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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Overview

We were incorporated in the Cayman Islands as an exempted company with limited liability on May 18, 2010. We operate our business through a subsidiary in Mongolia, namely, ER LLC. Through Mongolian Coal Corporation Limited, Mongolian Coal Corporation S.A. and Energy Resources Corporation LLC, each a direct or indirect wholly-owned subsidiary of the Company, we indirectly own 100% of ER LLC. For details of our corporate structure, please see "History, Reorganization and Corporate Structure – Corporate Structure" below.

Prior to the establishment of our Company on May 18, 2010, our business was operated by ER LLC in Mongolia.

In 1999, Mine Info LLC, a Mongolian exploration and mining consulting company, which was wholly-owned by Mr. Batsaikhan Danzanvanchig until August 16, 2007, was granted with two exploration licenses (licenses 1900X and 1901X) to conduct exploration activities in the Tavan Tolgoi area of Mongolia. In 2000, these two exploration licenses were transferred to Energoresources LLC, a Mongolian limited liability company established on August 30, 2000, which was owned as to 80% by Mr. Battur Baldan (a Mongolian businessman who was involved in the Tavan Tolgoi coal mine development project) and 20% by Mine Info LLC from August 30, 2000 to May 20, 2005 (the date on which Energoresources LLC was liquidated). The areas covered by these two exploration licenses (licenses 1900X and 1901X) were later split into six separate parts, of which Energoresources LLC retained three areas under licenses 1900X, 1901X and 1901-1X. The remaining three areas were returned to MRAM.

In 2002, Darkhankhaan Uul LLC, a Mongolian company wholly-owned by Mr. Batkhuyag Damdin, obtained three exploration licenses (licenses 5188X, 5189X and 5190X) covering the above-mentioned remaining three areas to conduct exploration activities in the Tavan Tolgoi area of Mongolia. Both Energoresources LLC and Darkhankhaan Uul LLC were primarily engaged in coal exploration and mine development in the Tavan Tolgoi area.

In 2005, the shareholders of Energoresources LLC approached the shareholder of Darkhankhaan Uul LLC with a proposal to set up a company for the purpose of holding all the exploration licenses. ER LLC was therefore established for such purpose on April 22, 2005 and was jointly owned by the shareholders of Energoresources LLC and the shareholder of Darkhankhaan Uul LLC. On May 2, 2005, the shareholders of Energoresources LLC and Darkhankhaan Uul LLC transferred all six of their exploration licenses to ER LLC with the aim of enhancing the attractiveness of the Tavan Tolgoi project and the opportunities for foreign investment. These six exploration licenses covered separate deposits in UHG, Tavan Tolgoi-1, Tavan Tolgoi, Bor Teeg-1, Shar Teeg and Bor Tolgoi. As there was no change in the ultimate ownership of the exploration licenses, no consideration was paid by ER LLC for the acquisition of the six exploration licenses, except for the subscription price for shares of ER LLC at par value by the shareholders of Energoresources LLC and Darkhankhaan Uul LLC. In 2006, these six exploration licenses were converted into mining licenses.

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On March 21, 2008, ER LLC entered into a minerals license transfer agreement ("Minerals License Transfer Agreement") with the Government of Mongolia, pursuant to which ER LLC agreed to transfer all of its mining licenses except for the one of the UHG deposit, to a state-owned enterprise at nil consideration. The transfer of such mining licenses was completed on May 28, 2008. For details of the circumstances leading to the transfer of the mining licenses and details of our UHG mining license, please see "Business – Our Location and License".

We are engaged in the mining, processing and manufacturing of coal products, and currently operate the UHG deposit and the relevant processing facilities through ER LLC and its subsidiaries. For details of our products and mining operations, please see "Business – Coal Products" and "Business – Mining Operations".

### **Our Corporate History**

We operate a Mongolian subsidiary, namely ER LLC, our indirect wholly-owned subsidiary, which is held through several holding companies. For details of our corporate structure, please see "History, Reorganization and Corporate Structure – Corporate Structure" below.

#### ***ER LLC***

Prior to the establishment of our Company on May 18, 2010, our business was operated by ER LLC, a company incorporated in Mongolia on April 22, 2005 with a total capital of MNT1,000,000, divided into 1,000 shares with a par value of MNT1,000 each on the date of incorporation. On the same day, Mr. Battur Baldan became the sole legal and beneficial owner of ER LLC holding 1,000 shares in total.

On May 4, 2005, ER LLC issued shares to the shareholders of Energoresources LLC and Darkhankhaan Uul LLC. As such, 2,500, 2,000 and 3,500 new shares, representing approximately 25%, 20% and 35% of the then enlarged issued share capital, were issued to Mr. Battur Baldan, Mine Info LLC and Mr. Batkhuyag Damdin, respectively. A further 1,000 new shares, representing 10% of the then enlarged issued share capital, were issued to Mr. Tsogt Togoo, the then executive director of Energoresources LLC and ER LLC for a nominal consideration of MNT1,000 per share. After such issuance of new shares, ER LLC was owned as to approximately 35%, 35%, 20% and 10% by Mr. Battur Baldan, Mr. Batkhuyag Damdin, Mine Info LLC and Mr. Tsogt Togoo, respectively.

On March 20, 2007, Mr. Tsogt Togoo transferred his shares in ER LLC to Vector International LLC. After the said transfer, ER LLC was owned as to approximately 35%, 35%, 20% and 10% by Mr. Battur Baldan, Mr. Batkhuyag Damdin, Mine Info LLC and Vector International LLC, respectively.

