MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

The Group's revenue amounted to approximately USD136.2 million for the six months ended 30 June 2011, representing an increase of approximately USD48.5 million, or approximately 55.3% as compared to approximately USD87.7 million for the six months ended 30 June 2010.

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2011 was approximately USD19.8 million, representing a change of approximately USD0.9 million, or approximately 4.2% as compared to approximately USD20.7 million for the six months ended 30 June 2010. The Company incurred approximately USD4.7 million one-off costs related to the acquisition of the entire issued share capital of QGX Coal Limited. In the period under review, approximately USD12.8 million costs incurred based on the changes in the provisions of Mongolian tax law related to value added tax ("VAT") for mineral resources exploitation activities and introduction of additional progressive royalty rate.

The basic earnings per share attributable to equity shareholders of the Company amounted to approximately USD0.54 cents for the six months ended 30 June 2011, as compared to approximately USD0.69 cents for the six months ended 30 June 2010.

The board (the "Board") of directors (the "Director") of Mongolian Mining Corporation (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2011 – unaudited

		Six months ended 30 June	
		2011	2010
	Note	***USD'000***	*USD'000*
Revenue	*5*	**136,172**	87,704
Cost of revenue	*6*	**(88,350)**	(51,305)
Gross profit		**47,822**	36,399
Other revenue		**304**	109
Other net income/(cost)		**63**	(158)
Administrative expenses		**(23,867)**	(10,687)
Profit from operations		**24,322**	25,663
Finance income	*7(a)*	**11,552**	2,631
Finance cost	*7(a)*	**(7,711)**	(1,800)
Net finance income	*7(a)*	**3,841**	831
Share of losses of associates		**(201)**	(15)
Profit before taxation	*7*	**27,962**	26,479
Income tax	*8*	**(8,136)**	(5,783)
Profit attributable to the equity shareholders of the Company for the period		**19,826**	20,696
Other comprehensive income for the period			
Exchange differences on translation of financial statements of subsidiaries		**(2,406)**	1,941
Total comprehensive income attributable to the equity shareholders of the Company for the period		**17,420**	22,637
Basic and diluted earnings per share	*9*	**0.54 cents**	0.69 cents

CONSOLIDATED BALANCE SHEET
at 30 June 2011 – unaudited

	Note	At 30 June 2011 USD'000	At 31 December 2010 USD'000
Non-current assets			
Property, plant and equipment, net		**263,949**	76,646
Construction in progress	*10*	**224,628**	232,784
Lease prepayments		**117**	118
Intangible assets	*11*	**596,557**	–
Interest in associates		**3,402**	19
Other non-current assets		**36,129**	26,889
Deferred tax assets		**4,878**	1,681
Total non-current assets		**1,129,660**	338,137
Current assets			
Inventories		**46,777**	7,876
Trade and other receivables	*12*	**64,212**	32,350
Cash at bank and in hand		**398,192**	674,907
Total current assets		**509,181**	715,133
Current liabilities			
Short-term borrowings and current portion of long-term borrowings		**416,709**	85,909
Trade and other payables	*13*	**59,904**	40,315
Current taxation		**10,798**	5,455
Obligations under finance leases		**238**	–
Total current liabilities		**487,649**	131,679
Net current assets		**21,532**	583,454
Total assets less current liabilities		**1,151,192**	921,591
Non-current liabilities			
Interest-bearing borrowings, less current portion		**154,821**	165,214
Convertible bond		**90,332**	–
Long-term payables		**–**	16,811
Provisions		**8,682**	6,904
Deferred tax liabilities		**152,433**	5,381
Obligations under finance leases		**223**	–
Total non-current liabilities		**406,491**	194,310
NET ASSETS		**744,701**	727,281
CAPITAL AND RESERVES			
Share capital		**37,050**	37,050
Reserves		**707,651**	690,231
TOTAL EQUITY		**744,701**	727,281

NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

1 CORPORATE INFORMATION

Mongolian Mining Corporation (the "Company") was incorporated in the Cayman Islands on 18 May 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together referred to as the "Group") are principally engaged in the mining, transportation and sale of coal.

Pursuant to a group reorganisation completed on 17 September 2010 (the "Reorganisation") to rationalise the group structure for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company's shares were listed on the Stock Exchange on 13 October 2010. Details of the Reorganisation are set out in the prospectus of the Company dated 28 September 2010.

2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with International Accounting Standard 34, "Interim financial reporting", ("IAS 34") issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 24 August 2011.

The Group adopts the use of a principle similar to that for a reverse acquisition, rather than following its legal form, in the preparation of its financial statements for the six months ended 30 June 2011 and 2010. The Directors consider that Energy Resources LLC is the accounting parent during the six months ended 30 June 2011 and 2010.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and related interpretations.

The interim financial information is unaudited, but has been reviewed by the Audit Committee of the Company. The interim financial information has also been reviewed by the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors will be included in the interim report to be sent to the shareholders of the Company.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial information as being previously reported information does not constitute the Group's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group's annual financial statements for the year ended 31 December 2010 are available from the Company's registered office. The Company's auditor has expressed an unqualified opinion on those financial statements in their report dated 22 March 2011.

3 NEW AND REVISED IFRSs

The IASB has issued a number of amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial information.

4 SEGMENT REPORTING

The Group has one business segment, the mining, transportation and sales of coal. The majority of its customers are located in China. Accordingly, no business and geographical segment information are presented.

5 REVENUE

The Group is principally engaged in the mining, transportation and sale of coal. Revenue represents the aggregate of the invoiced amount of goods sold.

During the six months ended 30 June 2011, the Group had three customers that individually exceeded 10% of the Group's turnover, being USD53,276,000, USD38,196,000 and USD21,266,000 respectively. During the six months ended 30 June 2010, the Group had three customers that individually exceeded 10% of the Group's turnover, being USD38,189,000, USD26,668,000 and USD18,875,000 respectively.

