8 July 2016 (the “**Company Proposal**”) and references to the “New Secured Notes” in the Company Proposal are references to the New Senior Secured Notes.

## First Ranking Senior Secured Facility

<b>Borrower</b>	Energy Resources LLC (“ER”)
<b>Applicable Creditors</b>	The lenders under the Bank Facilities (the “Bank Lenders”)
<b>Amount</b>	US\$30 million plus accrued interest calculated as if the facility commenced on 1 October 2016
<b>Pricing</b> (Semi-annual payment, due on the same day as the New Senior Secured Notes)	<ul style="list-style-type: none"> <li>Interest rate to be calculated based on the Benchmark Coal Price for Premium Hard Coking Australia Coal Price based on Bloomberg function “TSIPPCAE Comdty” for average monthly price for the six months preceding each coupon payment date, on the below coupon schedule:</li> </ul> <p><u>Interest schedule before the date which is 12 months after an Expansion Trigger Event</u></p> <ul style="list-style-type: none"> <li>Benchmark Coal Price &lt;= US\$110.0/t – 0% Cash/5% PIK (as defined below)</li> <li>Benchmark Coal Price =&gt; US\$110.0/t – 1% Cash/4% PIK</li> <li>Benchmark Coal Price =&gt; US\$112.5/t – 2% Cash/3% PIK</li> <li>Benchmark Coal Price =&gt; US\$115.0/t – 3% Cash/2% PIK</li> <li>Benchmark Coal Price =&gt; US\$120.0/t – 4% Cash/1% PIK</li> <li>Benchmark Coal Price =&gt; US\$125.0/t – 5% Cash</li> <li>Benchmark Coal Price =&gt; US\$130.0/t – 6% Cash</li> <li>Benchmark Coal Price =&gt; US\$135.0/t – 7% Cash</li> <li>Benchmark Coal Price =&gt; US\$140.0/t – 8% Cash</li> </ul> <p><u>Interest schedule beginning 12 months after an Expansion Trigger Event</u></p> <ul style="list-style-type: none"> <li>Benchmark Coal Price &lt;= US\$100.0/t – 0% Cash/5% PIK</li> <li>Benchmark Coal Price =&gt; US\$100.0/t – 1% Cash/4% PIK</li> <li>Benchmark Coal Price =&gt; US\$105.0/t – 2% Cash/3% PIK</li> <li>Benchmark Coal Price =&gt; US\$107.5/t – 3% Cash/2% PIK</li> <li>Benchmark Coal Price =&gt; US\$110.0/t – 4% Cash/1% PIK</li> <li>Benchmark Coal Price =&gt; US\$115.0/t – 5% Cash</li> <li>Benchmark Coal Price =&gt; US\$120.0/t – 6% Cash</li> <li>Benchmark Coal Price =&gt; US\$125.0/t – 7% Cash</li> <li>Benchmark Coal Price =&gt; US\$130.0/t – 8% Cash</li> </ul> <p><i>provided</i> that all interest due on the first coupon payment date occurring (or deemed to have occurred) after the Reference Date shall be paid in kind (“PIK”).</p> <p>ER will make all payments to be made by it without a deduction or withholding for or on account of any tax, duties, assessments or governmental charges (a “<b>Tax Deduction</b>”), unless such Tax Deduction is required by law. If a Tax Deduction is required by law, the amount of the payment due from ER shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required. This obligation will be the same as the obligation currently set out in the Bank Facilities. The Bank Lenders will agree to use reasonable efforts to provide any forms or other information necessary in order to reduce or eliminate any Tax Deduction.</p>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>30 September 2019</li> </ul>

<b>Repayment Terms</b>	<ul style="list-style-type: none"> <li>• No prepayments for first two years.</li> <li>• Straight line amortization, with equal payments of US\$7.5 million on 31 December 2018, 31 March 2019, 30 June 2019 and 30 September 2019, respectively.</li> <li>• Any other outstanding amount including accrued but unpaid cash interest (if any) shall be fully repaid upon maturity.</li> </ul>
<b>Guarantors</b>	<ul style="list-style-type: none"> <li>• Same as New Senior Secured Notes</li> </ul>
<b>Shared Security</b>	<ul style="list-style-type: none"> <li>• Same as New Senior Secured Notes</li> </ul>
<b>Non-Shared Security</b>	<ul style="list-style-type: none"> <li>• Before the Expansion Trigger Event: All coal, whether in raw or washed form, which is stockpiled (whether awaiting washing, processing, shipment or otherwise) at the following locations: (a) (i) the UHG mine; (ii) Tsagaan Khad, Javkhlant bag, Khanbogd sum, Umnugoviimag, Mongolia; and (iii) any stock yard built and operated by ER (or its subsidiaries) near the Gashun Sukhait Mongolia-China border crossing point to facilitate the rail transportation for coal exports; and (b) any other locations acceptable to the Bank Lenders (collectively the “<b>UHG Stockpiles</b>”).</li> <li>• After the Expansion Trigger Event: Same as above except in the event that any raw coal from the UHG Stockpiles (the “<b>UHG raw coal infeed</b>”) is blended with any other raw coal, (collectively called the “<b>ER raw coal infeed</b>”) on enforcement of their security over the stockpiles, the Bank Lenders can only retain (from the net proceeds actually received by them from such enforcement) an amount equivalent to the deemed proportion borne by the UHG Stockpiles to the total coal stockpile enforced over. The deemed proportion shall be determined by applying an adjustment ratio to the total volume of such washed coal stockpile (the “<b>UHG Stockpiles Adjustment Ratio</b>”). The UHG Stockpiles Adjustment Ratio is to be calculated as follow, with the calculation to be determined as of the date of the applicable enforcement notice:   <math display="block">\frac{\text{UHG raw coal infeed} \times \text{UHG Stockpiles washing yield}}{\text{ER raw coal infeed} \times \text{ER washing yield}}</math> <p>The UHG raw coal infeed and the ER raw coal infeed are each the aggregated volume of raw coal infeed put into blending for the two completed calendar months immediately prior to the relevant determination date. The UHG Stockpiles washing yield is 50% and the ER washing yield is the aggregated raw coal washing yield figure for the two completed calendar months immediately prior to the relevant determination date.</p> </li> </ul>



In the event of an enforcement action after the Expansion Trigger Event to the extent any recovery proceeds actually received by the Bank Lenders from the enforcement of security over the coal stockpiles exceed the notional value of the deemed proportional amount to which the Bank Lenders are entitled (calculated on the basis set out above), such excess proceeds will be returned to ER and will not be subject to the Deposit Covenant.

- With respect to off-take agreements between ER and its sales agent(s) and/or its customers (the “**ER Offtakes**”), assignment of the ER Offtakes which meet the requirements of the definition of “ER Coking Coal Contracts” set out in the Bank Facilities (the “**Assigned Offtakes**”) with a total value that would maintain the Security Coverage Ratio at a level of 150%. “**Security Coverage Ratio**” means the ratio of (a) the aggregate Market Value of the Assigned Offtakes to (b) the total principal amount outstanding under the First Ranking Senior Secured Facility, expressed in a percentage. “**Market Value**” is the product of the volume of shipments and the price of the coking coal specified in the Assigned Offtakes.
- Assignment of collection accounts (the “**Collection Accounts**”) into which ER shall deposit the sales proceeds from the Assigned Offtakes (such deposited sales proceeds to constitute at least US\$45 million in the first 12 month period beginning from the Exchange Date and at least US\$11,250,000 in each three month period thereafter) (the “**Deposit Covenant**”), provided that ER is not required to maintain and the Bank Lenders are not entitled to withhold any funds in the Collection Accounts unless an event of default occurs under the First Ranking Senior Secured Facility. In the event of an enforcement action following the Expansion Trigger Event as provided in second bullet above, any recovery proceeds not attributable to the Bank Lenders from the blended washed coal stockpile which are returned to ER are not required to then be deposited into the Collection Accounts.
- If the Security Coverage Ratio falls below 150%, ER shall, within sixty (60) business days after the earlier of (i) ER becoming aware of the same and (ii) the request from the Bank Lenders, procure assignment of additional ER Offtakes which meet the requirements of the definition of “ER Coking Coal Contracts” set out in the Bank Facilities (the “**Additional Offtakes**”) in favour of the Bank Lenders such that the Security Coverage Ratio is at least 150%, provided that the Bank Lenders shall not refuse to enter into an assignment agreement with respect to the Additional Offtakes in the same form as set forth in Schedule 8 of the Bank Facilities as long as (i) the assignment of the Additional Offtakes as proposed by ER, together with the Assigned Offtakes, would increase the Security Coverage Ratio to 150%, (ii) such assignment would, as a matter of all applicable law, give the Bank Lenders first ranking, perfected security over such Additional Offtakes and (iii) each counterparty to the Additional Offtakes has provided an acknowledgement of such assignment (as required pursuant to the definition of “ER Coking Coal Contract” in the Bank Facilities). ER’s failure to assign the Additional Offtakes as so provided (the “**Offtake Covenant**”) constitutes an event of default under the First Ranking Senior Secured Facility. For the avoidance of doubt, if ER’s failure to assign the Additional Offtakes solely results from the Bank Lenders’ refusal or failure to enter into an assignment agreement with respect to the Additional Offtakes in the same form as set forth in Schedule 8 of the Bank Facilities when the assignment of the Additional Offtakes as proposed by ER, together with the Assigned Offtakes, would have increased the Security Coverage Ratio to 150% and would, as a matter of all applicable law, have given the Bank Lenders first ranking, acknowledged and perfected security over such Additional Offtakes, such failure shall not constitute an event of default under the First Ranking Senior Secured Facility.