On April 14, 2007, ER LLC issued an additional 1,112 new shares, representing approximately 10% of the then enlarged issued share capital, to ERI, for a nominal consideration of MNT1,000 per share. After such issuance of new shares, ER LLC was owned

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as to approximately 31.5%, 31.5%, 18.0%, 9.0% and 10.0% by Mr. Battur Baldan, Mr. Batkhuyag Damdin, Mine Info LLC, Vector International LLC and ERI, respectively. The then shareholders of ERI were MCS Holding (approximately 10.0%), Petrovis LLC (approximately 4.0%), Shunkhlai Group LLC (approximately 5.0%), Altai Holding LLC (approximately 15.0%), Khasvuu LLC (approximately 4.0%), Tengeriin Tsag LLC (approximately 4.0%), Vector International LLC (approximately 10.0%), MSB LLC (approximately 10.0%), Mine Info LLC (approximately 7.5%), UBG LLC (approximately 4.0%), Tugsan LLC (approximately 4.0%), Eastzone LLC (approximately 7.5%) and Gerelttulga LLC (approximately 15.0%).

On June 27, 2007, Mr. Batkhuyag Damdin's shares in ER LLC were transferred to Ms. Altansuvd B. After the said transfer, ER LLC was owned as to approximately 31.5%, 31.5%, 18.0%, 9.0% and 10.0% by Mr. Battur Baldan, Ms. Altansuvd B, Mine Info LLC, Vector International LLC and ERI, respectively.

On June 29, 2007, Ms. Altansuvd B transferred her shares to Mr. Batnasan B. After the said transfer, ER LLC was owned as to approximately 31.5%, 31.5%, 18.0%, 9.0% and 10.0% by Mr. Battur Baldan, Mr. Batnasan B, Mine Info LLC, Vector International LLC and ERI, respectively.

On June 30, 2007, ER LLC issued an additional 3,334 new shares to ERI and MCS Holding for a nominal consideration of MNT1,000 per share, of which 334 shares, representing approximately 2.3% of the then enlarged issued share capital, were issued to ERI and 3,000 shares, representing approximately 20.8% of the then enlarged issued share capital, were issued to MCS Holding. After such issuance of new shares, ER LLC was owned as to approximately 24.2%, 24.2%, 13.9%, 7.0%, 10.0% and 20.8% by Mr. Battur Baldan, Mr. Batnasan B, Mine Info LLC, Vector International LLC, ERI and MCS Holding, respectively. Together with its approximately 1.0% shareholding interest held through ERI, MCS Holding's shareholding interest in ER LLC was increased to approximately 21.8%.

On December 28, 2007, Mine Info LLC (which was wholly-owned by Mine Info Holding LLC at that time) and Vector International LLC transferred their respective shares (3,000 shares in total, representing approximately 20.8% of the then issued share capital) in ER LLC to MCS Holding. After the said transfers, ER LLC was owned as to approximately 24.2%, 24.2%, 10.0% and 41.5% by Mr. Battur Baldan, Mr. Batnasan B, ERI and MCS Holding, respectively. Together with its approximately 3.6% shareholding interest held through ERI, MCS Holding's shareholding interest in ER LLC was increased to approximately 45.1%.

On January 21, 2008, Mr. Batnasan B transferred 156 of his shares, representing approximately 1.1% of the then issued share capital in ER LLC, to Petrovis LLC. After the said transfer, ER LLC was owned as to approximately 24.2%, 23.2%, 10.0%, 41.5% and 1.1% by Mr. Battur Baldan, Mr. Batnasan B, ERI, MCS Holding and Petrovis LLC, respectively.

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ERI became the sole legal and beneficial owner of ER LLC on January 25, 2008 by purchasing the shares of the other shareholders. On the same day, the par value of the shares of ER LLC was re-evaluated to US\$1.75 per share. After the re-evaluation of the shares, the total number of issued shares was 14,446.

On January 29, 2008, ER LLC issued 4,085,754 new shares, representing approximately 99.7% of the then enlarged issued share capital, to ERI.

On January 30, 2008, the shareholders of ERI resolved to merge ERI with ER LLC pursuant to which the business activities of ERI were to be terminated and ER LLC was to acquire all the rights and duties of ERI.

On March 3, 2008, the merger of ERI and ER LLC was completed. As such, the then existing shareholders of ERI became the immediate direct shareholders of ER LLC with MCS Holding, Petrovis LLC, Shunkhlai Group LLC, Tengeriin Tsag LLC (a Mongolian limited liability company established on July 2, 1997, which was wholly-owned by Mr. Ochirbat Punsalmaa) and Monnis Mining LLC (a Mongolian mining company established on November 21, 2006, which was then a wholly-owned subsidiary of Monnis International Inc.) holding 1,875,970 shares (approximately 45.8%), 724,550 shares (approximately 17.7%), 263,755 shares (approximately 6.4%), 943,165 shares (approximately 23.0%) and 292,760 shares (approximately 7.1%), respectively. Economic & Legal Consultancy LLC, our legal advisors as to Mongolian law, confirms that the termination of ERI was duly completed on August 5, 2008 and in compliance with the applicable laws and regulations in Mongolia. Prior to the merger of ERI and ER LLC, the assets of ERI comprised investments in ER LLC and cash deposits. The liabilities of ERI comprised payables to the other shareholders of ERI. The merger of ERI and ER LLC has not resulted in any contingent liabilities to the Group.

On May 22, 2008, ER LLC increased the par value of its share to US\$2 each and issued an additional 3,344,975 shares, representing approximately 44.9% of the then enlarged issued share capital, proportionally to its then existing shareholders. After such issuance of new shares, ER LLC was owned as to approximately 45.8%, 17.7%, 6.4%, 23.0% and 7.1% by MCS Holding, Petrovis LLC, Shunkhlai Group LLC, Tengeriin Tsag LLC and Monnis Mining LLC, respectively.