6 COST OF REVENUE

	Six months ended 30 June	
	2011	2010
	USD'000	*USD'000*
Mining costs	**35,602**	32,031
Transportation costs	**35,874**	9,924
Others	**16,874**	9,350
	88,350	51,305

7 PROFIT BEFORE TAXATION

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

(a) Net finance income:

	Six months ended 30 June	
	2011	2010
	USD'000	*USD'000*
Interest income	**(11,552)**	(118)
Foreign exchange gain, net	**–**	(2,513)
Finance income	**(11,552)**	(2,631)
Interest on bank and other borrowings	**5,868**	2,651
Fair value adjustment of Convertible Bond	**605**	–
Interest on liability component of Convertible Bond	**442**	–
Transaction costs	**1,897**	1,562
Unwinding interest on		
– Other long-term payables	**–**	127
– Accrued reclamation obligations	**274**	110
Less: Interest expense capitalised	**(5,591)**	(2,650)
Net interest expense	**3,495**	1,800
Foreign exchange loss, net	**4,216**	–
Finance cost	**7,711**	1,800
Net finance income	**(3,841)**	(831)

* Borrowing costs have been capitalised at a rate of 6% and 9% per annum for the six months ended 30 June 2011 and 2010 respectively.

(b) Staff costs:

	Six months ended 30 June	
	2011	2010
	USD'000	*USD'000*
Salaries, wages, bonuses and benefits	**6,911**	2,548
Retirement scheme contributions	**882**	327
	7,793	2,875

Pursuant to the relevant labour rules and regulations in Mongolia, the Group participates in defined contribution retirement benefit schemes ("the Schemes") organised by the Government of Mongolia whereby the Group is required to make contributions to the Schemes at a rate of 10%-13% of the eligible employees' salaries. Contributions to the Schemes vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

(c) **Other items:**

	Six months ended 30 June	
	2011	2010
	USD'000	*USD'000*
Depreciation and amortisation	**3,737**	1,370
Operating lease charges: minimum lease payments	**810**	692
Costs of revenue	**88,350**	51,305

8 INCOME TAX

(a) **Income tax in the consolidated statement of comprehensive income represents:**

	Six months ended 30 June	
	2011	2010
	USD'000	*USD'000*
Current tax	**13,456**	6,151
Deferred tax	**(5,320)**	(368)
	8,136	5,783

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

	Six months ended 30 June	
	2011	2010
	USD'000	*USD'000*
Profit before income tax	**27,962**	26,479
Notional tax on profit before taxation	**6,578**	6,033
Tax effect of non-deductible expense *(Note (iii))*	**1,171**	258
Tax effect of non-taxable income *(Note (iii))*	**–**	(902)
Tax loss not recognised	**387**	394
Actual tax expenses	**8,136**	5,783

Notes:

(i) Pursuant to the income tax rules and regulations of Mongolia, the Group is liable to Mongolian Enterprise Income Tax at a rate of 10% of first Mongolian National Togrog ("MNT") 3 billion taxable income and 25% of the remaining taxable income for the six months ended 30 June 2011 and 2010.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The Group is not subject to Hong Kong and Luxembourg profits tax as it has no assessable income arising in or derived from Hong Kong and Luxembourg during the six months ended 30 June 2011 and 2010.

(iii) Non-deductible items and non-taxable items mainly represent the unrealised exchange losses and gains during the six months ended 30 June 2011 and 2010 respectively.

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the profit attributable to ordinary equity holders of the Company for the six months of USD19,826,000 (six months ended 30 June 2010: USD20,696,000) and the number of shares in issue during the six months ended 30 June 2011 of 3,705,036,500 ordinary shares (six months ended 30 June 2010: 3,000,000,000 shares, which is the share capital of the Company immediately after the Reorganisation and assumed to be outstanding throughout the six months ended 30 June 2010). The Convertible Bond (see Note 11) is anti-dilutive and therefore not included in calculating diluted earnings per share. As a result, earnings per share and diluted earnings per share are the same.

10 CONSTRUCTION IN PROGRESS

The construction in progress is mainly related to coal handling and preparation plant, power plant, paved road and mining related machinery and equipment. As at 30 June 2011, certain of Group's borrowings were secured by the Group's coal handling and preparation plant-module II and power plant with net book value of USD53,326,000 and USD52,629,000 respectively (31 December 2010: USD102,153,000 and USD46,402,000 respectively).

According to the Resolution of the Government of Mongolia dated 31 March 2010 and the Built-Operate-Transfer agreement signed between the Government of Mongolia and the Group dated 9 June 2010 (the "Agreement"), the Government of Mongolia granted the Group the land use rights, and the rights to build and operate the paved road running from the mine site to the Mongolia-China border at Gashuun Sukhait. Included in the Group's construction in progress as of 30 June 2011, there was a balance of USD66.4 million (31 December 2010: USD37.3 million) relating to the construction of the paved road. Under the terms of the Agreement, the Group will use its own funds to construct the paved road. In return, it enjoys an unrestricted use right to possess, use, operate the paved road for 10 years period after commission of the road. The Group will use the road primarily for the purpose of transporting coals from its mine site to the Mongolia-China border at Gashuun Sukhait, which is the gate to the designated delivery port of the majority of its customers. In addition, the paved road may be opened to public use subject to certain weight restrictions whereupon the Group may direct users. The paved road was under construction at 30 June 2011 and was grouped under construction in progress and stated at cost less accumulated impairment loss. The Group will reclassify the balance relating to the construction of the paved road from construction in progress upon completion and commission of the paved road.

11 INTANGIBLE ASSETS

Intangible assets represent the mining right arising from the acquisition as mentioned herebelow.

The Group entered into a share purchase agreement with Quincunx (BVI) Ltd. and its parent, Kerry Mining (Mongolia) Limited (collectively the "Seller") on 31 May 2011 ("Share Purchase Agreement") in relation to the acquisition of the entire issued share capital of Baruun Naran Limited (formerly named QGX Coal Limited) ("QGX") (the "Acquisition"). QGX ultimately owns the Baruun Naran Coking Coal Mine ("BN mine"), which is located in southern Mongolia, Umnugobi Aimag (South Gobi province). The Acquisition was completed on 1 June 2011.

The consideration for the above acquisition includes:

(i) USD100,000,000 immediately paid by the Group to the Seller on 1 June 2011;

(ii) USD279,465,000 of the cash payable by the Group to the Seller is in the form of a promissory note with a 2-month period, which has been settled by the Group as at 30 June 2011;

(iii) USD85,000,000 by the issue of the Convertible Bond by the Company to QGX Holdings Ltd, a subsidiary of Kerry Mining (Mongolia) Limited; and

(iv) USD21,874,000 of intercompany loans transferred to the Group, which were previously owed by QGX to the Seller (the "Intercompany loans").