**Early Repayment Option**

- Other than the amortization schedule set forth above in “Repayment Terms”, no voluntary early repayment unless the source of repayment is from new permitted equity or debt financing (i.e. any voluntary early repayment from operating cash subject to the DSRA provisions is not permitted).

<b>Covenants</b>	<ul style="list-style-type: none"> <li>• Same as New Senior Secured Notes (including without limitation as to Permitted Indebtedness) (amended as applicable to make reference to the First Ranking Senior Secured Facility rather than to the New Senior Secured Notes)</li> <li>• Covenants necessary in relation to the Non Shared Security</li> <li>• Financial Statements to be provided to the Bank Lenders on the same basis as they are to be provided to the New Secured Notes trustee</li> </ul>
<b>Events of Default</b>	<ul style="list-style-type: none"> <li>• (i) Same events of default under New Senior Secured Notes (amended as applicable to make reference to the First Ranking Senior Secured Facility rather than to the New Senior Secured Notes and provided that failure to pay shall be subject to no grace period, save in the event of administrative or technical failure), (ii) failure to comply with the Deposit Covenant or the Offtake Covenant, (iii) cross default triggered by an acceleration of the New Senior Secured Notes and (iv) the occurrence of a change of control.</li> <li>• Any action with respect to default or Events of Default (other than resulting from failure to pay or failure to comply with the Deposit Covenant or the Offtake Covenant or a cross default triggered by an acceleration of the New Senior Secured Notes or the occurrence of a change of control) under the First Ranking Senior Secured Facility shall require instruction from 33 1/3% of the Bank Lenders and holders of New Senior Secured Notes (voting together), provided that following the occurrence of any Event of Default under the First Ranking Senior Secured Facility the Bank Lenders are entitled to enforce their Non-Shared Security over the secured Collection Accounts.</li> <li>• Any action with respect to default or Events of Default resulting from failure to pay under the First Ranking Senior Secured Facility and failure to comply with the Deposit Covenant or the Offtake Covenant, or a cross default triggered by an acceleration of the New Senior Secured Notes or the occurrence of a change of control shall require instruction from the Bank Lenders only.</li> </ul>
<b>Amendments, Waivers and Approvals under Relevant Covenants</b>	<ul style="list-style-type: none"> <li>• Amendments, waivers and approvals with respect to matters that affect both the First Ranking Senior Secured Facility and the New Senior Secured Notes shall require the consent of a majority of the Bank Lenders and holders of New Senior Secured Notes (voting together).</li> <li>• Subject to the restrictions in the “Intercreditor Agreement” below, the Bank Lenders shall vote separately with respect to matters that affect only the First Ranking Senior Secured Facility.</li> </ul>

## Intercreditor Agreement

- Prior to the acceleration of the New Senior Secured Notes or the exercise of the Change of Control Put:
  - o Principal due under the First Ranking Senior Secured Facility shall be paid in priority to all other amounts payable under the First Ranking Senior Secured Facility and the New Senior Secured Notes;
  - o Payment of coupon and interest under the First Ranking Senior Secured Facility and on the New Senior Secured Notes shall be made *pari passu* provided that no payment of such coupon or interest shall be paid if any amount of principal is due and unpaid under the First Ranking Senior Secured Facility;
  - o No amount of Cash Sweep Premium relating to the New Senior Secured Notes shall be paid unless and until the First Ranking Senior Secured Facility has been repaid in full.
  - o No exercise of the Optional Redemption provisions (including payment of the Early Redemption Amount) relating to the New Senior Secured Notes unless and until the First Ranking Senior Secured Facility has been repaid in full.
- On and following the acceleration of the New Senior Secured Notes or the exercise of the Change of Control Put:
  - o Amounts due under the First Ranking Senior Secured Facility and the New Senior Secured Notes shall rank *pari passu* in right of payment, except with respect to the proceeds of enforcement of Non-Shared Security which shall be for the account of the Bank Lenders under the First Ranking Senior Secured Facility only.
- Enforcement of Shared Security only upon instruction of 33 1/3% of the Bank Lenders and holders of the New Senior Secured Notes (voting together)
- Bank Lenders are entitled to enforce their Non-Shared Security upon default or Event of Default resulting only from failure to pay under the First Ranking Senior Secured Facility or failure to comply with the Deposit Covenant or the Offtake Covenant or a cross default triggered by an acceleration of the New Senior Secured Notes or the occurrence of a change of control, *provided* that following the occurrence of any Event of Default under the First Ranking Senior Secured Facility the Bank Lenders are entitled to enforce their Non-Shared Security over the Collection Accounts.
- Any amendment, waiver or approval in relation to the First Ranking Senior Secured Facility:
  - (a) constituting (i) an increase in the principal amount; (ii) an increase in the rate of interest; (iii) a change of the maturity date; or (iv) a change of a scheduled payment of interest or principal; or
  - (b) resulting in any member of the Group being (i) liable to make additional or increased payments or (ii) subject to materially more onerous obligations, may only be made with the consent of the appropriate majority of the holders of the New Senior Secured Notes applicable as if such amendment, waiver or approval was being sought under the New Senior Secured Notes.

- Any amendment, waiver or approval in relation to the New Senior Secured Notes:
  - (a) constituting (i) an increase in the principal amount; (ii) an increase in the rate of interest; (iii) a change of the maturity date (except for a deferral of the maturity date); or (iv) a change of a scheduled payment of interest or principal (except for a deferral of such scheduled payment to after the maturity date of the First Ranking Senior Secured Facility); or
  - (b) resulting in any member of the Group being (i) liable to make additional or increased payments or (ii) subject to materially more onerous obligations, may only be made with the consent of the appropriate majority of the Bank Lenders applicable as if such amendment, waiver or approval was being sought under the First Ranking Senior Secured Facility
- The Bank Lenders shall not take, accept or receive the benefit of any additional guarantees and/or security in respect of the First Ranking Senior Secured Facility without the consent of the appropriate majority of the holders of the New Senior Secured Notes applicable as if such guarantee and/or security was being sought under the New Senior Secured Notes, *provided* that the Bank Lenders, in respect of the First Ranking Senior Secured Facility, may take, accept or receive the benefit from security over Additional Offtakes in order to enable ER to comply with the Offtake Covenant.
- The holders of the New Senior Secured Notes shall not take, accept or receive the benefit of any additional guarantees and/or security in respect of the New Senior Secured Notes without the consent of the appropriate majority of the Bank Lenders applicable as if such guarantee and/or security was being sought under the First Ranking Senior Secured Facility.

## New Senior Secured Notes

<b>Issuer</b>	Energy Resources LLC
<b>Applicable Creditors</b>	The holders of the 2017 Notes (the “ <b>Noteholders</b> ”) and the Bank Lenders
<b>Amount</b>	US\$395 million plus accrued interest calculated as if the notes were issued on 1 October 2016
<b>Allocation</b>	New Senior Secured Notes will be allocated based on liabilities as at the Exchange Date as set out in the Appendix 1 of this term sheet
<b>Maturity</b>	<ul style="list-style-type: none"> <li>• 30 September 2022</li> <li>• Redemption price at maturity is 100% plus any accrued interest and Cash Sweep Premium only to the extent that it has become payable in accordance with the DSRA arrangement<sup>1</sup></li> </ul>
<b>Pricing (Semi-annual payment)</b>	<ul style="list-style-type: none"> <li>• Interest rate to be calculated based on the Benchmark Coal Price for Premium Hard Coking Australia Coal Price based on Bloomberg function “TSIPPCAE Comdty” for average monthly price for the six months preceding each coupon payment date, on the below coupon schedule:</li> </ul> <p><u>Coupon schedule before the date which is 12 months after an Expansion Trigger Event</u></p> <ul style="list-style-type: none"> <li>• Benchmark Coal Price <math>\leq</math> US\$110.0/t – 0% Cash/5% PIK</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$110.0/t – 1% Cash/4% PIK</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$112.5/t – 2% Cash/3% PIK</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$115.0/t – 3% Cash/2% PIK</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$120.0/t – 4% Cash/1% PIK</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$125.0/t – 5% Cash</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$130.0/t – 6% Cash</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$135.0/t – 7% Cash</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$140.0/t – 8% Cash</li> </ul> <p><u>Coupon schedule beginning 12 months after an Expansion Trigger Event</u></p> <ul style="list-style-type: none"> <li>• Benchmark Coal Price <math>\leq</math> US\$100.0/t – 0% Cash/5% PIK</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$100.0/t – 1% Cash/4% PIK</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$105.0/t – 2% Cash/3% PIK</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$107.5/t – 3% Cash/2% PIK</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$110.0/t – 4% Cash/1% PIK</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$115.0/t – 5% Cash</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$120.0/t – 6% Cash</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$125.0/t – 7% Cash</li> <li>• Benchmark Coal Price <math>\Rightarrow</math> US\$130.0/t – 8% Cash</li> </ul> <p><i>provided</i> that all interest due on the first coupon payment date occurring (or deemed to have occurred) after the Reference Date shall be paid in kind.</p> <p>ER will make all payments to be made by it without a deduction or withholding for or on account of any tax, duties, assessments or governmental charges (a “<b>Tax Deduction</b>”), unless such Tax Deduction is required by law. If a Tax Deduction is required by law, the amount of the payment due from ER shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required. This obligation will be set out in a customary “additional amounts” provision for high yield notes governed by New York law.</p>

<sup>1</sup> Mechanism to be agreed to ensure payment of any Cash Sweep Premium payable in respect of a semiannual fiscal period ended immediately prior to the maturity date for which financial statements have not yet been produced as well as the period from the end of such semiannual period to the maturity date.