On September 30, 2008, Tengeriin Tsag LLC transferred all its shares in ER LLC to Monnis Mining LLC. After the said transfer, ER LLC was owned as to approximately 45.8%, 17.7%, 6.4% and 30.2% by MCS Holding, Petrovis LLC, Shunkhlai Group LLC and Monnis Mining LLC, respectively.

On December 1, 2008, ER LLC issued 2,287,372, 883,455, 321,388 and 1,507,785 shares, representing approximately 18.4%, 7.1%, 2.6% and 12.1% of the then enlarged issued share capital, to MCS Holding, Petrovis LLC, Shunkhlai Group LLC and Monnis Mining LLC, respectively. After such issuance of new shares, ER LLC was owned as to approximately 45.8%, 17.7%, 6.4% and 30.2% by MCS Holding, Petrovis LLC, Shunkhlai Group LLC and Monnis Mining LLC, respectively.

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On January 26, 2009, Monnis Mining LLC transferred all of its shares in ER LLC to its then sole shareholder, Tengeriin Tsag Group LLC, by way of a share swap. Tengeriin Tsag Group LLC is a Mongolian trading company which also implements mining projects and was established on September 2, 2008. After the said transfer, ER LLC was owned as to approximately 45.8%, 17.7%, 6.4% and 30.2% by MCS Holding, Petrovis LLC, Shunkhlai Group LLC and Tengeriin Tsag Group LLC, respectively.

Pursuant to a joint venture agreement entered into between Kerry and MCS Holding on February 19, 2009, MCS Holding transferred all of its shares in ER LLC to its indirect subsidiary, MCS Mining LLC at a consideration of US\$25,000,000, which was similar to the acquisition cost of such shares paid by MCS Holding; and Shunkhlai Group LLC transferred all of its shares in ER LLC to one of its subsidiaries, Shunkhlai Mining LLC at a consideration of MNT1,855,426,200 which was calculated based on the then par value of shares of ER LLC. On the same day, Petrovis LLC transferred 354,687 of its shares, representing approximately 2.9% of the then issued share capital, to Tengeriin Tsag Group LLC at a consideration of US\$1,000,000 which was determined on normal commercial terms. After the said transfers, ER LLC was owned as to approximately 45.8%, 14.8%, 6.4% and 33.0% by MCS Mining LLC, Petrovis LLC, Shunkhlai Mining LLC and Tengeriin Tsag Group LLC, respectively.

In March 2009, Kerry became a beneficial owner of ER LLC when it acquired an approximately 23.0% indirect shareholding interest in MCS Mining LLC, which held 5,693,668 shares (approximately 45.8%) in ER LLC and an approximately 0.01% shareholding interest in Gobi Investment Limited, an indirect shareholder of ER LLC.

On March 19, 2009, Ancora Investments No. 2 Limited became a beneficial owner of ER LLC when it acquired an approximately 24.2% indirect shareholding interest in Tengeriin Tsag Group LLC, which held 4,106,907 shares (approximately 33.0%) in ER LLC.

Pursuant to shareholders' resolutions dated February 20, 2009, ER LLC issued to EBRD 655,010 new shares, representing approximately 5.0% of the then enlarged issued share capital. The subscription agreement was signed on February 24, 2009 and the registration of EBRD as a shareholder of ER LLC with the State Registration Office was made on March 26, 2009. In connection with EBRD's investment, ER LLC and all the then existing shareholders of ER LLC entered into a shareholders agreement on February 24, 2009, which granted EBRD veto rights over certain corporate actions, pre-emptive rights for issuances of shares, a put right to all the then existing shareholders, a board seat on ER LLC's board for so long as EBRD holds shares of ER LLC and imposed transfer restrictions on transfers of the shares of ER LLC. Upon completion of the Reorganization, the shareholders agreement was terminated. As of the Latest Practicable Date, EBRD has exercised none of its rights under the shareholders agreement. After such issuance of new shares, ER LLC was owned as to approximately 5.0%, 43.5%, 14.1%, 6.1% and 31.4% by EBRD, MCS Mining LLC, Petrovis LLC, Shunkhlai Mining LLC and Tengeriin Tsag Group LLC, respectively.

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On March 26, 2009, MCS Holding acquired an approximately 75.8% indirect shareholding interest in Tengeriin Tsag Group LLC. Together with its approximately 33.5% shareholding interest held through MCS Mining LLC, MCS Holding's indirect interest in ER LLC was increased to approximately 57.2%. The aggregate consideration paid by MCS Holding for its approximately 57.2% interests in ER LLC amounted to approximately US\$78,000,000.

On August 19, 2009, MCS Holding, an indirect shareholder of Tengeriin Tsag Group LLC, decided to hold shares in ER LLC directly. As such, Tengeriin Tsag Group LLC swapped 298,709 of its shares, representing approximately 2.3% of the then issued share capital of ER LLC with MCS Holding's interests in Tengeriin Tsag Group LLC.

As of August 19, 2009, ER LLC was owned as to approximately 43.5%, 14.1%, 6.1%, 5.0%, 2.3% and 29.1% by MCS Mining LLC, Petrovis LLC, Shunkhlai Mining LLC, EBRD, MCS Holding and Tengeriin Tsag Group LLC, respectively.

On September 14, 2010, MCS Mining LLC, Petrovis LLC, Shunkhlai Mining LLC, EBRD, MCS Holding, Tengeriin Tsag Group LLC, Energy Resources Corporation LLC and our Company entered into a share swap agreement, pursuant to which each of MCS Mining LLC, Petrovis LLC, Shunkhlai Mining LLC, EBRD, MCS Holding and Tengeriin Tsag Group LLC transferred its respective shares in ER LLC to Energy Resources Corporation LLC, in consideration of which our Company allotted and issued, credited as fully paid, 1,715,999,999, 423,000,000, 183,000,000, 150,000,000, 300,000,000 and 228,000,000 Shares to MCS Mining Group Limited, Petrovis Resources Inc., Shunkhlai Mining, EBRD, Kerry Mining (UHG) Limited and Ancora Investments No. 2 Limited, respectively.