The above consideration may be adjusted as follows:

(i) Approximately 18 months to 21 months from the date of the Share Purchase Agreement, an additional payment may be payable to the Seller or a claw back may be payable by the Seller in the amount of USD3 per tonne to the extent to which Total Reserves exceeds 150,000,000 tonnes or are less than 150,000,000 tonnes, respectively (the "Reserve Adjustment"). Under the Reserve Adjustment, the maximum amount payable to the Seller will be USD105,000,000 and the maximum amount payable by the Seller will be USD90,000,000; and

(ii) An additional life of mine payment of USD6 per tonne in the event that the actual amount of coal extracted from the BN mine exceeds a specified semi-annual production target fixed on the date of the determination of Total Reserves in each semi-annual period after 1 June 2011 commencing on 1 January and ending on 30 June and commencing on 1 July and ending on 31 December (the "Royalty Provision").

Taking into account the Reserve Adjustment and the Royalty Provision, the total amount of payment to be received by the Seller for the Acquisition is not to exceed USD950,000,000 over the life of the BN mine.

In connection with the Acquisition, transaction costs of approximately USD4.7 million were incurred, which have been included in the Group's administrative expenses for the six months ended 30 June 2011.

The following summarises the consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Identifiable assets acquired and liabilities assumed as at 1 June 2011:

	Carrying value *USD'000*	**Fair value adjustments** *USD'000*	**Fair value** *USD'000*
Property, plant and equipment	**6,206**	**(149)**	**6,057**
Construction in progress	**18,582**	**–**	**18,582**
Intangible assets	**–**	**596,557**	**596,557**
Other receivables	**2,148**	**–**	**2,148**
Cash and cash equivalents	**805**	**–**	**805**
Intercompany loans	**(21,874)**	**–**	**(21,874)**
Other payables	**(3,739)**	**–**	**(3,739)**
Deferred tax liabilities	**–**	**(149,105)**	**(149,105)**
Total net identifiable assets	**2,128**	**447,303**	**449,431**

Consideration transferred as at 1 June 2011:

	Fair value *USD'000*
Cash	**100,000**
Fair value of promissory note	**279,465**
Fair value of Convertible Bond	**90,340**
Fair value of contingent considerations	**1,500**
Less: Fair value of Intercompany loans	**(21,874)**
Fair value of total consideration	**449,431**

The initial fair value/acquisition accounting for QGX was determined provisionally. In accordance with IFRS3, adjustments to the fair value of the consideration and the assets acquired and liabilities assumed can be made during the 12 months from the date of acquisition.

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2011 USD'000	At 31 December 2010 USD'000
Trade receivables *(Note (a))*	**3,216**	288
Other receivables *(Note (b))*	**60,996**	32,062
	64,212	32,350

(a) Ageing analysis

Trade receivables are due from the date of billing. The ageing analysis of trade receivables is as follows:

	At 30 June 2011 USD'000	At 31 December 2010 USD'000
Amount past due	**3,216**	288

As at 30 June 2011, all of the trade receivables are past due but not impaired as there has not been any significant change in credit quality of the trade receivables.

(b) Other receivables

	At 30 June 2011 USD'000	At 31 December 2010 USD'000
Amounts due from related parties	**782**	347
Prepayments and deposits *(Note (i))*	**25,129**	7,015
VAT receivables *(Note (ii))*	**26,360**	23,920
Interest receivable	**6,071**	–
Others	**2,654**	780
	60,996	32,062

Notes:

(i) At 30 June 2011, prepayments and deposits mainly represent the prepayments made to the Group's mining contractor.

(ii) VAT receivables include amounts that have been accumulated to date in certain subsidiaries and were due from the Government of Mongolia Taxation Authority. Based on current available information the Group anticipates full recoverability of such amounts.

All other receivables were aged within one year and expected to be recovered or expensed off within one year.

13 TRADE AND OTHER PAYABLES

	At 30 June 2011 USD'000	At 31 December 2010 USD'000
Trade payables *(Note (i))*	**8,495**	4,772
Receipts in advance *(Note (ii))*	**19,524**	18,842
Amounts due to related parties *(Note (iii))*	**3,521**	5,329
Payables for purchase of equipment	**16,179**	3,913
Interest payable	**2,686**	3,776
Transaction cost payable arising from the Acquisition	**4,656**	–
Others *(Note (iv))*	**4,843**	3,683
	59,904	40,315

Notes:

(i) All trade payables are due and payable on presentation or within one month.

(ii) Receipts in advance represent payments in advance made by third party customers in accordance with the terms set out in respective sales agreements.

(iii) Amounts due to related parties represent management service fee payable and payables for equipment and construction work, which are unsecured, interest-free and have no fixed terms of repayments.

(iv) Others represent transaction cost payable arising from the issuance of convertible bond, accrued expenses, payables for staff related costs, royalty fees, other deposits and other tax payables.

All of the other payables and receipts in advance are expected to be settled or recognised in profit or loss within one year or are repayable on demand.

14 DIVIDEND

The Board of the Company does not recommend declaration and payment of an interim dividend in respect of the six months ended 30 June 2011 (interim dividend for the six months ended 30 June 2010: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The most significant milestone achieved in the Company's long-term development and sustainable business growth objective during the period under the review was the successful acquisition of the entire issued share capital of QGX, which holds the mining license 14993A for the Baruun Naran coking coal mine ("BN mine") through its wholly-owned subsidiary.

The BN mine is located in Umnugobi Aimag in southern Mongolia, which is approximately 500 km south of Ulaanbaatar, the capital of Mongolia and approximately 60 km east of Dalanzadgad, the provincial center. It is located approximately 30 km south-west from the Group's Ukhaa Khudag ("UHG") deposit.

We believe that this acquisition completed on 1 June 2011, provides the Group with a unique opportunity to control coking coal asset in advanced development stage that is strategically located adjacent to the UHG deposit. We believe that the asset will allow the Group to expand its existing footprint in Mongolia and to realize its growth via acquisitions while enhancing value for shareholders of the Company. The sizable coking coal resources and reserves estimated in the BN mine will create the potential to diversify the Group's coking coal products and to enhance revenue streams. The proximity between the BN mine and the UHG mines will enable the creation of synergies such as the sharing of mining and transportation infrastructure and of coal marketing resources. We believe that the acquisition enables the Group to further expand its coking coal mining business and to solidify the Company's position as the leading coking coal miner in Mongolia.