**Debt Service Reserve Account (“DSRA”)**

- Established at ER and pledged for the benefit of the Bank Lenders under the First Ranking Senior Secured Facility and the holders of the New Senior Secured Notes
- DSRA to be held outside of Mongolia with a bank acceptable to the Bank Lenders and the Noteholders
- While the DSRA remains in place, the only permitted uses of cash generated from operations by the ER Group will be as set forth below:
  - o Current operating expenses (e.g. repayment of overdue trade payables and other similar obligations, payments of royalties and taxes) (the “**Operating Costs**”). With respect to overdue trade payables, all trade payables reflected on the ER Group’s consolidated balance sheet as of the Exchange Date shall be deemed to be overdue trade payables and shall be called the “Exchange Date Overdue Trade Payables”. To the extent the ER Group repays in excess of US\$60 million of Exchange Date Overdue Trade Payables (the “**Exchange Date Overdue Trade Payable Limit**”) in any semiannual fiscal period, any such excess amount will reduce the Cash Threshold dollar-for-dollar (provided that the ER Group cannot repay Exchange Date Overdue Trade Payables such that the Cash Threshold is reduced to less than zero)
  - o Spending on capex (excluding capitalized pre-stripping costs) (the “**Capex Costs**”) up to a maximum aggregate amount of US\$25 million per fiscal year (the “**Capex Limit**”). Upon the occurrence of an Expansion Trigger Event, the Capex Limit will automatically increase to US\$50 million per fiscal year. The ER Group may spend in excess of the Capex Limit provided that any capex spend in excess of the Capex Limit will reduce the Cash Threshold dollar-for-dollar (provided that the ER Group cannot spend on Capex Costs such that the Cash Threshold is reduced to less than zero), subject to customary exceptions for the purchase of replacement assets from insurance proceeds
  - o Cash payments to members of the Group (other than members of the ER Group) up to a maximum aggregate amount of US\$5 million per fiscal year to fund such members cash needs for purposes of their corporate housekeeping needs, including, without limitation, various corporate service fees (the “**Group Costs**”). Such payments can take any form, including but not limited to dividends, payments on shareholder loans or the extension of intragroup credit
  - o Cash coupon, interest, premium and principal payments, and fees, costs and expenses due on the New Senior Secured Notes and on the First Ranking Senior Secured Facility and any permitted cash interest and principal payments due on the Permitted Indebtedness (the “**Finance Costs**”) (together, the “**Permitted Cash Uses**”)
- If, at the end of any semiannual fiscal period, the ER Group’s aggregate cash balance after the Permitted Cash Uses exceeds the Cash Threshold, such excess amount will constitute “**ER Excess Cash**”. For the avoidance of doubt, any balance in the DSRA will not count towards the amount of cash held by the ER Group for the purposes of this calculation.



- For so long as any amount remains outstanding under the First Ranking Senior Secured Facility, any ER Excess Cash shall be deposited into the DSRA no later than 15 business days after the release of the ER and MMC financial statements in respect of the relevant semiannual fiscal period (which shall be released concurrently). Upon full repayment of the First Ranking Senior Secured Facility, any cash in the DSRA shall be used to pay the Cash Sweep Premium in one single payment, subject to the Cash Sweep Cap.
- After full repayment of the First Ranking Senior Secured Facility, any ER Excess Cash shall first be used to pay the Cash Sweep Premium.
- After full repayment of the First Ranking Senior Secured Facility, for so long as any New Senior Secured Notes remains outstanding, after payments of the Cash Sweep Premium have reached the Cash Sweep Cap:
  - o Any ER Excess Cash shall be deposited in the DSRA no later than 15 business days after the release of the ER and MMC financial statements in respect of the relevant semiannual fiscal period (which shall be released concurrently);
  - o No later than 90 days after any date on which the cash balance of the DSRA exceeds US\$35 million, ER will use the funds deposited in the DSRA (minus US\$10 million) to (i) conduct a partial buyback of the New Senior Secured Notes via a tender offer or a reverse Dutch auction or (ii) redeem the New Senior Secured Notes; and
  - o If cash flow after operating expenses and spending on capex is not sufficient to pay in full the cash coupon portion of the due coupon payment on the New Senior Secured Notes, the US\$10 million cash balance in the DSRA can be used to the extent needed to make the cash coupon payments. The US\$10 million balance of the DSRA can also be used for buybacks to the extent the notional value outstanding of the New Senior Secured Notes is less than US\$10 million

With respect to any buyback of the New Senior Secured Notes via a tender offer or reverse Dutch auction, ER may determine in its discretion the price to be offered. However, the funds in the DSRA that are required to be used for buybacks or redemption of the New Senior Secured Notes as set out above may be used only for such buybacks or redemption

- After full repayment of the First Ranking Senior Secured Facility and once the New Senior Secured Notes have been retired in full, the DSRA shall terminate and any cash in the DSRA will be released to ER and can be used by ER in its discretion
- ER's auditor will provide a certificate verifying the amounts in Operating Costs, Capex Costs, Group Costs, Finance Costs and Exchange Date Overdue Trade Payables paid for each semiannual fiscal period, such certificate to be provided no later than 10 business days after the release of the ER and MMC financial statements in respect of such period (which shall be released concurrently)

<b>Cash Sweep Premium</b>	<ul style="list-style-type: none"> <li>• If, upon full repayment of the First Ranking Senior Secured Facility, there is any cash balance in the DSRA, such cash will be immediately paid to holders of the New Senior Secured Notes as premium in accordance with the description of the DSRA above (“<b>Cash Sweep Premium</b>”) in one-go, subject to the Cash Sweep Cap</li> <li>• After full repayment of the First Ranking Senior Secured Facility, if, at the end of any semiannual fiscal period, there is ER Excess Cash, the ER Excess Cash will be paid to holders of the New Senior Secured Notes as Cash Sweep Premium no later than 15 business days after the release of the ER and MMC financial statements in respect of such period (which shall be released concurrently)</li> <li>• After full repayment of the First Ranking Senior Secured Facility, ER may make voluntary payment of the Cash Sweep Premium at any time from available cash</li> <li>• Capped at an aggregate amount of US\$75 million (the “<b>Cash Sweep Cap</b>”)</li> <li>• Cash Sweep Premium shall terminate upon redemption of the New Senior Secured Notes</li> </ul>
<b>Shared Security</b>	<ul style="list-style-type: none"> <li>• Same as the section headed “Assets Pledged” in the Company Proposal</li> <li>• DSRA</li> <li>• Negative pledge on the ER and ERC shares</li> </ul>
<b>Intercreditor Agreement</b>	<p>Same as the First Ranking Senior Secured Facility</p>