Save as disclosed above, there are no relationships between the Group's past shareholders, the Group's current shareholders and any connected persons of the Group.

### *The subsidiaries of ER LLC*

#### *Energy Resources Rail LLC*

The Government of Mongolia issued a resolution granting ER LLC a license to build a railway base infrastructure between UHG and GS for a three year term from January 19, 2009, based on Resolution 252 of the Government of Mongolia dated June 18, 2008.

Energy Resources Rail LLC was incorporated in Mongolia on July 1, 2008 with a total capital of MNT1,000,000 divided into 1,000 shares with a par value of MNT1,000 each. ER LLC became the sole legal and beneficial owner of Energy Resources Rail LLC since July 1, 2008. On February 18, 2009 and February 23, 2010, Energy Resources Rail LLC issued 1,999,000 new shares, representing more than 99.9% of the then enlarged issued share capital, and 8,700,000 new shares, representing approximately 81.3% of the then enlarged issued share capital, to ER LLC, respectively.

Energy Resources Rail LLC is responsible for the implementation of the construction of the railway base infrastructure.

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### *Energy Resources Mining LLC*

Energy Resources Mining LLC was incorporated in Mongolia on December 23, 2008 with a total capital of US\$1,000 divided into 1,000 shares with a par value of US\$1 each. ER LLC became the sole legal and beneficial owner of Energy Resources Mining LLC on December 23, 2008 and has held 1,000 shares in total since then.

Energy Resources Mining LLC is responsible for the mining and technical operations of the UHG deposit.

### *Enreotechnology LLC*

Enreotechnology LLC was incorporated in Mongolia on June 25, 2009 with a total capital of MNT1,000,000 divided into 1,000 shares with a par value of MNT1,000 each. Energy Resources Mining LLC and Khangad Exploration LLC each held a 50% shareholding interest on the date of incorporation. Khangad Exploration LLC is an indirect wholly-owned subsidiary of Quincunx (BVI) Ltd ("QGX"), which is effectively owned as to approximately 90% by Kerry, 4.9% by MCS Holding and 5.1% by Mr. Odjargal Jambaljamts. On December 24, 2009, Energy Resources Mining LLC acquired from Khangad Exploration LLC all of its interests in Enreotechnology LLC and became the sole legal and beneficial owner of Enreotechnology LLC. On May 3, 2010, Enreotechnology LLC issued 3,465,163 new shares, representing more than 99.9% of the then enlarged issued share capital, to Energy Resources Mining LLC. Enreotechnology LLC is an indirect wholly-owned subsidiary of ER LLC.

Enreotechnology LLC is responsible for owning and operating of the coal handling and washing plant of the UHG deposit.

### *Ukhaa Khudag Water Supply LLC*

Ukhaa Khudag Water Supply LLC was incorporated in Mongolia under the name United Water LLC on June 24, 2009 with a total capital of MNT1,000,000 divided into 1,000 shares with a par value of MNT1,000 each. Energy Resources Mining LLC and Khangad Exploration LLC each held a 50% shareholding interest on the date of incorporation. On December 25, 2009, the company's name was changed to Ukhaa Khudag Water Supply LLC and Energy Resources Mining LLC acquired from Khangad Exploration LLC all of its interests in Ukhaa Khudag Water Supply LLC and became the sole legal and beneficial owner of Ukhaa Khudag Water Supply LLC. Ukhaa Khudag Water Supply LLC is an indirect wholly-owned subsidiary of ER LLC.

Ukhaa Khudag Water Supply LLC is responsible for the water exploration and supply of the UHG deposit.

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### *United Power LLC*

United Power LLC was incorporated in Mongolia on June 24, 2009 with a total capital of MNT1,000,000 divided into 1,000 shares with a par value of MNT1,000 each. Energy Resources Mining LLC and Khangad Exploration LLC each held a 50% shareholding interest on the date of incorporation. On December 25, 2009, Energy Resources Mining LLC acquired from Khangad Exploration LLC all of its interests in United Power LLC and became the sole legal and beneficial owner of United Power LLC. On May 3, 2010, United Power LLC issued 3,024,219 new shares, representing more than 99.9% of the then enlarged issued share capital, to Energy Resources Mining LLC. United Power LLC is an indirect wholly-owned subsidiary of ER LLC.

United Power LLC is responsible for the construction and operation of the power plant.

### *Transgobi LLC*

Transgobi LLC was incorporated in Mongolia and registered with the registration office of the city of Ulaanbaatar on September 1, 2008 with a total capital of MNT1,000,000 divided into 1,000 shares with a par value of MNT1,000 each. ER LLC became the sole legal and beneficial owner of Transgobi LLC since September 1, 2008. On February 24, 2009, Transgobi LLC issued 9,121,641 new shares, representing more than 99.9% of the then enlarged issued share capital, to ER LLC. On June 30, 2009, Transgobi LLC was re-registered with the aimag-level registration authority in Umnugobi. The issuance of 9,121,641 new shares, representing more than 99.9% of the then enlarged issued share capital, to ER LLC on February 24, 2009 was re-registered with the aimag-level registration authority in Umnugobi on September 3, 2009.

Transgobi LLC is responsible for the coal transportation of the UHG deposit.

### *Tavan Tolgoi Airport LLC*

Tavan Tolgoi Airport LLC was incorporated in Mongolia on October 7, 2009 with a total capital of MNT1,000,000 divided into 1,000 shares with a par value of MNT1,000 each. ER LLC became the sole legal and beneficial owner of Tavan Tolgoi Airport LLC on October 7, 2009. On March 31, 2010, Tavan Tolgoi Airport LLC issued 3,474,379 new shares, representing more than 99.9% of the then enlarged issued share capital, to ER LLC.