We are proud to emphasize that in the second quarter of 2011, the first phase of the coal handling and preparation plant (the "CHPP"), with an annual processing capacity of 5 million tonnes was successfully commissioned by relevant Mongolian governmental authorities and launched its commercial operations at the UHG mine as planned. The Company's CHPP is the first of its kind in Mongolia and was designed to be a customized solution to UHG coal to maximize the coking coal product yield and utilizes modern equipment of well-known brands from Australia, USA, Europe, South Africa and China. We believe that the new CHPP will enable the Company to produce and sell washed hard coking coal products under the Company's UHG brand name, reduce logistics costs, expand its end-user customer base, and boost its competitiveness in the international market. Moreover, the significance of this project is driven higher as the Mongolian Government has implemented a series of policies to further promote the growth of the mining and minerals processing industry in the country aiming to encourage value-added production.

We will continue the planned expansion of our coal processing capacity by completing the second phase of the CHPP in the last quarter of 2011. The third phase is slated for completion by end of 2012, thus expanding our total processing annual capacity to 15 million tonnes.

During the period under review, we achieved our target with the production of approximately 2.5 million tonnes of run-of-mine ("ROM") coal, representing an increase of approximately 67% from the same period in the previous year (first half of 2010: 1.5 million tonnes).

For the six months ended 30 June 2011, the Group grew its revenue by approximately 55.3% to approximately USD136.2 million from USD87.7 million for the same period in the previous year. The increase was primarily attributable to the increase in average selling price ("ASP") and the relation of points of sale from pre-dominantly mine-gate to the Mongolian-Chinese border, which allows the Group to expand its customer base, to sell directly to end-users and to prepare for washed hard coking coal export.

We sold approximately 1.4 million tonnes of coking coal at an ASP of USD95.6 per tonne, representing an increase of approximately 59.6% from the same period of the previous year (first half of 2010: USD59.9 per tonne).

During the period, according to the data issued by the National Statistical Office of Mongolia, the Group exported approximately 1.4 million tonnes of coking coal, or about 18% of Mongolia's total coal exports.

Certain interruption in coal transportation operations was caused by the temporary suspension of all coal hauling on the road from the Tavan Tolgoi area to Tsagaan Khad for 23 days between 21 April to 14 May 2011. The fuel supply shortages affected also the performance of some transportation contractors in May-June 2011. As the Group maintained its mining operations as scheduled, this resulted in the increased inventory at UHG mine in addition to Group's intention to build up approximately four weeks ROM coal production tonnage as in-feed coal stockpile to support continuity of our CHPP operations. Therefore, management believes that the rescheduling of transportation volumes in the remaining months of the year will allow the Group to meet its transportation and sales objectives.

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2011 was approximately USD19.8 million, representing a change of approximately USD0.9 million, or approximately 4.2% as compared to approximately USD20.7 million for the six months ended 30 June 2010. The Company incurred approximately USD4.7 million one-off costs related to the acquisition of the entire issued share capital of QGX. In the period under review, approximately USD12.8 million costs incurred based on the changes in the provisions of Mongolian tax law related to VAT for mineral resources exploitation activities and introduction of additional progressive royalty rate.

In the second half of 2011, an increased amount of washed hard coking coal will be exported using a newly built paved road. As a result, the management expects a higher margin and an improved efficiency due to VAT recoverability and a favorable royalty regime.

Operating Environment

Mongolian coal exports and Chinese coal imports dynamics

In the first six months of 2011, according to the data issued by the National Statistical Office of Mongolia, Mongolia exported around 7.7 million tonnes of coal, approximately 22% more than the 6.3 million tonnes exported in the same period in 2010. Virtually all of Mongolia's coal exports went to China. Based on historical figures from 2009 and 2010, coal export volume in the first half of the year represents around 38% of annual Mongolian coal export; therefore, this year's coal export from Mongolia to China is estimated to potentially reach 20.0 million tonnes.

China imported approximately 19.2 million tonnes of coking coal during the six months ended 30 June 2011, representing a decrease of approximately 14% from approximately 22.4 million tonnes in the same period in 2010. This is in line with total coal import numbers – in the first six months of 2011, China imported approximately 70.5 million tonnes of coal, which represents decrease of approximately 13% compared to approximately 81.1 million tonnes in the same period in 2010.

As shown in the table below, Mongolian imports are counting for more than 41% of total Chinese coking coal imports.

Chinese coking coal import volumes by country of origin
(in million tonnes, source: China Coal Resource)

	June 2010	**June 2011**	Change %
Total	22.3	**19.2**	-14%
Mongolia	5.8	**7.9**	+36%
Australia	9.7	**4.2**	-57%
USA	1.6	**2.7**	+66%
Canada	1.6	**1.5**	-9%
Russia	2.2	**1.4**	-37%
Indonesia	1.1	**1.2**	+12%

We believe coking coal imports from Mongolia to China will continue to grow as China demands more steel to fuel its urbanization and infrastructure development.

Legal framework

Effective from 1 January 2011, the amendment to the 2006 Minerals Law introduced progressive surtax royalty rate in addition to the previous flat-rate royalty at 5%. The amendment provides the maximum and minimum rate of the progressive royalty rate payable in addition to the flat-rate royalty rate 5% which varies by the market price and level of processing. However, the 2.5% royalty rate for coal for domestic consumption and common minerals has not been affected by the amendment.

By adding Articles 47.4 – 47.8 to the Minerals Law, the royalty will be calculated from the sales of the elements extracted from hard rock mineral deposit and other mineral deposits. The sales value of the mineral products, other than gold and silver, which are sold, shipped for sale, or used, is defined based on the monthly model price stipulated on the Ministry of Mineral Resources and Energy website. Yet the sales value of coal for domestic consumption and common minerals is calculated on the basis of the price determined by the National Statistical Office of Mongolia. In addition, the royalty rate payable under the Minerals Law will be increased if the market price for the mineral in question reaches certain threshold. Besides the market price, level of the proposed progressive royalty will also depend on the level of processing of the minerals. The more processed the minerals are, the lower the progressive royalty rate shall be. For example, the progressive royalty rate for coal would be from 1% to 5% if coal price will become above the threshold price of USD25 per ton. However, if coal is further processed, the progressive royalty rate is much lesser, amounting to 1% to 3%. In case of washed or processed coal, the threshold price is much higher, being USD100 per tonne. If coal price is above USD100 to USD130, the washed coal will be subject to 1% progressive royalty rate. According to the Amendment, the progressive royalty rate shall be imposed on either of ore, processed mineral or end product depending on the level of processing so as to avoid double taxation.

On 21 July 2009, the Parliament of Mongolia has passed an Amendment to the Law on VAT of Mongolia, pursuant to which only exported "processed mineral products" become subject to zero rate VAT.