Perpetual Notes	
<b>Issuer</b>	MMC
<b>Applicable Creditors</b>	The Noteholders, the Bank Lenders and QGX
<b>Amount</b>	US\$150 million will be issued to the Bank Lenders and the Noteholders plus additional US\$45 million will be issued to QGX
<b>Allocation</b>	<ul style="list-style-type: none"> <li>• US\$150 million will be allocated to the Bank Lenders and the Noteholders based on their respective liabilities as at the Exchange Date, as set out in the Appendix 1 of this term sheet</li> <li>• Additional US\$45 million will be allocated to QGX</li> </ul>
<b>Maturity</b>	None
<b>Pricing</b>	<ul style="list-style-type: none"> <li>• In order to keep this as an equity accounted instrument for life, the coupon for the Perpetual Notes will be cumulative, deferrable (PIK) from issue</li> <li>• The Perpetual Notes shall have: <ul style="list-style-type: none"> <li>o 0% at Issuance;</li> <li>o Stepping up to 5% after 12 months post Expansion Trigger Event; 1% step-up annually thereafter, with total rate capped at 15%; or</li> <li>o If not otherwise already at 10%, stepping up to 10% for the first coupon period beginning immediately after full repayment of the New Secured Senior Notes (provided that this will not include a restructuring of the New Senior Secured Notes); 1% step-up annually thereafter, with total rate capped at 15%, whichever is earlier.</li> </ul> </li> </ul>
<b>Seniority</b>	<ul style="list-style-type: none"> <li>• Senior to common equity at MMC both in terms of rights of payment and liquidation preference</li> <li>• There will be no dividends or distributions directly or indirectly to common equity holders of MMC until the Perpetual Notes are fully redeemed</li> </ul>
<b>Coupon Payment Dates</b>	<ul style="list-style-type: none"> <li>• Semiannually from the Reference Date</li> </ul>
<b>Redemption</b>	MMC shall have the option at every coupon payment date to redeem partially or fully the Perpetual Notes at par plus accrued interest.
<b>Open Market Repurchase</b>	<p>MMC will be permitted to make open market purchases of the Perpetual Notes, subject to the following limitations:</p> <ul style="list-style-type: none"> <li>• No purchases may be made from affiliates or related parties; and</li> <li>• All such purchases (including the amount purchased, price paid and confirmation that purchase is not from an affiliate or related party) must be publicly disclosed and verified by MMC's auditor</li> </ul>
<b>Cancellation of New Perpetual Notes</b>	<ul style="list-style-type: none"> <li>• Any Perpetual Notes held by a member of the Group or any of its affiliates shall not be considered outstanding for voting purposes</li> <li>• Any Perpetual Notes held by a member of the Group or any of its subsidiaries may not be reissued, resold or pledged and shall be cancelled</li> </ul>
<b>Events of Default</b>	Customary EoDs for perpetual notes

## Debt-to-Equity Swap

<b>Issuer</b>	MMC
<b>Applicable Creditors</b>	The Noteholders and the Bank Lenders
<b>Amount</b>	Issuance of 1,029,176,778 shares of MMC representing in aggregate 10% of the total shares outstanding on a post-money basis at the Exchange Date
<b>Pricing</b>	<ul style="list-style-type: none"><li>• No cash proceeds will be received by MMC as consideration;</li><li>• The equity will be allocated based on liabilities as at the Exchange Date, as set out in the Appendix 1 of this term sheet.</li></ul>

**The following sections from the Company Proposal shall also apply to the New Senior Secured Notes (references to the “New Secured Notes” in the Company Proposal are references to the New Senior Secured Notes)**

- Reference Date
- Seniority (*provided* that the definition of Permitted Indebtedness shall include the First Ranking Senior Secured Facility which shall rank as set forth in the section headed “Intercreditor Agreement” herein)
- Guarantors (*provided* that references to “New Secured Note Guarantor” generally in the Company Proposal shall be deemed to refer also to “the Guarantors of the First Ranking Senior Secured Facility”)
- Assets Pledged (*provided* that the shares of ER and ERC shall be subject to a negative pledge)
- Asset Sales
- Coupon Payment Dates
- Financial Statements
- Open Market Purchases (*provided* that ER is not permitted to make open market purchases of the New Senior Secured Notes until all amounts due under the First Ranking Senior Secured Facility have been paid in full)
- Cancellation of New Secured Notes
- Further Indebtedness (*provided* that the definition of Permitted Indebtedness shall be replaced with the following, and provided further that the reference to intercreditor agreements being entered into in connection with any Permitted Indebtedness shall also extend to preserving the principles as set forth in the section headed “Intercreditor Agreement” herein):

**“Permitted Indebtedness”** shall include

- (i) Permitted Expansion Debt (as defined below);
- (ii) debt that is junior and subordinated or structurally subordinated to the New Secured Notes and the First Ranking Senior Secured Facility for the purpose of refinancing or redeeming or purchasing (i) the First Ranking Senior Secured Facility and (ii) once the First Ranking Senior Secured Facility has been repaid in full, the New Secured Notes, in the case of the First Ranking Senior Secured Facility up to an amount equal to the aggregate amount due under the First Ranking Senior Secured Facility and in the case of the New Secured Notes up to an amount equal to the aggregate amount due under the New Secured Notes;

- (iii) letters of credit or similar guarantees or trade assurances (collectively, “**Guarantees**”) incurred in the ordinary course of business subject to the following:
  - o Guarantees in favor of contractors owed Exchange Date Overdue Payables may be granted up to US\$60 million (the “**Overdue Payables Guarantees**”), *provided* that the aggregate amount of the Exchange Date Overdue Payables guaranteed by the Overdue Payables Guarantees or by MMC or any other member of the Group shall not exceed US\$60 million;
  - o Guarantees in favor of contractors owed current payables (i.e., payables incurred after the Exchange Date) may be granted up to US\$30 million prior to an Expansion Trigger Event and US\$50 million immediately after an Expansion Trigger Event (the “**Current Payables Guarantees**”), *provided* that prior to an Expansion Trigger Event, the aggregate amount of the Overdue Payables Guarantees and the Current Payables Guarantees outstanding shall not exceed US\$75 million;
  - o The Overdue Payables Guarantees will be reduced dollar-for-dollar as payables in respect of which such Guarantee was incurred are paid;
  - o The Guarantees may rank *pari passu* with the New Secured Notes and the First Ranking Senior Secured Facility and may be secured by non-Core Assets (other than any ER Mining License), in the case of the Current Payables Guarantees including (but in the case of the Overdue Payables Guarantees not including) cash collateral, *provided* that the aggregate amount of the cash collateral used to secure the Current Payables Guarantees and the Permitted Indebtedness as set forth in (iv) below shall not exceed the Cash Threshold;
  - o The Guarantees shall not be secured by any Non-Shared Security or cash held in the DSRA;
- (iv) indebtedness up to US\$50 million to fund working capital, which shall rank *pari passu* with the New Secured Notes and the First Ranking Senior Secured Facility and may be secured by non-Core Assets (other than any ER Mining License), including cash collateral, *provided* that the aggregate amount of the cash collateral used to secure such indebtedness and the Current Payables Guarantees as set forth in (iii) above shall not exceed the Cash Threshold, *provided* further that such indebtedness shall not be secured by any Non-Shared Security or cash held in the DSRA;
- (v) any shareholder loan from any shareholder of ER, *provided* that (x) such shareholder loan must be (A) junior and subordinated to the the First Ranking Senior Secured Facility and the New Secured Notes or structurally subordinated thereto and (B) on terms not superior to the terms of any currently outstanding shareholder loan of ER and (y) no cash payments of interest shall be permitted on such shareholder loan while the New Secured Notes or the First Ranking Senior Secured Facility are outstanding, and
- (vi) the First Ranking Senior Secured Facility, *provided* that, no Permitted Indebtedness (other than Permitted Indebtedness incurred under clauses (iii) or (iv) above) shall (i) mature before the New Secured Notes or the First Ranking Senior Secured Facility; (ii) require any amortization payments before the maturity date of the New Secured Notes or the First Ranking Senior Secured Facility; (iii) have an all in cost (including cash interest, fees and/or premium) greater than the cost of the New Secured Notes or the First Ranking Senior Secured Facility; or (iv) otherwise be on terms more favorable to the relevant lender(s) than the terms of the New Secured Notes or the First Ranking Senior Secured Facility; and *provided* further that no Permitted Indebtedness incurred under clauses (iii) or (iv) may be used for Capex.

- Other Covenants (in addition, other than the amortization schedule set forth in “Repayment Terms” under the First Ranking Senior Secured Facility, no early repayment shall be made under the First Ranking Senior Secured Facility unless the source of repayment is from new permitted equity or debt financing (i.e. any early repayment from operating cash subject to the DSRA provisions is not permitted))
- Optional Redemption (to only apply after all amounts under the First Ranking Senior Secured Facility have been paid in full)
- Events of Default (in addition, cross default triggered by an event of default under the First Ranking Senior Secured Facility)
- Change of Control Put
- Trustee Appointment
- Amendments

**The following sections from the Company Proposal shall also apply to this term sheet**

- Onshore Facilities
- Expansion Transaction Parameters
- Tradability
- Expenses

**Appendix 1 – Summary of proposed settlement terms**

Debt (US\$ '000)	Verified Principal Outstanding As At 30 September 2016	Estimated Accrued Interest up to 30 September 2016 (Note 1)	Verified Principal and Estimated Accrued Interest As At 30 September 2016	First Ranking Senior Secured Facility	New Senior Secured Notes	Perpetual Notes	Allocation %	Allocation %	CVR	Allocation %	Total (before allocation of new equity issued)	Equity to be Issued (% of Enlarged Shares)
Noteholders	600,000	54,754	654,754	–	357,336	135,697	90%	69.6%	67,849	90%	560,882	9.0%
Bank Lenders	93,000	6,012	99,012	30,000	37,664	14,303	10%	7.3%	7,151	10%	89,118	1.0%
QGX	72,216	2,897	75,113	–	–	45,000	0%	23.1%	–	0%	45,000	0%
<b>Total</b>	<b>765,216</b>	<b>63,663</b>	<b>828,879</b>	<b>30,000</b>	<b>395,000</b>	<b>195,000</b>	<b>100%</b>	<b>100%</b>	<b>75,000</b>	<b>100%</b>	<b>695,000</b>	<b>10%</b>

*Note 1:* This is an estimation only, the final interest position is subject to finalisation of the accrued interest position upon the effective date of the restructuring.