Tavan Tolgoi Airport LLC is responsible for the operation and management of the airport in Tsogtetsii soum serving the miners' camp with several Mongolian commercial airlines.

### *Energy Resources Road LLC*

Energy Resources Road LLC was incorporated in Mongolia on April 21, 2010 with a total capital of MNT1,000,000 divided into 1,000 shares with a par value of MNT1,000 each. ER LLC became the sole legal and beneficial owner of Energy Resources Road LLC on April 21, 2010 and has held 1,000 shares in total since then.



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Energy Resources Road LLC is responsible for the coal transportation and road construction.

### *Gobi Road LLC*

Gobi Road LLC was incorporated in Mongolia on March 24, 2010 with a total capital of MNT1,000,000 divided into 1,000 shares with a par value of MNT1,000 each. ER LLC was the sole legal and beneficial owner of Gobi Road LLC on the date of incorporation. On May 12, 2010, Energy Resources Road LLC acquired from ER LLC all of its interests in Gobi Road LLC and became the sole legal and beneficial owner of Gobi Road LLC. Gobi Road LLC is an indirect wholly-owned subsidiary of ER LLC.

Gobi Road LLC is responsible for the construction of a new road for transportation of coal extracted from the UHG deposit.

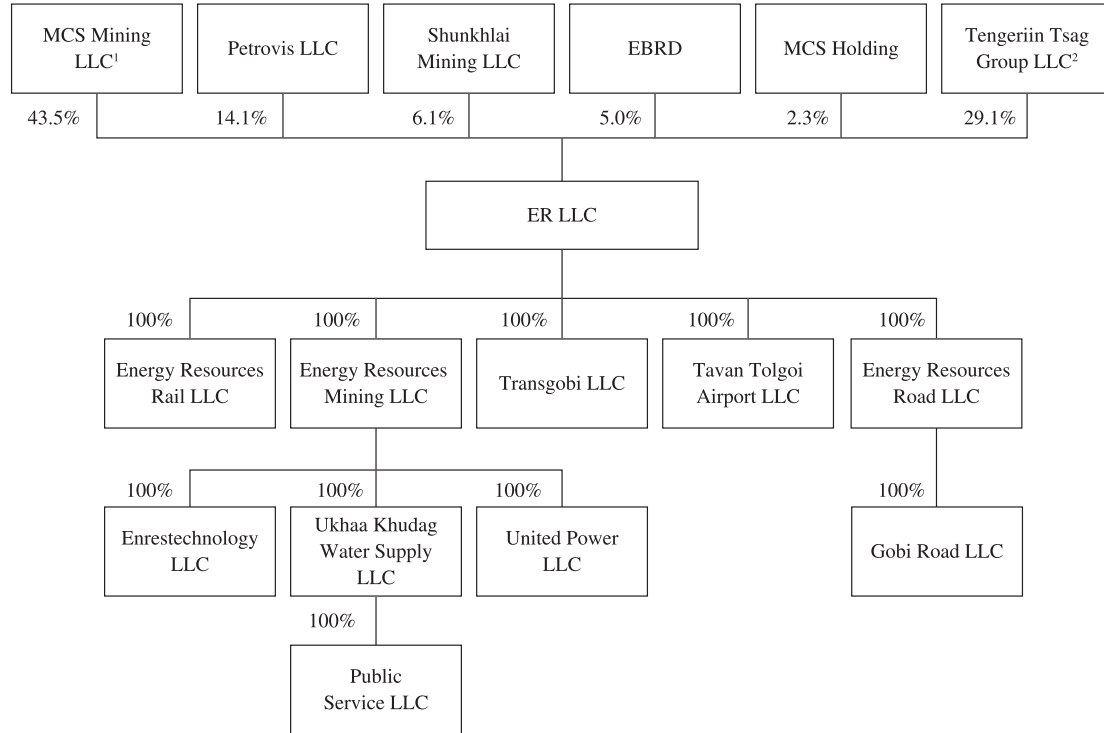
### *Public Service LLC*

Public Service LLC was incorporated in Mongolia on August 19, 2009 with a total capital of MNT1,000,000 divided into 1,000 shares with a par value of MNT1,000 each. Khot Service LLC was the sole legal and beneficial owner of Public Service LLC on the date of incorporation. On January 15, 2010, Public Service LLC issued 19,000 new shares, representing 95% of the then enlarged issued share capital, to Khot Service LLC. On July 1, 2010, ER LLC acquired from Khot Service LLC, a company owned as to 75% by Mr. Odgerel Ts. and 25% by Mr. Baasandorj Tsogoo, the executive director of Ukhaa Khudag Water Supply LLC, all of its interests in Public Service LLC and became the sole legal and beneficial owner of Public Service LLC. Pursuant to a board resolution dated July 23, 2010, the board of directors of ER LLC resolved to reorganize Public Service LLC as a wholly-owned subsidiary of Ukhaa Khudag Water Supply LLC. The registration of Ukhaa Khudag Water Supply LLC as the sole shareholder of Public Service LLC with the State Registration Office was made on August 13, 2010. Public Service LLC is an indirect wholly-owned subsidiary of ER LLC.

Public Service LLC is responsible for holding a special permit required for provision of public utility services at the UHG deposit.

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Our corporate structure immediately before the Reorganization was as follows:



Note:

1. The entire issued share capital of MCS Mining LLC is owned by Mongolian Coking Coal Corporation Pte. Ltd. which is in turn owned as to approximately 23.0% by Kerry and 77.0% by MCS Holding.
2. The entire issued share capital of Tengeriin Tsag Group LLC is owned by Richfield Global Pte. (with approximately 7.3% of Tengeriin Tsag Group LLC's shares being held as treasury stock). The entire issued share capital of Richfield Global Pte. is owned by Wickenburg Ventures Ltd. which is in turn owned as to approximately 26.1% by Ancora Investments No.2 Limited and 73.9% by Gobi Investment Limited. Gobi Investment Limited is more than 99.9% owned by MCS Group Limited and the rest of its shares being owned by Kerry. MCS Group Limited is a wholly-owned subsidiary of MCS Holding.