Before the amendment, there was no distinction between processed and raw mineral products and all kind of mineral products that are exported was subject to zero rate VAT regardless of its level of processing. As such, an exporter of mineral products could have the VAT refunded at 10% rate on the purchases of services and goods paid for its operation to produce exported minerals. However, after the enactment of the Amendment as mentioned previously, only so-called processed mineral products, i.e. processed minerals become subject to zero rate VAT. This means that an exporter of mineral products, other than "processed mineral products" for export, are not entitled to have the VAT paid on the purchases of goods and services used for its mining operation refunded. As a result, operating costs of an exporter of mineral ore or unprocessed mineral are to increase.

Fuel Supply Situation in Mongolia

In May and June 2011, Mongolia faced shortage of Russian fuel supply, which supplies more than 98% of the entire Mongolian fuel usage. However, the Group managed to overcome this situation with minimal impact on its operations and projects being implemented. In the following months, the situation has been normalized. According to the public sources, the Mongolian government authorities agreed with the Russian supplier to guarantee a minimum of 40,000 tonnes per month of fuel supply to Mongolia, and in addition 10,000 tonnes per month to be supplied from China. The Group has taken the steps to agree with its fuel supplier to increase the capacity of onsite fuel storage facilities at UHG mine to 6 million liters and also provide additional storage facilities for up to 20 million liters of fuel, if required.

Coal Resources, Reserves and Exploration Activities

Ukhaa Khudag deposit

Covering a licensed area of approximately 2,960 hectares, the Group's UHG deposit area, as at 31 December 2010, had 497.0 million tonnes and 283.0 million tonnes of JORC-compliant measured and indicated coal resources and proved and probable reserves respectively.

During the first six months of 2011, MMC's geological team has continued exploration activities with the following objectives in mind:

– To prove that the coal has actual lower in-situ ash content than was predicted by the geological model;

– To produce a bulk sample of the Seam 0 ply so as to enable coking coal sections to be identified and to explore blending possibilities that may produce hard coking coal products;

– To define oxidation limits for mine-planning purposes; and

– To undertake closed-spaced drilling prior to mining so as to determine localized geological structures and the locations of any oxidized coal to be mined as thermal coal.

Approximately 30,149 meters of drilling were carried out during the period under review, and geophysical logging and laboratory test work was also carried out on the samples collected. This exploration data will be used to update the geological and coal quality model, and hence the JORC-compliant resource and reserve estimates in 2012.

The preparation of a 2D Seismic program for the western part of the deposit has been completed. This paves the way for on-site work to be carried out in second half of 2011 that aims to help the Group to identify coal seam continuity and structure, as well as to obtain new, valuable information on the potential of the deposit's underground resources.

Finally, a large-diameter, bulk-sample drilling program has been completed on the Seam 0 ply, and the samples gathered have been submitted to Stewart Laboratories in Mongolia for washability and metallurgical testing.

UHG coal resources by type and category:

Category	Resources above -300 m			Resources below -300 m			Total Resources		
	Coking Coal	Thermal Coal	Total Coal	Coking Coal	Thermal Coal	Total Coal	Coking Coal	Thermal Coal	Total Coal
Measured	82.9	120.2	203.2	–	–	–	82.9	120.2	203.1
Indicated	153.4	51.9	205.3	50.7	37.9	88.6	204.1	89.8	293.9
Inferred	–	11.7	11.7	42.2	27.1	69.3	42.2	38.8	81.0
Total	**236.3**	**183.8**	**420.2**	**92.9**	**65.0**	**157.9**	**329.3**	**248.8**	**578.0**
Total Measured and Indicated	**236.3**	**172.1**	**408.5**	**50.7**	**37.9**	**88.6**	**287.0**	**210.0**	**497.0**

Baruun Naran deposit

In June 2011, the Group acquired the entire issued capital of QGX, which ultimately owns the BN mine. The Group's mining license for he BN mine covers an area of approximately 4,486 hectares.

Drilling to date has defined 25 major coal seams, ranging from 1.4 to 16.2 meters in average true thickness. In addition, Seams T and H have been identified as being the deposit's most developed continuous and commercially attractive coking coal seams.

All major coal seams at the BN mine have been labeled alphanumerically from oldest to youngest. The major seam in any alphabetic group has been designated the "500" seam (e.g. "T500"). Moreover, subordinate seams, such as riders, leaders or splits, have been named numerically designated greater than "500" if occurring stratigraphically higher in the sequence (e.g. "T510"), lower than "500" if occurring stratigraphically lower in the sequence (e.g. "T400").

The geological model compiled by McElroy Bryan Geological Services ("MBGS") in June 2007, in accordance with National Instrument ("NI") 43-101 standards, the (Canadian) Standards of Disclosures for Mineral Projects, identified 252.9 million tonnes of measured and indicated geological resources.

The pre-feasibility study completed by Minarco MineConsult and dated 20 March 2008 estimated around 193 million tonnes of potential open-pit mineable coal, once again measured in accordance with NI 43-101 standards.

The study also indicated, inclusive of the indicative specifications shown below, that coking coal and thermal coal could be produced after processing the coal extracted from the BN mine:

	Coking Coal	**Thermal Coal**
Ash (%, ad)	11	20
VM (%, ad)	31	27
CSN	6-8	n/a
Calorific Value (kcal/kg, gar)	7,200-7,300	5,800-6,000
Sulphur (%, ad)	0.6	0.7

After conducting additional exploration drilling work, MBGS updated the geological model for the BN mine in February 2010 in accordance with JORC standards, identified approximately 282 million tonnes of JORC-compliant measured and indicated resources.

In addition, in March 2011, SRK Consulting completed a reserves-estimation report for the BN mine, identifying approximately 185.3 million tonnes of open-pit mineable, JORC-compliant proven and probable coal reserves.

The Company anticipates that these estimates may change as it begins to conduct its own studies and analyses for the future development of the BN mine.

For the second half of 2011, the Group's geological team has scheduled the preparation of a 2D Seismic program for the BN mine in order to help the Group to identify coal seam continuity and structures. Additional work pertaining to geotechnical studies has also been scheduled.

Moreover, a bulk-sampling program is planned for the major coking coal seams, namely, T and H, and the samples collected will undergo pilot washing at the UHG CHPP.

All this information will provide a valuable database for mine-planning purposes, which will be in line with the Baruun Naran JORC-compliant reserves re-estimation set for the end of 2012 at the latest.