## **Company Proposal**

**FOR DISCUSSION PURPOSES ONLY; NON-BINDING AND SUBJECT TO CONTRACT;  
SUBJECT TO INPUT FROM MONGOLIAN MINING CORPORATION AND ITS  
CREDITORS**

Below are the proposed terms for the comprehensive restructuring of Mongolian Mining Corporation (the “Term Sheet”).

The proposed terms include restructuring of the (i) USD600mm 8.875% senior secured notes due 2017 (the “2017 Notes”) issued by MMC (as defined below) pursuant to an indenture dated 29 March 2012 and (ii) amounts outstanding under a facilities agreement dated 5 March 2014 (as amended, supplemented, novated and restated from time to time, including by way of an amendment agreement dated 11 December 2015) between (amongst others) MMC (as defined below) as borrower, BNP Paribas Singapore Branch and Industrial and Commercial Bank of China Limited as mandated lead arrangers, BNP Paribas Singapore Branch as bookrunner and BNP Paribas Hong Kong Branch as agent and as security agent (the “BNP/ICBC Loans”).

Collectively the 2017 Notes together with the BNP/ICBC Loans, both of which benefit from the same shared security package, shall be henceforth be referred to as the “Existing Offshore Debt”, the holders of which being referred to as the “Existing Offshore Creditors”.<sup>1</sup>

New Secured Notes

<b>Issuer</b>	<ul style="list-style-type: none"> <li>Energy Resources LLC (Mongolia) (“ER”), an indirect wholly owned subsidiary of MMC as at the date of this Term Sheet</li> </ul>
<b>Issuance Date</b>	<ul style="list-style-type: none"> <li>The effective date on which all conditions precedent to the restructuring of the Group’s liabilities have been satisfied or waived (as the case may be), including the obtaining of all approvals as may be required from the Existing Offshore Creditors and all other relevant approvals or consents, whether pursuant to a court process or otherwise (“Exchange Date”)</li> <li>“Group” shall mean Mongolian Mining Corporation (Cayman Islands), the Hong Kong Stock Exchange listed company (“MMC”) and each of its direct or indirect subsidiaries (whether directly or indirectly owned, and whether wholly or partly owned)</li> <li>“ER Group” shall mean ER and each of its direct or indirect subsidiaries (whether directly or indirectly owned, and whether wholly or partly owned), <i>provided that</i> ERC shall be deemed part of the ER Group prior to the Expansion Transaction and, if the Expansion Transaction is entered into by ERC, after the Expansion Transaction</li> </ul>
<b>Reference Date</b>	<ul style="list-style-type: none"> <li>1 October 2016 (“Reference Date”)</li> </ul>

<sup>1</sup> Treatment of non-shared collateral securing BNP/ICBC Loans to be discussed and agreed among MMC and Existing Offshore Creditors.

<b>New Principal Debt Outstanding</b>	<ul style="list-style-type: none"> <li>• The principal amount at the Exchange Date will be USD420mm plus accrued interest calculated as if the New Secured Notes had been issued on the Reference Date</li> <li>• To be issued to the Existing Offshore Creditors <i>pro rata</i> to their respective principal plus accrued interest of the Existing Offshore Debt as at the Exchange Date</li> </ul>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>• Sixth anniversary of the Reference Date</li> <li>• Redemption price at maturity is 100% plus any accrued interest and Cash Sweep Premium only to the extent that it has become payable in accordance with the DSRA arrangement<sup>2</sup></li> </ul>
<b>Seniority</b>	<ul style="list-style-type: none"> <li>• The New Secured Notes shall rank senior in right of payment in respect of all other indebtedness for borrowed money of ER save for (i), (iii) and (iv) of the Permitted Indebtedness (as defined below) which shall rank <i>pari passu</i> with the New Secured Notes</li> </ul>
<b>Guarantors</b>	<ul style="list-style-type: none"> <li>• MMC and the following subsidiaries of MMC shall become joint and several guarantors of the New Secured Notes: <ul style="list-style-type: none"> <li>– Mongolian Coal Corporation Limited (Hong Kong) (100%)</li> <li>– Mongolian Coal Corporation S.a.r.l. (Luxembourg) (100%)</li> <li>– Energy Resources Corporation LLC (Mongolia) (“<b>ERC</b>”) (100%)</li> <li>– Energy Resources Rail LLC (Mongolia) (100%)</li> <li>– Energy Resources Mining LLC (Mongolia) (100%)</li> <li>– Transgobi LLC (Mongolia) (100%)</li> <li>– Gobi Road LLC (Mongolia) (100%)</li> <li>– Tavan Tolgoi Airport LLC (Mongolia) (100%)</li> </ul> </li> </ul>

<sup>2</sup> Mechanism to be agreed to ensure payment of any Cash Sweep Premium payable in respect of a semiannual fiscal period ended immediately prior to the maturity date for which financial statements have not yet been produced as well as the period from the end of such semiannual period to the maturity date.



	<ul style="list-style-type: none"> <li>– Enrestechnology LLC (Mongolia) (100%)</li> <li>– Ukhaa Khudag Water Supply LLC (Mongolia) (100%)</li> <li>– United Power LLC (Mongolia) (100%) (collectively, “<b>New Secured Notes Guarantors</b>”)</li> </ul> <ul style="list-style-type: none"> <li>• Upon the completion of a reorganization of the ER Group through the merger or winding up of certain subsidiaries, the guarantees of those merged or wound-up entities will be released subject to the guarantees of all surviving entities remaining in place</li> <li>• Any new companies formed in the ER Group and any new offshore holding companies for the ER Group will become additional New Secured Notes Guarantors</li> </ul>
<p><b>Assets Pledged</b></p>	<ul style="list-style-type: none"> <li>• The following assets will be pledged for the benefit of the New Secured Notes under Mongolian law: <ul style="list-style-type: none"> <li>– the 18 MW Power Plant building owned by United Power LLC in relation to the Ukhaakhudag Coal Mine (the “<b>Power Plant</b>”)</li> <li>– coal wash plant modules owned by Enrestechnology LLC in relation to the Ukhaakhudag Coal Mine, including (i) coal wash plant module 1, (ii) coal wash plant conveyor and other buildings and installation, and (iii) coal wash plant module 2 and other buildings and installation</li> <li>– water facilities owned by Ukhaa Khudag Water Supply LLC in relation to the UHG Coal Mine, including (i) water cleaning installations, (ii) drinking water cleaning installations and (iii) maiga mountain water reservoir</li> </ul> </li> <li>• The shares of the following subsidiaries of MMC will be pledged: <sup>3</sup> <ul style="list-style-type: none"> <li>– Mongolian Coal Corporation Limited (Hong Kong)</li> <li>– Mongolian Coal Corporation S.a.r.l. (Luxembourg)</li> <li>– Enrestechnology LLC (Mongolia)</li> <li>– Ukhaa Khudag Water Supply LLC (Mongolia)</li> <li>– United Power LLC (Mongolia)</li> </ul> </li> </ul>

<sup>3</sup> Appropriate security/covenants relating to the shares of ER and ERC to be agreed.

	<ul style="list-style-type: none"> <li>• shares of any new offshore holding companies for the ER Group and any new intermediary holding companies between ER and Enrestechology LLC, Ukhaa Khudag Water Supply LLC and United Power LLC will also be pledged (together with the shares pledged as described above, the “<b>Pledged Shares</b>”)</li> <li>• the assets pledged as described above and the Pledged Shares shall constitute the “<b>Core Assets</b>”</li> <li>• the New Secured Notes will include a typical high yield negative pledge with standard permitted lien exceptions (as well as the permitted liens described under Permitted Expansion Debt and clauses (iii) and (iv) of the definition of Permitted Indebtedness). The negative pledge will provide that any existing or future mining license or licenses owned by the ER Group (each, an “<b>ER Mining License</b>”) cannot be pledged</li> </ul>
<p><b>Asset Sales</b></p>	<ul style="list-style-type: none"> <li>• With respect to sales of any Core Asset (other than the Power Plant or shares of United Power LLC) and any ER Mining License by the ER Group (i) such sale will require approval of 66<sup>2</sup>/<sub>3</sub>% plus one vote of the aggregate principal amount of the New Secured Notes, (ii) such sale must be at fair market value, (iii) if the fair market value of such Core Asset or ER Mining License exceeds USD20mm, such sale shall be supported by a fairness opinion issued by an accounting or investment banking firm of recognized international standing (which may include ER’s auditor) that the sale is fair from a financial point of view and (iv) the proceeds from such sale shall be promptly deposited in the DSRA, <i>provided that</i> any sale of the Pledged Shares shall be of 100% of the shares in the relevant entity. The relevant pledges over such Core Asset shall be released in connection with any such sale</li> <li>• With respect to sale of the Power Plant or shares of United Power LLC, (i) such sale must be at fair market value (at least equal to book value), (ii) such sale must be supported by a third party expert’s certificate certifying that the Power Plant is not needed as ER will have adequate access to the power grid to meet its electricity needs, (iii) the proceeds from such sale shall be promptly deposited in the DSRA and (iv) if such sale is to an affiliate of ER, such sale shall be supported by a fairness opinion issued by an accounting or investment banking firm of recognized international standing (which may include ER’s auditor) that the sale is fair from a financial point of view, <i>provided that</i> any sale of the shares of United Power LLC shall be of 100% of the shares in such entity. The pledge over the Power Plant or shares of United Power LLC shall be released in connection with any such sale</li> </ul>