### Reorganization

The Reorganization involved the incorporation of our Company, Mongolian Coal Corporation Limited, Mongolian Coal Corporation S.A. and Energy Resources Corporation LLC, and acquisition of the entire issued share capital of ER LLC by Energy Resources Corporation LLC, pursuant to which ER LLC will become an indirect wholly-owned subsidiary of our Company through Mongolian Coal Corporation Limited, Mongolian Coal Corporation S.A. and Energy Resources Corporation LLC. The rationale for the organizational structure of the Group, including the use of Mongolian Coal Corporation S.A. and Mongolian Coal Corporation Limited as intermediate holding companies, is to enhance the tax efficiency of the Group in relation to dividend income and capital gains. According to the Double Tax Agreement between Luxembourg and Mongolia (the “DTA”), the withholding tax (the “WHT”) imposed on the distribution of dividends by a Mongolian subsidiary may be reduced from 20% to nil in Mongolia. At present, there is no WHT on the distribution of dividends from

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Luxembourg to Hong Kong. In addition, upon a future sale of shares in the Mongolian subsidiary, the taxing right on any capital gains arising from such sale may be allocated to Luxembourg and therefore, the gains may not be taxable in Luxembourg provided that certain conditions are satisfied. Whereas, in the absence of the DTA, the capital gains derived by a non-resident company will generally be taxed at a rate of 20% in Mongolia.

The Directors believe that ER LLC will have the power to govern the Group's financial and operating policies after the Reorganization such that it should be treated as the acquirer in preparing the Group's financial information as it indirectly owns all of the Group's onshore assets both prior to and immediately after the Reorganization.

On May 18, 2010, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorized share capital of US\$50,000 divided into 5,000,000 Shares of a nominal value of US\$0.01 each. Codan Trust Company (Cayman) Limited was the initial subscriber for one Share in our Company. On May 18, 2010, the initial subscriber transferred its Share to MCS Mining Group Limited.

On June 11, 2010, Mongolian Coal Corporation Limited was incorporated in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of a par value of HK\$1.00 each. One share of a par value of HK\$1.00 was issued to our Company on June 11, 2010 and our Company became the sole legal and beneficial owner of Mongolian Coal Corporation Limited on June 11, 2010.

On July 20, 2010, Mongolian Coal Corporation S.A. was incorporated in Luxembourg with an authorized share capital of €31,000 divided into 3,100 shares of a par value of €10 each. 3,100 shares of a par value of €10 each was issued to Mongolian Coal Corporation Limited on July 20, 2010 and Mongolian Coal Corporation Limited became the sole shareholder of Mongolian Coal Corporation S.A. on July 20, 2010.

On August 20, 2010, Energy Resources Corporation LLC was incorporated in Mongolia with a total capital of US\$100,000 divided into 100,000 shares with a par value of US\$1 each. Mongolian Coal Corporation S.A. became the sole legal and beneficial owner of Energy Resources Corporation LLC on August 20, 2010.

On September 14, 2010, MCS Mining LLC, Petrovis LLC, Shunkhlai Mining LLC, EBRD, MCS Holding, Tengeriin Tsag Group LLC, Energy Resources Corporation LLC and our Company entered into a share swap agreement, pursuant to which each of MCS Mining LLC, Petrovis LLC, Shunkhlai Mining LLC, EBRD, MCS Holding and Tengeriin Tsag Group LLC transferred its respective shares in ER LLC to Energy Resources Corporation LLC, in consideration of which our Company allotted and issued, credited as fully paid, 1,715,999,999, 423,000,000, 183,000,000, 150,000,000, 300,000,000 and 228,000,000 Shares to MCS Mining Group Limited, Petrovis Resources Inc., Shunkhlai Mining, EBRD, Kerry Mining (UHG) Limited and Ancora Investments No. 2 Limited, respectively. Upon completion of the said allotment and issue, our Company was owned as to approximately 57.2%, 14.1%, 6.1%, 5.0%, 10.0% and 7.6% by MCS Mining Group Limited, Petrovis Resources Inc., Shunkhlai Mining, EBRD, Kerry Mining (UHG) Limited and Ancora Investments No. 2 Limited, respectively.

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Our Mongolian counsel, Economic & Legal Consultancy LLC, has confirmed that we have complied with all the relevant rules and regulations during the three years ended December 31, 2009 and the four months ended April 30, 2010 and up to the Latest Practicable Date and have obtained all necessary permits, certificates and licenses for our operations in all jurisdictions in which we operate. The Controlling Shareholders have confirmed that they have also complied with the relevant laws and regulations in respect of the Reorganization.

### **Our Current Shareholders**

Following the Reorganization, our Shareholders will be MCS Mining Group Limited, Petrovis Resources Inc., Shunkhlai Mining, EBRD, Kerry Mining (UHG) Limited and Ancora Investments No.2 Limited. The background of each of our Shareholders is as follows:

#### ***MCS Mining Group Limited***

MCS Mining Group Limited is a member of the MCS Group. It is an indirect wholly-owned subsidiary of MCS Holding. Apart from the approximately 9.5% of MCS Holding's shares that are held by itself as treasury stock, the shareholders of MCS Holding are Mr. Odjargal Jambaljamts (approximately 46.9%), Mr. Od Jambaljamts (the brother of Mr. Odjargal Jambaljamts) (approximately 27.0%), Mr. Enkhtuvshin Dashtseren (approximately 2.0%), Ms. Enkhtsetseg Damdinsuren (approximately 7.2%), Mr. Enkh-Amgalan Luvsantseren (approximately 3.0%), Mr. Eldev-Ochir Lkhagvaa (approximately 3.0%), Ms. Otgonchimeg Bazarragchaa (approximately 0.5%), Mr. Gankhuyag Adilbish (approximately 0.4%) and Ms. Chimgee Ochirvaani (approximately 0.5%).