BN coal resources by type and category:

Category	Resources above -300 m			Resources below -300 m			Total Resources		
	Coking Coal	Thermal Coal	Total Coal	Coking Coal	Thermal Coal	Total Coal	Coking Coal	Thermal Coal	Total Coal
Measured	97.1	71.8	168.9	21.0	19.2	40.2	118.1	91.0	209.1
Indicated	18.6	24.4	43.0	16.2	13.4	29.6	34.8	37.8	72.6
Inferred	–	–	–	–	0.5	0.5	–	0.5	0.5
Total	**115.7**	**96.2**	**211.9**	**37.2**	**33.1**	**70.3**	**152.9**	**129.3**	**282.2**
Total Measured and Indicated	**115.7**	**96.2**	**211.9**	**37.2**	**32.6**	**69.8**	**152.9**	**128.8**	**281.7**

Mine Production

In the first six months of 2011, we reached our scheduled ROM production target of approximately 2.50 million tonnes. This is around 68% higher than the 1.49 million tonnes mined in the same period of 2010, and around 2.5% higher than our production of 2.44 million tonnes in the second half of 2010. Below are historical semi-annual ROM coal production figures at the UHG mine (in metric tonnes):

Period	**2009 H1**	**2009 H2**	**2010 H1**	**2010 H2**	**2011 H1**
UHG ROM	380,144	1,460,796	1,490,462	2,442,124	2,503,679

For the six months ended 30 June 2011, our mining costs were approximately USD35.6 million. Of this, approximately 45% were primarily fuel, labour and other employee-related costs, as well as drilling and blasting expenses directly incurred by the Group. The remainder was incurred by our mining contractor and was primarily related to the depreciation, repair and maintenance of the mining equipment used at our UHG mine, as well as costs associated with major repair provisions, insurance and financing-related matters.

As at 30 June 2011, the Group's mining cost associated with coal sold was approximately USD24.9 per tonne. The cost component incurred by implementation of VAT law provisions for processed and raw minerals export is approximately USD3.1 per tonne. As the Group will be the only producer of washed hard coking coal in Mongolia, we are ideally positioned to benefit from the advantage of enjoying a zero rate VAT.

Based on our year-to-date performance, surpassing 600 thousand tonnes of ROM coal monthly production level for July, well-established cooperation with our mining contractor Leighton and with all planned major mining equipment delivered to UHG mine site, the Group's management is confident that its ROM coal production target of 7.0 million tonnes for the full year of 2011 is achievable.

Coal Handling and Preparation Plant

Trial run of the first phase of the CHPP with a capacity of 5.0 million tonnes per annum ("Mtpa") has started on 12 May 2011, followed by commissioning by relevant Mongolian governmental authorities on 11 June 2011, and start-up of commercial coal processing operations. By 30 June 2011, a total of approximately 170 thousand tonnes of ROM coal was processed.

We are in on-going process of training up our personnel, continuous optimization of our wash plant operations, with Sedgman providing experienced on-ground management under provisions of Operation Management Contract.

The second and third 5.0 Mtpa phases of the CHPP are expected to be operational in the second half of 2011 and by the end of 2012, respectively, and will be a strong boast to the Group's washed hard coking coal production volume. As at 30 June 2011, construction of the second phase was approximately 62% completed. Thus, the commissioning is expected in the fourth quarter of 2011. Meanwhile, the engineering, procurement, construction and management contract for the third phase is expected to be signed in August 2011.

The total estimated cost for this project is approximately USD343.8 million. The incurred cost related to this project as of the end of June 2011 was USD168.4 million.

Power Plant

We commenced construction of a 3x6 megawatt ("MW") on-site power plant in August 2009, which the Group has planned to commission in three units. The on-site power plant will use the by-product from coal mining and processing activities to generate power for our CHPP operations and to also provide excess power to other facilities at the mine site.

As of 30 June 2011, approximately 98% of this project had been completed and commissioning of the first and second units had started. These 6MW units are expected to go into operation in the third quarter of 2011. Meanwhile, the last unit is expected to be completed in the fourth quarter of 2011. The total estimated cost for this project is approximately USD57 million. The incurred cost related to this project as of the end of June 2011 was USD52.6 million.

The 3x6MW power plant, which the Group expects to be completely fully operational by the fourth quarter of 2011, will be able to supply all the power consumption needs of the UHG mine, including the three phases of the CHPP.

Water Supply Facility

To support the operations of our CHPP, as well as our production capacity expansion, we commenced construction of a water supply facility in early 2010. The initial stage of the project, which was to supply up to 117 litres per second, has been completed, commissioned and fully operational in the second quarter of 2011.

The total estimated cost for this project is approximately USD48.7 million. The incurred cost related to this project as of the end of June 2011 was USD41.4 million.

The Group is planning to expand the existing 117 litres per second capacity of the water supply facility by approximately 100 litres per second in the near future. The hydrogeological study of the Naimdain Khundii area, which is located approximately 50 km north of the UHG mine, indicates water resources that should be able to accommodate this additional requirement.

Marketing and Sales

The Group sold to its customers in China 1.42 and 1.46 million tonnes of unwashed hard coking coal in the first half of 2011 and 2010 respectively.

As at 30 June 2011, the Company's ASP for coking coal was approximately USD95.6 per tonne, compared to approximately USD59.9 per tonne in the first half of 2010, representing approximately 59.6% increase. With the Company starting to sell washed hard coking coal product, the Company achieved ASP of approximately USD155 per tonne for first batch shipped to its customer in China, providing approximately 62.1% increase from unwashed hard coking coal ASP.

The Company established cooperation with Shenhua Bayanuur Energy company and agreed to supply its washed hard coking coal products to Shenhua Wuhai Energy's coke plant operating in Wuhai. In addition, a sales contract has been signed with ThyssenKrupp MinEnergy GmbH for initial trial shipment of the Company's washed hard coking coal to European market.

Transportation and Logistics

In the first half of 2011, the Group's coal transport operations continued to consist of a truck-and-road model, with combined operations via its coal handling facility at Tsagaan Khad ("TKH") and directly from UHG to stockpiles at the Gangimaodu ("GM") border port in China. In addition to our main coal delivery operations to GM in China, the Group delivered in June its first shipment of coal to Choir railway stations where they were then transported to the Trans Mongolia railway network and eventually to reach their final destinations in Europe and in other seaborne markets.

In the first half of 2011, the Group successfully expanded its trucking fleet with the addition of 200 new trucks and the placing of an order for a further 100, taking the total number to more than 400. With each newly procured truck designed to carry double trailers that carry twice the load of the existing single trailer trucks, the expanded fleet significantly increases the Group's trucking capacity. The expansion is in line with our strategy to improve the reliability and capacity of coal transport, and will provide us with greater control over our coal transport operations.