	<ul style="list-style-type: none"> <li>Any asset sale (other than of the Core Assets or any ER Mining License) will be subject to a typical high yield asset sale covenant (which shall also specify that if the proceeds from such sale are not used within 360 days to repay senior Permitted Indebtedness secured by the relevant assets or to acquire replacement assets, such proceeds shall be promptly deposited in the DSRA)</li> <li>In addition, the ER Group will be permitted to sell apartments to employees without any limitations, and the proceeds from such sales will not be deposited into the DSRA</li> </ul>
<b>Coupon Payment Dates</b>	<ul style="list-style-type: none"> <li>Semiannually starting from the Reference Date</li> </ul>
<b>Coupon Rates</b>	<ul style="list-style-type: none"> <li>Interest to be calculated based on the Benchmark Coal Price for Premium Hard Coking Australia Coal Price based on the Bloomberg function “TSIPPCAE Comdty” and “FLDS PX388” for the average monthly price for the six months preceding each Coupon Payment Date (the “<b>Benchmark Coal Price</b>”) and whether an Expansion Trigger Event (as defined below) has occurred:   Coupon schedule without an Expansion Trigger Event or until the coupon schedule set out below becomes effective after an Expansion Trigger Event:   Benchmark Coal Price &lt;= USD110.0/t: 0% cash/5% paid-in-kind (“<b>PIK</b>”)   Benchmark Coal Price =&gt; USD110.0/t: 1% cash/4% PIK   Benchmark Coal Price =&gt; USD112.5/t: 2% cash/3% PIK   Benchmark Coal Price =&gt; USD115.0/t: 3% cash/2% PIK   Benchmark Coal Price =&gt; USD120.0/t: 4% cash/1% PIK   Benchmark Coal Price =&gt; USD125.0/t: 5% cash   Benchmark Coal Price =&gt; USD130.0/t: 6% cash   Benchmark Coal Price =&gt; USD135.0/t: 7% cash   Benchmark Coal Price =&gt; USD140.0/t: 8% cash</li> </ul>

Coupon schedule beginning 12 months after an Expansion Trigger Event:

Benchmark Coal Price  $\leq$  USD100.0/t: 0% cash/5% PIK

Benchmark Coal Price  $\Rightarrow$  USD100.0/t: 1% cash/4% PIK

Benchmark Coal Price  $\Rightarrow$  USD105.0/t: 2% cash/3% PIK

Benchmark Coal Price  $\Rightarrow$  USD107.5/t: 3% cash/2% PIK

Benchmark Coal Price  $\Rightarrow$  USD110.0/t: 4% cash/1% PIK

Benchmark Coal Price  $\Rightarrow$  USD115.0/t: 5% cash

Benchmark Coal Price  $\Rightarrow$  USD120.0/t: 6% cash

Benchmark Coal Price  $\Rightarrow$  USD125.0/t: 7% cash

Benchmark Coal Price  $\Rightarrow$  USD130.0/t: 8% cash

- For avoidance of doubt, the above coupon rates are shown on an annual basis; semiannual coupon rates shall be the amounts shown divided by 2
- ER will make all payments to be made by it without a deduction or withholding for or on account of any tax, duties, assessments or governmental charges (a “**Tax Deduction**”), unless such Tax Deduction is required by law. If a Tax Deduction is required by law, the amount of the payment due from ER shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required. This obligation will be set out in a customary “additional amounts” provision for high yield notes governed by New York law
- An “**Expansion Trigger Event**” shall be defined as ER or ERC entering either directly or indirectly into a transaction in relation to the Tavan Tolgoi project that is referred to in the Government of Mongolia’s Resolution No. 268 dated 20 August 2014. An Expansion Trigger Event shall be deemed to have occurred when legal completion of the binding agreement(s) with the consortium partner(s) (if any) and the Government of Mongolia has been deemed to have occurred. The transaction being referred to is the “**Expansion Transaction**”

<p><b>Financial Statements</b></p>	<ul style="list-style-type: none"> <li>• ER Group will prepare reviewed semiannual consolidated financial statements and provide them to the New Secured Notes trustee no later than 90 days after the end of any semiannual fiscal period</li> <li>• ER Group will prepare audited annual consolidated financial statements and provide them to the New Secured Notes trustee no later than 120 days after the end of any fiscal year</li> <li>• MMC will continue to provide financial statements and reports as set forth in the 2017 Notes</li> </ul>
<p><b>Debt Service Reserve Account (“DSRA”)</b></p>	<ul style="list-style-type: none"> <li>• Established at ER and pledged for the benefit of the holders of the New Secured Notes</li> <li>• DSRA to be held outside of Mongolia with a bank acceptable to the Existing Offshore Creditors</li> <li>• While the DSRA remains in place, the only permitted uses of cash generated from operations by the ER Group will be as set forth below: <ul style="list-style-type: none"> <li>– Current operating expenses (e.g. repayment of overdue trade payables and other similar obligations, payments of royalties and taxes) (the “<b>Operating Costs</b>”). With respect to overdue trade payables, all trade payables reflected on the ER Group’s consolidated balance sheet as of the Exchange Date shall be deemed to be overdue trade payables and shall be called the “<b>Exchange Date Overdue Trade Payables</b>”. To the extent the ER Group repays in excess of USD60mm of Exchange Date Overdue Trade Payables (the “<b>Exchange Date Overdue Trade Payable Limit</b>”) in any semiannual fiscal period, any such excess amount will reduce the Cash Threshold (as defined below) dollar-for-dollar (<i>provided that</i> the ER Group cannot repay Exchange Date Overdue Trade Payables such that the Cash Threshold is reduced to less than zero)</li> <li>– Spending on capex (excluding capitalized pre-stripping costs) (the “<b>Capex Costs</b>”) up to a maximum aggregate amount of USD25mm per fiscal year (the “<b>Capex Limit</b>”). Upon the occurrence of an Expansion Trigger Event, the Capex Limit will automatically increase to USD50mm per fiscal year. The ER Group may spend in excess of the Capex Limit <i>provided that</i> any capex spend in excess of the Capex Limit will reduce the Cash Threshold (as defined below) dollar-for-dollar (<i>provided that</i> the ER Group cannot spend on Capex Costs such that the Cash Threshold is reduced to less than zero), subject to customary exceptions for the purchase of replacement assets from insurance proceeds</li> </ul> </li> </ul>

- Cash payments to members of the Group (other than members of the ER Group) up to a maximum aggregate amount of USD5mm per fiscal year to fund such members cash needs for purposes of their corporate housekeeping needs, including, without limitation, various corporate service fees (the “**Group Costs**”). Such payments can take any form, including but not limited to dividends, payments on shareholder loans or the extension of intragroup credit
- Cash coupon, premium and principal payments on the New Secured Notes and any permitted cash interest and principal payments due on the Permitted Indebtedness (the “**Finance Costs**”)

(together, the “**Permitted Cash Uses**”)

- If, at the end of any semiannual fiscal period, the ER Group’s aggregate cash balance after the Permitted Cash Uses exceeds the Cash Threshold, such excess amount will constitute “**ER Excess Cash**”. For the avoidance of doubt, any balance in the DSRA will not count towards the amount of cash held by the ER Group for the purposes of this calculation
- Any ER Excess Cash shall first be used to pay the Cash Sweep Premium (as defined below).
- For so long as any New Secured Notes remains outstanding, after payments of the Cash Sweep Premium have reached the Cash Sweep Cap (as defined below):
  - Any ER Excess Cash shall be deposited in the DSRA no later than 15 business days after the release of the ER and MMC financial statements in respect of such period (which shall be released concurrently);
  - No later than 90 days after any date on which the cash balance of the DSRA exceeds USD35mm, ER will use the funds deposited in the DSRA (minus USD10mm) to (i) conduct a partial buyback of the New Secured Notes via a tender offer or a reverse Dutch auction or (ii) redeem the New Secured Notes; and
  - If cash flow after operating expenses and spending on capex is not sufficient to pay in full the cash coupon portion of the due coupon payment on the New Secured Notes, the USD10mm cash balance in the DSRA can be used to the extent needed to make the cash coupon payments. The USD10mm balance of the DSRA can also be used for buybacks to the extent the notional value outstanding of the New Secured Notes is less than USD10mm