MCS Co. Limited, the predecessor of the MCS Group, was founded in 1993 as the first Mongolian private consulting company in the energy sector. Since its establishment, the MCS Group has expanded its business operations in a diversity of fields such as energy and infrastructure, information and communication technology, beverage manufacturing and distribution, wholesale and retail, property development and construction.

The in-house research team of MCS Group began analyzing the coking coal market in anticipation of developing the Tavan Tolgoi deposit in Mongolia. Coking coal consumption projections were developed which demonstrated a continued demand for coking coal products. The UHG mine is located close to Mongolian border with China – one of the world's largest coking coal consuming nations. As such, MCS Group was of the view that ER LLC would be well positioned to sell its product to China and could be expected to benefit from China's increasing consumption demand. In addition, the long term financial projections developed by MCS Group showed that its investment in ER LLC would be a value adding, long term solid investment for MCS Group. MCS Holding became a beneficial owner of ER LLC on April 14, 2007 through its shareholding interest in ERI when ER LLC issued 1,112 shares to ERI.

#### ***Petrovis Resources Inc.***

Petrovis Resources Inc. is an indirect, wholly-owned subsidiary of Petrovis LLC.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Petrovis LLC was founded in 1997 and has become one of the largest petroleum companies in Mongolia. It is owned as to 33.4% by Dr. Oyungerel Janchiv, 33.3% by Mr. Davaanyam Choindon and 33.3% by Mongol Contract LLC, which in turn is a wholly-owned company of Ms. Tuya Danzandarjaa. Petrovis LLC's primary business activities are the importation, storage, marketing and distribution of petroleum products in Mongolia. Petrovis LLC has a presence throughout Mongolia through its nationwide network of petroleum storage depots and retail distribution gas stations.

In 2003, Petrovis LLC began looking to diversifying its business through upstream investment in oil exploration projects and other projects in the energy sector, including the Tavan Tolgoi coal deposit. Due to the strategic importance of the mining and mineral sector of Mongolia, the largest national companies decided to establish a joint company to invest in mineral resources exploration, mining, production and processing. ERI was established on August 26, 2006 with Petrovis LLC being one of the shareholders. Based on the study of potential investee companies, ERI decided to invest into ER LLC. On April 14, 2007, Petrovis LLC became a beneficial owner of ER LLC through its shareholding in ERI when ER LLC issued 1,112 shares to ERI. Petrovis LLC and Shunkhlai Group LLC operate a joint venture project in the wholesale and retail sales of gasoline.

### *Shunkhlai Mining*

Shunkhlai Mining is an indirect wholly-owned subsidiary of Shunkhlai Group LLC, established for the purpose of mining operations. Shunkhlai Group LLC is owned as to 50% by Mr. Batkhoo Gavaa and 50% by Mr. Batsaikhan Purev. Mr. Batkhoo Gavaa is the brother of Mr. Batsaikhan Purev.

Shunkhlai Group LLC was one of the first private companies of Mongolia. Since its establishment in 1993, it was led by two well-known Mongolian entrepreneurs, Mr. Batkhoo Gavaa and Mr. Batsaikhan Purev. Shunkhlai Group LLC has grown into one of the largest petroleum companies in Mongolia, engaging in the importation, storage and distribution, both wholesale and retail, of petroleum products. Mr. Batsaikhan Purev currently heads the company. Due to the strategic importance of the mining and mineral sector of Mongolia, the largest national companies decided to establish a joint company to invest in mineral resources exploration, mining, production and processing. ERI was established on August 26, 2006 with Shunkhlai Group LLC being one of the shareholders. Based on the study of potential investee companies, ERI decided to invest into ER LLC. On April 14, 2007, Shunkhlai Group LLC became a beneficial owner of ER LLC through its shareholding in ERI when ER LLC issued 1,112 shares to ERI. Petrovis LLC and Shunkhlai Group LLC operate a joint venture project in the wholesale and retail sales of gasoline.

### *EBRD*

EBRD is an international financial institution formed by an international treaty, that supports projects in 29 countries in central and eastern Europe and central Asia. EBRD is the largest single investor in the region investing primarily in private sector enterprises. It promotes entrepreneurship and fosters sustainable private sector development. It provides project financing to the financial and industrial sectors, including both new ventures and existing companies.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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EBRD began investing in Mongolia in October 2006 and has made provision of finance to the mining and mining services sector a priority. Pursuant to a shareholders' resolutions dated February 20, 2009, ER LLC issued to EBRD 655,010 shares, representing approximately 5.0% of the then enlarged issued share capital. The subscription agreement was signed on February 24, 2009 and the registration of EBRD as a shareholder of ER LLC with the State Registration Office was made on March 26, 2009. Since EBRD's investment, EBRD has helped ER LLC in establishing itself as a growing domestic private mining company, introducing best-practice mine management into Mongolia, and has helped ER LLC in operating in accordance with high environmental standards.

### *Kerry Mining (UHG) Limited*

Kerry Mining (UHG) Limited is a wholly-owned subsidiary of Kerry and a member of the Kuok Group of companies which has diversified businesses throughout the Asia Pacific region in commodities trading, vegetable oil, sugar, property development, hotel ownership and management, logistics, plantations, media, entertainment and leisure facilities. Kerry became interested in ER LLC in March 2009 through its indirect interests in MCS Mining LLC, one of the shareholders of ER LLC at that time.