As at 30 June 2011, the Group's transportation cost associated with coal sold was approximately USD25.1 per tonne.

In the first half of 2011, the Group, together with other coal transportation companies in the region, was maintaining coal haul gravel road between UHG and Gashuun Sukhait ("GS"). There was a temporary halt of coal transportation between 21 April 2011 and 14 May 2011 as instructed by governmental agencies. This temporary suspension reaffirmed that the Company's strategy to develop and sustain an international-standard coal transportation link to market is in line with the governmental agency's growing focus on the safety and environmental conditions of the gravel roads used for increasing mineral commodities transportation in Mongolia.

Paved Road

The construction of the paved road is progressing as scheduled, and the overall completion status of the project as at 30 June 2011 stood at approximately 86% with a total of 105 km of the designed alignment having been paved. The toll gates at four check-points along the alignment, toll control IT system and support structures are under construction, while maintenance planning, operational and legal documents for road use are being prepared. The forecasted completion date for the project is in third quarter of 2011.

Customs Clearance and Border Crossing

Certain challenges still exist in the border crossing process to maintain smooth operation every day at both the Chinese and Mongolian part of the crossing, which affect to some extent the overall performance of border crossing of exporters through GS and GM. In the first half of 2011, the Group has initiated in collaboration with other mining companies operating in the region and in coordination with governmental authorities at the GS border crossing point the construction of eight border crossing lanes in addition to the existing four lines, which then connects to the Group's paved road between UHG and GS and we believe that it will significantly increase existing border crossing throughput capacity.

The customs bonded yard at the UHG mine is fully staffed and has commenced operations in May 2011, ready to conduct inland customs clearance of coal at UHG mine site. Meanwhile, the Group has been cooperating with customs office to enable efficient monitoring system of trucks cleared at UHG, throughout the road between UHG and GM, using GPS tracking device with centralized control center at the relevant customs offices. In the first half of 2011, the Group owns more than 300 trucks equipped with the device and successfully conducted number of shipments from UHG directly to GM. The Group shares the findings and results of those shipments with customs office and takes joint effort to further optimize the system in order implement its strategy to conduct full scale export shipment directly from UHG to GM.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2011, turnover of the Group reached approximately USD136.2 million, representing an increase of approximately 55.3%, as compared with approximately USD87.7 million for the same period of 2010. The increase was primarily attributable to respective rise in average selling price and change of sales point, as from the fourth quarter of 2010, the Group started to recognise revenue at delivered at frontier (DAF) GM, the sales point on the Chinese side of the border.

The sales volume recorded during the period under review amounted to approximately 1.42 million tonnes of raw coal and 0.001 million tonnes of washed hard coking coal as compared to 1.46 million tonnes of raw coal for the same period of 2010.

Cost of Revenue

Cost of sales consists of mining, processing, transportation and logistics costs, royalty and customs fees and VAT. Approximately USD88.4 million of costs of sales were incurred for the six months ended 30 June 2011, representing an increase of approximately 72.3% from USD51.3 million for the six months ended 30 June 2010. The increase in cost of sales was mainly due to increases in transportation cost, progressive royalty, VAT costs and fluctuation of foreign exchange rates during the period under review.

For the six months ended 30 June 2011, 2.5 million tonnes of coal were produced with a strip ratio of 6.27 and per bank cubic meter ("BCM") mining cost USD4.54 compared to 1.5 million tonnes produced in same period of 2010 with a strip ratio of 5.26 and per BCM mining cost USD4.36.

For the six months ended 30 June 2011, 1.43 million tonnes of coal were sold at GM (Chinese border) compared to 1 million tonnes at UHG and 0.46 million tonnes coal sold at the Tsagaan Khad (Mongolian border) in same period of 2010. Due to the increase of sales volume at GM, transportation cost increased by USD26.0 million from USD9.9 million for the six months ended 30 June 2010 to USD35.9 million for the six months ended 30 June 2011.

During the period under review, royalty and VAT costs increased approximately by USD12.8 million due to newly adopted progressive royalty and VAT tax law changes.

During the period under review, cost of sales increased due to MNT appreciation versus USD by approximately 13.6% which was changed from 1410 to 1241.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended 30 June 2011 was approximately USD47.8 million, representing increase of USD11.4 million or approximately 31.43% from the gross profit of approximately USD36.4 million recorded for the six months ended 30 June 2010. During the period under review, the gross profit margin was approximately 35.1%, compared with approximately 41.5% for the same period in 2010.

General and Administrative Expenses

During the period under review, administrative expenses were approximately USD23.9 million, representing an increase of approximately USD13.2 million as compared with approximately USD10.7 million in same period of 2010. The higher administrative expenses were mainly due to the following factors: the extensive expansion of operations, the hiring of additional staff, the costs related to the acquisition, social and environmental expenses, and fluctuation of foreign exchange rates.

During the period under review, USD4.7 million costs were incurred related to the acquisition of QGX.

Net Finance Income/Costs

Net finance income for the six months ended 30 June 2011 was approximately USD3.8 million, representing an increase of approximately USD3.0 million, as compared to a net finance income of approximately USD0.8 million in same period of 2010. The increase in net finance income was primarily due to interest income, mitigated by foreign exchange loss, during the period under review.

Income Tax Expenses

Income tax expenses for the period under review amounted to approximately USD8.1 million, representing an increase of approximately USD2.4 million or approximately 40.7%, as compared with approximately USD5.8 million in same period of 2010. The substantial increase in income tax expenses for the six months ended 30 June 2011 was due to the increase of taxable income.

Profit for the Period

As a result of the foregoing, the profit attributable to the equity shareholders of the Company for the period under review was approximately USD19.8 million, representing a decrease of approximately USD0.9 million or approximately 4.2%, as compared with approximately USD20.7 million in same period of 2010. The net profit margin was approximately 14.6% for the period, as compared with approximately 23.6% in 2010. The net profit margin decrease is due to increase in cost of sales, foreign exchange rate changes and administrative expenses as noted above.

Liquidity, Financial Resources and Capital Structure

The Group used approximately USD58.0 million cash from its operation during the period under review, as compared with approximately USD32.1 million generated for the six months ended 30 June 2010.

The Group invested approximately USD184.3 million during the period under review in its mining and infrastructure development, including, among other things, CHPP, an 18MW power plant, a water supply facility and a paved road, together with cash paid in relation to the acquisition of QGX. The Group financed its mining and infrastructure development with short and long term loan and proceeds from the Hong Kong Public Offering and the Internation Placing (the "Global Offering").