With respect to any buyback of the New Secured Notes via a tender offer or reverse Dutch auction, ER may determine in its discretion the price to be offered. However, the funds in the DSRA may be used only for such buybacks or the redemption of the New Secured Notes

- Once the New Secured Notes have been retired in full, the DSRA shall terminate and any cash in the DSRA will be released to ER and can be used by ER in its discretion
- The “**Cash Threshold**” is initially USD25mm and after an Expansion Trigger Event will be USD50mm (subject in each case to reduction as described above to the extent capex spend exceeds the Capex Limit or payments of the Exchange Date Overdue Trade Payables exceed the Exchange Date Overdue Trade Payable Limit). At the end of any semiannual fiscal period, the Cash Threshold (with respect to that semiannual fiscal period only) will be increased by any Excluded Cash Credit
- “**Excluded Cash**” means, during any semiannual fiscal period, the aggregate amount of any cash received from (a) indebtedness incurred under clauses (i), (ii) (but only to the extent the proceeds of such Indebtedness to be used for open market purchases of the New Secured Notes), (iv) and (v) of the definition of Permitted Indebtedness; (b) equity investments in ER; and (c) interest on cash deposits in bank accounts held by the ER Group (excluding interest on any amounts held in the DSRA)
- “**Excluded Cash Credit**” means (A) any Excluded Cash remaining on ER’s consolidated balance sheet at the end of the relevant semiannual fiscal period PLUS (B) any Excluded Cash used for Permitted Cash Uses during such semiannual fiscal period MINUS (C) any cash repayments of the Permitted Indebtedness referred to in (a) of the definition of Excluded Cash during such semiannual fiscal period
- ER’s auditor will provide a certificate verifying the amounts in Operating Costs, Capex Costs, Group Costs, Finance Costs and Exchange Date Overdue Trade Payables paid for each semiannual fiscal period, such certificate to be provided no later than 10 business days after the release of the ER and MMC financial statements in respect of such period (which shall be released concurrently)



<p><b>Open Market Purchases</b></p>	<ul style="list-style-type: none"> <li>• ER will be permitted to make open market purchases of the New Secured Notes subject to the following limitations: <ul style="list-style-type: none"> <li>– Any such purchases must be made using <ul style="list-style-type: none"> <li>– indebtedness incurred under clause (ii) of the definition of Permitted Indebtedness; provided that any such indebtedness in excess of the OMP Remaining Cap (as defined below) for the then-current calendar year will be deposited into the DSRA;</li> <li>– indebtedness incurred under clause (v) of the definition of Permitted Indebtedness; or</li> <li>– equity investments in ER;</li> </ul> </li> <li>– The consideration for such purchases does not exceed USD50mm (the “<b>OMP Annual Cap</b>”) in any calendar year or USD100mm in total while the New Secured Notes are outstanding</li> <li>– The “<b>OMP Remaining Cap</b>” means the OMP Annual Cap less any open market purchases previously made in such calendar year</li> <li>– No purchases may be made from affiliates or related parties</li> <li>– All such purchases (including the amount purchased, price paid and confirmation that purchase is not from an affiliate or related party) must be publicly disclosed and verified by ER’s auditor</li> <li>– For the avoidance of doubt, open market purchases of the New Secured Notes may not be made using cash generated from operations by the ER Group</li> </ul> </li> </ul>
<p><b>Cancellation of New Secured Notes</b></p>	<ul style="list-style-type: none"> <li>• Any New Secured Notes held by a member of the Group or any of its affiliates shall not be considered outstanding for voting purposes</li> <li>• Any New Secured Notes held by a member of the Group or any of its subsidiaries may not be reissued, resold or pledged and shall be cancelled</li> </ul>



## Further Indebtedness

- Except for the incurrence of Permitted Indebtedness, the incurrence of further indebtedness by the ER Group is not permitted
- “**Permitted Indebtedness**” shall include
  - (i) Permitted Expansion Debt (as defined below);
  - (ii) debt that is junior and subordinated or structurally subordinated to the New Secured Notes for the purpose of refinancing or redeeming or purchasing the New Secured Notes up to an amount equal to the aggregate amount due under the New Secured Notes;
  - (iii) letters of credit or similar guarantees or trade assurances (collectively, “**Guarantees**”) incurred in the ordinary course of business subject to the following:
    - Guarantees in favor of contractors owed Exchange Date Overdue Payables may be granted up to USD60mm (the “**Overdue Payables Guarantees**”);
    - Guarantees in favor of contractors owed current payables (i.e., payables incurred after the Exchange Date) may be granted up to USD15mm (the “**Current Payables Guarantees**”);
    - The Overdue Payables Guarantees will be reduced dollar-for-dollar as payables in respect of which such Guarantee was incurred are paid, and, as such reduction takes place, the Current Payables Guarantees may be increased dollar-for-dollar up to USD30mm prior to an Expansion Trigger Event and USD50mm after an Expansion Trigger Event;
    - The Guarantees may rank *pari passu* with the New Secured Notes and may be secured by non-Core Assets (other than any ER Mining License), including cash collateral, *provided that* the aggregate amount of the cash collateral used to secure the Guarantees and the Permitted Indebtedness as set forth in (iv) below shall not exceed the Cash Threshold;
  - (iv) indebtedness up to USD50mm to fund working capital, which shall rank *pari passu* with the New Secured Notes and may be secured by non-Core Assets (other than any ER Mining License), including cash collateral, *provided that* the aggregate amount of the cash collateral used to secure such indebtedness and the Guarantees as set forth in (iii) above shall not exceed the Cash Threshold; and

- (v) any shareholder loan from any shareholder of ER, *provided that* (x) such shareholder loan must be (A) junior and subordinated to the New Secured Notes or structurally subordinated thereto and (B) on terms not superior to the terms of any currently outstanding shareholder loan of ER and (y) no cash payments of interest shall be permitted on such shareholder loan while the New Secured Notes are outstanding

*provided, that*, no Permitted Indebtedness (other than Permitted Indebtedness incurred under clauses (iii) or (iv) above) shall (i) mature before the New Secured Notes; (ii) require any amortization payments before the maturity date of the New Secured Notes; (iii) have an all in cost (including cash interest, fees and/or premium) greater than the cost of the New Secured Notes; or (iv) otherwise be on terms more favorable to the relevant lender(s) than the terms of the New Secured Notes; and *provided further that* no Permitted Indebtedness incurred under clauses (iii) or (iv) may be used for Capex

- **“Permitted Expansion Debt”** means debt incurred by the ER Group in an aggregate amount of up to USD100mm that is incurred after the occurrence of an Expansion Trigger Event and the use of proceeds thereof is designated for the build out of the assets subject to the Expansion Transaction, the Operating Costs and/or the Finance Costs; such debt shall rank *pari passu* with the New Secured Notes and may be secured by assets financed by such debt
  - No Permitted Indebtedness may be guaranteed by a New Secured Note Guarantor (other than Energy Resources Rail LLC (Mongolia), Energy Resources Mining LLC (Mongolia), Transgobi LLC (Mongolia), Gobi Road LLC (Mongolia), Tavan Tolgoi Airport LLC (Mongolia))
  - An intercreditor agreement shall be entered into in connection with any Permitted Indebtedness to the extent necessary to preserve the seniority of the New Secured Notes
- The incurrence of indebtedness by any Group member outside Mongolia (and ERC if it is not deemed a member of the ER Group) will not be permitted other than:
  - Indebtedness described in clause (ii) of the definition of Permitted Indebtedness
  - Indebtedness incurred to fund investments (in the form of equity or convertible or non-convertible subordinated shareholder loans) in ERC or ER by MMC in connection with the Expansion Transaction
- Indebtedness of a Group member outside Mongolia may not be guaranteed by ER or any Mongolian New Secured Note Guarantor (other than indebtedness described in clause (ii) of the definition of Permitted Indebtedness that refinances the New Secured Notes in whole)

<p><b>Other Covenants</b></p>	<ul style="list-style-type: none"> <li>• In addition to the covenants described elsewhere in the Term Sheet, the ER Group and the New Secured Notes Guarantors will be subject to various other customary covenants, including, but not limited to: <ul style="list-style-type: none"> <li>– Limitations on restricted payments</li> <li>– Limitations on asset sales</li> <li>– Limitations on liens</li> <li>– Limitations on sale and leaseback transactions</li> <li>– Limitations on dividend and other payment restrictions effecting subsidiaries</li> <li>– Limitations on sales and issuances of capital stock of subsidiaries</li> <li>– Limitations on issuances of guarantees by restricted subsidiaries</li> <li>– Limitations on transactions with shareholders and affiliates</li> <li>– Limitations on consolidations and mergers and sale of all or substantially all of assets</li> </ul> </li> </ul>
<p><b>Optional Redemption</b></p>	<ul style="list-style-type: none"> <li>• ER has the option, subject to customary notice periods, to redeem any New Secured Notes, in whole or in part, at 100% of outstanding principal plus all accrued interest plus the amount of any Cash Sweep Premium that has not already been paid (the “<b>Early Redemption Amount</b>”)</li> </ul>
<p><b>Events of Default (“EoD”)</b></p>	<ul style="list-style-type: none"> <li>• Customary EoDs</li> <li>• Upon acceleration, the New Secured Notes will be due and payable at the Early Redemption Amount</li> </ul>
<p><b>Change of Control Put</b></p>	<ul style="list-style-type: none"> <li>• ER will make an offer to purchase the New Secured Notes at the Early Redemption Amount if <ul style="list-style-type: none"> <li>– any of the change of control events under the 2017 Notes occur,</li> <li>– MMC’s beneficial ownership of ER falls below 51% or</li> <li>– certain other events relating to MMC’s rights to a minimum level of ER net income or dividend stream to be agreed in definitive documents</li> </ul> </li> </ul>