Kerry and MCS Group operate several joint venture projects in mining and exploration. Kerry's investment in the Group is one of those joint venture projects.

### *Ancora Investments No. 2 Limited*

Ancora Investments No. 2 Limited was formed by the principals of the Ancora Capital private equity funds which specializes in investing in the natural resources sector. The principals have broad experience in managing private equity funds and working in investment banks and energy companies specializing in mergers, acquisitions and financings in the mining industry. Ancora Investments No. 2 Limited is owned as to approximately 20.8% by Ancora Investments HK Ltd. and approximately 79.2% by Casafina Offshore Limited. The owners of Ancora Investments HK Ltd. are Mr. Ivor Orchard (approximately 52.6%), Mr. Jason Cheng (approximately 45.9%) and Mr. Gar Lon Liu (approximately 1.5%). Casafina Offshore Limited is owned as to approximately 33.3% by Grayden Development Ltd and approximately 66.7% by Clear Bearings Limited. Grayden Development Ltd is a wholly-owned subsidiary of Clear Bearings Limited which is a wholly-owned subsidiary of Sharecorp Limited. Sharecorp Limited is the nominee of Mr. Gita Irawan Wirjawan.

The founder of Ancora Capital, in his investment banking capacity, advised various parties regarding their strategic options with respect to the Tavan Tolgoi coal deposit in South Gobi, Mongolia and became acquainted with the Group. Given the experience of Ancora Investments No.2 Limited in the natural resources sector and its international relationships, it was given the opportunity to invest in ER LLC on March 19, 2009 when it acquired an approximately 24.2% indirect shareholding interest in Tengeriin Tsaig Group LLC, one of the shareholders of ER LLC at that time.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

We hold a mining license for the UHG deposit as well as a license to build the proposed railroad. We may separate the infrastructure assets from the mining assets in order to diversify our risk and clearly delineate our assets. From the perspective of potential investors and lenders, the mining assets and the infrastructure assets (such as the paved road and the proposed railway) should be separated to ensure the segregation of assets, cash flow and current and future liabilities of the two business operations. Separating the assets can help maximize the sources of financing available from financial institutions.

### *Shareholdings in our subsidiaries and associated companies*

Set out below is a table providing further information on shareholdings in all our subsidiaries and associated companies.

| Name   | Incorporation date<br>(place of incorporation) | Principal business  | Equity interests  |
|--|--|---|---|
| Our Company . . . . .                        | May 18, 2010<br>(Cayman Islands)               | Ultimate holding company  | <ul style="list-style-type: none"> <li>• Mongolian Coal Corporation Limited (100%)</li> </ul>   |
| Mongolian Coal Corporation Limited . . . . . | June 11, 2010<br>(Hong Kong)                   | Holding company   | <ul style="list-style-type: none"> <li>• Mongolian Coal Corporation S.A. (100%)</li> </ul>  |
| Mongolian Coal Corporation S.A. . . . .      | July 20, 2010<br>(Luxembourg)                  | Holding company   | <ul style="list-style-type: none"> <li>• Energy Resources Corporation LLC (100%)</li> </ul>   |
| Energy Resources Corporation LLC . . . . .   | August 20, 2010<br>(Mongolia)                  | Holding company   | <ul style="list-style-type: none"> <li>• ER LLC (100%)</li> </ul>   |
| ER LLC . . . . .                             | April 22, 2005<br>(Mongolia)                   | main operating company for the UHG deposit  | <ul style="list-style-type: none"> <li>• Energy Resources Rail LLC (100%)</li> <li>• Energy Resources Mining LLC (100%)</li> <li>• Transgobi LLC (100%)</li> <li>• Tavan Tolgoi Airport LLC (100%)</li> <li>• Energy Resources Road LLC (100%)</li> </ul> |
| Energy Resources Rail LLC . . . . .          | July 1, 2008<br>(Mongolia)                     | operating company for the implementation of the construction of the railway base infrastructure | –   |
| Energy Resources Mining LLC . . . . .        | December 23, 2008<br>(Mongolia)                | operating company for the mining and technical operations of the UHG deposit                    | <ul style="list-style-type: none"> <li>• Enreotechnology LLC (100%)</li> <li>• Ukhaa Khudag Water Supply LLC (100%)</li> <li>• United Power LLC (100%)</li> </ul>   |
| Transgobi LLC . . . . .                      | September 1, 2008<br>(Mongolia)                | operating company for the transportation of coal extracted from the UHG deposit                 | –   |

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| Name                                    | Incorporation date<br>(place of incorporation) | Principal business   | Equity interests            |
|---|--|--|-----------------------------|
| Tavan Tolgoi Airport LLC . . . . .      | October 7, 2009<br>(Mongolia)                  | operating company for the operation and management of the airport  | –                           |
| Energy Resources Road LLC . . . . .     | April 21, 2010<br>(Mongolia)                   | operating company for the transportation of coal and construction of road                                      | • Gobi Road LLC (100%)      |
| Gobi Road LLC . . . . .                 | March 24, 2010<br>(Mongolia)                   | operating company for the construction of a new road for transportation of coal extracted from the UHG deposit | –                           |
| Enreotechnology LLC . . . . .           | June 25, 2009<br>(Mongolia)                    | operating company for the processing of coal extracted from the UHG deposit                                    | –                           |
| Ukhaa Khudag Water Supply LLC . . . . . | June 24, 2009<br>(Mongolia)                    | operating company for water exploration and supply to the UHG deposit  | • Public Service LLC (100%) |
| Public Service LLC . . . . .            | August 19, 2009<br>(Mongolia)                  | operating company for the provision of public utility services at the UHG deposit                              | –                           |
| United Power LLC. . . . .               | June 24, 2009<br>(Mongolia)                    | operating company for the construction and operation of the power plant  | –                           |