As at 30 June 2011, the total bank and other borrowings of the Group were approximately USD580.0 million. Of this sum total, approximately USD416.7 million are repayable within one year while the remaining borrowings are repayable by May 2016, with effective weighted average interest rates ranging from 6% to 8%.

The gearing ratio (calculated as total bank and other borrowings divided by total assets) of the Group as at 30 June 2011 was approximately 34.9%.

Acquisition

On 1 June 2011, the Group obtained control of QGX and Baruun Naran S.a.r.l. (formerly named QGX Coal S.a.r.l.) and Khangad Exploration LLC (collectively "BN") by acquiring the entire issued capital of QGX.

Foreign Exchange Risk

The Group's principal place of operation is in Mongolia and our functional currency is MNT. Therefore, the Group is subject to the risk of loss or gain due to USD and RMB fluctuations. The Group's sales revenue has been and is expected to be priced and settled in USD and RMB. Although the majority of our assets and operational expenses are denominated in MNT, a large portion of those, including fuel and capital expenditure, are import costs and thus linked to USD and RMB prices. Therefore, the Group believes that there exists a natural hedge that partially offsets foreign exchange risk. The Group's long term liabilities are denominated in USD. For the six months ended 30 June 2011, the Group had approximately USD4.2 million in net realized and unrealized exchange losses, which is due to month to month foreign exchange rate fluctuations during the period. The Group will continue to monitor exposure to foreign exchange risk and consider hedging instruments, provided that such hedging instruments for MNT become available and not overly expensive compared to the underlying exposures.

Pledge of Assets of the Group

As at 30 June 2011, the Group pledged Energy Resources LLC's current accounts held with Trade and Development Bank of Mongolia, Khan Bank of Mongolia, Golomt Bank of Mongolia; Energy Resources Corporation LLC's time deposit accounts held with Trade and Development Bank of Mongolia, Khan Bank of Mongolia, Golomt Bank of Mongolia, Khas Bank of Mongolia, Savings Bank of Mongolia and Ulaanbaatar City Bank of Mongolia; Debt Service Reserve Account with Standard Bank for European Bank for Reconstruction and Development loan repayment; accounts with Standard Bank for Standard Bank loan repayment; off-take contract with Inner Mongolia Qinghua Group of China; coal mining agreement with Leighton; engineering, procurement, construction and management for the CHPP constructed at the UHG deposit with Sedgman; power plant and wash plant phase 1; Mining License; and approximately 21.47% of the share capital of Energy Resources LLC to banks for credit facilities in the aggregate amount of USD580 million granted to the Group.

Contingent Liabilities

As at 30 June 2011, the Group did not have significant contingent liabilities.

Use of Net proceeds from the Company's Global Offering

The Group raised approximately USD616 million net proceeds from Global Offering, including full exercise of Over-allotment option and after deducting the underwriting commissions and other expenses related to Global Offering process, and our original plans to use proceeds from Global Offering were as following:

– approximately around USD257 million for financing our mine and transportation infrastructure development projects, which included approximately USD125 million to finance a portion of our railway project and approximately USD80 million for our coal handling and washing plant;

– approximately USD206 million for acquisitions of companies with existing exploration rights and additional mining assets; and

– approximately USD52 million to fund working capital needs and other general corporate purposes.

As at 30 June 2011, the Group used approximately USD616 million of the proceeds from the Global Offering as following:

– approximately USD105 million to fund expansion of our coal handling and washing plant and infrastructure development projects;

– approximately USD75 million was used to repay loan from Standard Bank PLC for funding paved road project;

– approximately USD379 million to fund the acquisition of 100% interests in BN mine; and

– approximately USD57 million to working capital needs.

Operating Lease Commitments

As at 30 June 2011, the Company had contracted obligations consisting of operating leases which totalled approximately USD5.4 million with approximately USD3.0 million due within one year and approximately USD2.4 million due between two and five years. Lease terms range from 1 to 5 years, with fixed rentals.

Capital Commitments

As at 30 June 2011, the Company had capital commitment of capital expenditure for an amount of approximately USD168.7 million, out of which USD54.1 million was contracted for and USD114.6 million was authorised but not contracted for.

Financial Instruments

The convertible bond of USD85 million has been accounted for as a hybrid financial instrument containing both a derivative component and a liability component. The derivative component was initially recognised at its fair value of USD10,292,000 and the attributable transaction cost of USD118,000 were charged to the profit or loss for the six months ended 30 June 2011. The liability component was initially recognised at amortised cost of USD79,133,000, after taking into account attributable transaction costs of USD915,000.

Employees

As at 30 June 2011, the number of employees of the Group reached 1,619 compared with 931 employees as at 30 June 2010. Total employee remuneration for the six months ended 30 June 2011 and 2010 were USD7.8 million and USD2.9 million respectively.

Dividend

For the six months ended 30 June 2011, the Company did not declare or pay any dividend (dividend for the six months ended 30 June 2010: nil).

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

For the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2011.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by relevant employees (the "Employees Written Guidelines") who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Code on Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules as its code of corporate governance. The Company has complied with all the applicable code provisions as set out in the Code throughout the review period and up to the date of this interim results announcement.

Review by the Audit Committee

An audit committee comprising three independent non-executive Directors including Mr. Ochirbat Punsalmaa, Mr. Unenbat Jigjid and Mr. Chan Tze Ching, Ignatius and a non-executive Director Ms. Enkhtuvshin Gombo has been established by the Company. The audit committee has reviewed the unaudited financial statements of the Company and its subsidiaries for the six months ended 30 June 2011.

Publication of the 2011 Unaudited Consolidated Interim Results and 2011 Interim Report on the websites of the Stock Exchange and the Company

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.mmc.mn), and the 2011 Interim Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

For and On Behalf of the Board
Mongolian Mining Corporation
Odjargal Jambaljamts
Chairman

Hong Kong, 24 August 2011

As at the date of this announcement, the Board consists of Mr. Odjargal Jambaljamts and Dr. Battsengel Gotov, being the executive Directors, Mr. Gantumur Lingov, Ms. Enkhtuvshin Gombo, Mr. Enkh-Amgalan Luvsantseren, Dr. Oyungerel Janchiv, Mr. Philip Hubert ter Woort and Mr. Batsaikhan Purev, being the non-executive Directors, and Mr. Ochirbat Punsalmaa, Mr. Unenbat Jigjid and Mr. Chan Tze Ching, Ignatius, being the independent non-executive Directors.