<p><b>Cash Sweep Premium</b></p>	<ul style="list-style-type: none"> <li>• If, at the end of any semiannual fiscal period, there is ER Excess Cash, the ER Excess Cash will be paid to holders of the New Secured Notes as premium in accordance with the description of the DSRA above (“<b>Cash Sweep Premium</b>”) no later than 15 business days after the release of the ER and MMC financial statements in respect of such period (which shall be released concurrently)</li> <li>• ER may make voluntary payment of the Cash Sweep Premium at any time from available cash</li> <li>• Capped at an aggregate amount of USD75mm (the “<b>Cash Sweep Cap</b>”)</li> <li>• Cash Sweep Premium shall terminate upon redemption of the New Secured Notes</li> </ul>
<p><b>Trustee Appointment</b></p>	<ul style="list-style-type: none"> <li>• The initial paying agent will be based in Singapore</li> <li>• 50% plus one vote of the aggregate principal amount of the New Secured Notes will have the right to appoint and replace the bond trustee, subject to ER’s consent which shall not be unreasonably withheld</li> <li>• Notwithstanding the above, upon the occurrence of an Event of Default, consent of ER shall not be required if the paying agent will be located in Singapore or another tax efficient jurisdiction following replacement of the bond trustee</li> </ul>
<p><b>Amendments</b></p>	<ul style="list-style-type: none"> <li>• Amendment provisions customary to high-yield notes governed by New York law, <i>provided</i> that consent of 66<sup>2</sup>/<sub>3</sub>% plus one vote of the aggregate principal amount outstanding of the New Secured Notes shall be required to: <ul style="list-style-type: none"> <li>– sell Core Assets (other than the Power Plant or shares of United Power LLC) or sell or pledge any ER Mining License</li> <li>– amend the terms of the DSRA (other than dollar amounts in the definitions of Capex Costs, Capex Limit, Cash Threshold and clauses (iii) or (iv) of the definition of Permitted Indebtedness and the definition of Permitted Expansion Debt, amendment of each of which will require 50% plus one vote) or</li> <li>– release or amend collateral or guarantees in connection with an Expansion Transaction</li> </ul> </li> </ul>

## New Perpetual Notes

<b>Issuer</b>	<ul style="list-style-type: none"> <li>• MMC</li> </ul>
<b>Issuance Date</b>	<ul style="list-style-type: none"> <li>• The Exchange Date</li> </ul>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<b>New Principal Outstanding</b>	<ul style="list-style-type: none"> <li>• The principal amount at the Exchange Date will be USD150mm</li> <li>• To be issued to the Existing Offshore Creditors <i>pro rata</i> to their respective principal plus accrued interest of the Existing Offshore Debt as at the Exchange Date</li> </ul>
<b>Seniority</b>	<ul style="list-style-type: none"> <li>• Senior to common equity at MMC both in terms of rights of payment and liquidation preference</li> <li>• There will be no dividends or distributions directly or indirectly to common equity holders of MMC until the New Perpetual Notes are fully redeemed</li> </ul>
<b>Coupon Payment Dates</b>	<ul style="list-style-type: none"> <li>• Semiannually from the Reference Date</li> </ul>
<b>Coupon Rates</b>	<ul style="list-style-type: none"> <li>• In order to keep this as an equity accounted instrument for life, the coupon for the New Perpetual Notes will be cumulative, deferrable (PIK) from issue</li> <li>• The New Perpetual Notes shall have: <ul style="list-style-type: none"> <li>– 0% coupon at issuance</li> <li>– Stepping up to 5% 12 months after an Expansion Trigger Event; and then stepping up by an additional 1% each year thereafter, capped at a maximum coupon rate of 15%</li> <li>– Stepping up to 10% for the first coupon period beginning immediately after the New Secured Notes having been fully repaid (provided that this will not include a restructuring of the New Secured Notes); and then stepping up by an additional 1% each year thereafter, capped at a maximum coupon rate of 15%</li> </ul> </li> </ul>
<b>Redemption</b>	<ul style="list-style-type: none"> <li>• MMC shall have the option at every coupon payment date to partially or fully redeem the New Perpetual Notes at par plus accrued interest</li> </ul>

<b>Open Market Repurchase</b>	<ul style="list-style-type: none"> <li>• MMC will be permitted to make open market purchases of the New Perpetual Notes, subject to the following limitations: <ul style="list-style-type: none"> <li>– No purchases may be made from affiliates or related parties; and</li> <li>– All such purchases (including the amount purchased, price paid and confirmation that purchase is not from an affiliate or related party) must be publicly disclosed and verified by MMC’s auditor</li> </ul> </li> </ul>
<b>Cancellation of New Perpetual Notes</b>	<ul style="list-style-type: none"> <li>• Any New Perpetual Notes held by a member of the Group or any of its affiliates shall not be considered outstanding for voting purposes</li> <li>• Any New Perpetual Notes held by a member of the Group or any of its subsidiaries may not be reissued, resold or pledged shall be cancelled</li> </ul>
<b>Events of Default</b>	<ul style="list-style-type: none"> <li>• Customary EoDs for perpetual notes</li> </ul>

### **Debt-to-Equity Swap**

<b>Issuer</b>	<ul style="list-style-type: none"> <li>• MMC</li> </ul>
<b>New Shares</b>	<ul style="list-style-type: none"> <li>• New issuance of 1,029,176,778 shares of MMC representing in aggregate 10.0% of the total shares outstanding on a post-money basis at the Exchange Date</li> <li>• To be issued to the Existing Offshore Creditors <i>pro rata</i> to their respective principal plus accrued interest of the Existing Offshore Debt as at the Exchange Date</li> </ul>
<b>No Cash Proceeds</b>	<ul style="list-style-type: none"> <li>• The issuance of the shares will result in no cash proceeds to MMC as the consideration will be the equal to the aggregate principal plus accrued interest of the Existing Offshore Debt as at the Exchange Date less the principal amount of the New Secured Notes and the New Perpetual Notes as at the Exchange Date</li> </ul>

## Other Conditions

<b>Promissory Note Issued to QGX (“QGX PN”)</b>	<ul style="list-style-type: none"><li>• To be restructured with notional write-down<sup>4</sup></li><li>• Recovery quantum and type of non-debt instrument(s) to be discussed and agreed</li></ul>
<b>Onshore Facilities</b>	<ul style="list-style-type: none"><li>• Current onshore facilities with local Mongolian banks (the USD10mm loan and the USD40mm revolver) to be paid off by offsetting against current cash balances at those same institutions</li></ul>
<b>Expansion Transaction Parameters</b>	<ul style="list-style-type: none"><li>• The Expansion Transaction must be entered into by ER or ERC</li><li>• While the restructuring of the 2017 Notes and BNP/ICBC Loans is ongoing, MMC shall keep the Existing Offshore Creditors informed of developments relating to the Expansion Transaction (subject to compliance with any applicable confidentiality restrictions, in which case their advisors shall be kept so informed under existing NDAs)</li></ul>
<b>Tradability</b>	<ul style="list-style-type: none"><li>• The Group will procure that the New Secured Notes and the New Perpetual Notes shall all be eligible for settlement through Euroclear and Clearstream and listed on the Singapore Stock Exchange (or other agreed exchange)</li></ul>
<b>Expenses</b>	<ul style="list-style-type: none"><li>• MMC will pay all agreed costs of the restructuring by completion or as explicitly set forth in existing fee letters</li></ul>

### Disclaimer

- The terms set forth above are intended to be indicative only and subject to the execution of definitive legal documentation, that is in form and substance satisfactory to all parties. The terms are also subject, to the extent necessary, to shareholder and/or regulatory approvals. This Term Sheet does not create or evidence any legal rights or obligations whatsoever.
- This Term Sheet is nonbinding and does not represent a commitment by MMC or any Existing Offshore Creditor.
- This Term Sheet does not outline all of the terms, conditions and other provisions which would be contained in definitive documentation to implement a restructuring.
- The transactions contemplated require internal approvals of MMC and the Existing Offshore Creditors that have neither been sought nor obtained at this time.

<sup>4</sup> Additional New Perpetual Notes may be issued to QGX in respect of the QGX PN in an amount to be agreed.