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## **MONGOLIAN MINING CORPORATION**

*(Incorporated in the Cayman Islands with Limited Liability)*

**(Stock Code: 975)**

### **ISSUANCE OF US\$600,000,000 8.875% GUARANTEED SENIOR NOTES DUE 2017**

Reference is made to the announcement of the Company dated 14 March 2012 in relation to the proposed issue of guaranteed senior notes due 2017.

On 22 March 2012, the Company and the Subsidiary Guarantors entered into the Purchase Agreement with ING Bank N.V., Singapore Branch, J.P. Morgan Securities Ltd., Merrill Lynch International, Standard Bank Plc and Standard Chartered Bank in connection with the Notes Issue.

The proposed issue of the Notes is intended for (i) financing transportation infrastructure improvement and development projects, including, without limitation, for the Company's UHG-GS railway project; and (ii) for working capital and other general corporate purposes, including, without limitation, for exploration and debt refinancing. The Company may reallocate the use of proceeds in response to changing market conditions or circumstances and other factors, including, without limitation, the timing of its UHG-GS railway project. The estimated net proceeds of the Notes Issue, after deduction of the underwriting fees and commissions and other estimated expenses payable in connection with the Notes Issue, will amount to approximately US\$587 million.

The Company has received approval in-principle for the listing and quotation of the Notes on the Official List of the SGX-ST. Admission of the Notes to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Company or the Notes.

Reference is made to the announcement of the Company dated 14 March 2012 in relation to the proposed issue of guaranteed senior notes due 2017.

The Board is pleased to announce that on 22 March 2012, the Company and the Subsidiary Guarantors, entered into the Purchase Agreement with ING Bank N.V., Singapore Branch, J.P. Morgan Securities Ltd., Merrill Lynch International, Standard Bank Plc and Standard Chartered Bank in connection with the Notes Issue by the Company in the aggregate principal amount of US\$600 million.

## **THE PURCHASE AGREEMENT**

Date: 22 March 2012

### **Parties to the Purchase Agreement**

- (a) the Company;
- (b) the Subsidiary Guarantors; and
- (c) ING Bank N.V., Singapore Branch, J.P. Morgan Securities Ltd., Merrill Lynch International, Standard Bank Plc and Standard Chartered Bank.

ING Bank N.V., Singapore Branch, J.P. Morgan Securities Ltd. and Merrill Lynch International are the Joint Bookrunners, together with Standard Bank Plc and Standard Chartered Bank, are the Joint Lead Managers, in respect of the offer and sale of the Notes. ING Bank N.V., Singapore Branch, J.P. Morgan Securities Ltd., Merrill Lynch International, Standard Bank Plc and Standard Chartered Bank are also the Initial Purchasers of the Notes.

The Notes will not be registered under the Securities Act and may not be offered or sold within the United States, or to, or for the account on benefit of, U.S. persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. None of the Notes will be offered to the public in Hong Kong.

### **Principal terms of the Notes**

#### ***Notes Offered***

Subject to certain conditions to completion, the Company will issue the Notes in the aggregate principal amount of US\$600 million which will mature on 29 March 2017, unless earlier redeemed pursuant to the terms thereof.

#### ***Offering Price***

The offering price of the Notes will be 100.00% of the principal amount of the Notes.

#### ***Interest***

The Notes will bear interest from and including 29 March 2012 at a rate of 8.875% per annum, payable semi-annually in arrears on 29 March and 29 September of each year, beginning 29 September 2012. The Notes will mature on 29 March 2017.

## ***Ranking of the Notes***

The Notes will be (1) general obligations of the Company; (2) effectively subordinated to secured obligations of the Company (other than to the extent to the Collateral securing the Notes), to the extent of the value of the assets serving as security therefor; (3) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (4) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); (5) guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations; and (6) effectively subordinated to all existing and future obligations of the non-guarantor restricted subsidiaries. In addition, applicable law may limit the enforceability of the guarantees provided by the Subsidiary Guarantors.

Subject to limitations, the Notes will: (i) be entitled to a first priority lien on the Collateral (subject to any permitted liens and the Intercreditor Agreement) shared on a pari passu basis among the holders of the Notes, the lenders of the New Standard Bank Facilities Agreement and any other creditors with respect to permitted pari passu secured indebtedness incurred by the Company; and (ii) rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

## ***Events of default***

The following events will be defined as “events of default” under the Indenture:

- (a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (c) default in the performance or breach of the provisions of certain covenants relating to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause its restricted subsidiaries to create, a first priority lien on the Collateral (subject to any permitted liens and the Intercreditor Agreement);
- (d) the Company or any restricted subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice of such default or breach to the Company by the Trustee or the holders of 25% or more in aggregate principal amount of the Notes;
- (e) there occurs with respect to any indebtedness of the Company or any restricted subsidiary having an outstanding principal amount of US\$15.0 million (or the dollar equivalent thereof) or more in the aggregate for all such Indebtedness of all such persons, whether such indebtedness now exists or shall hereafter be created, (1) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its stated maturity and/or (2) a failure to pay principal of, or interest or premium on, such indebtedness when the same becomes due (subject to the applicable grace period in the relevant documents);

- (f) one or more final judgments or orders for the payment of money are rendered against the Company or any restricted subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such persons to exceed US\$15.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (g) an involuntary case or other proceeding is commenced against the Company or any significant subsidiary (or any group of restricted subsidiaries that together would constitute a significant subsidiary) with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any significant subsidiary (or any group of restricted subsidiaries that together would constitute a significant subsidiary) or for any substantial part of the property and assets of the Company or any significant subsidiary (or any group of restricted subsidiaries that together would constitute a significant subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any significant subsidiary (or any group of restricted subsidiaries that together would constitute a significant subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (h) the Company or any significant subsidiary (or any group of restricted subsidiaries that together would constitute a significant subsidiary) (1) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (2) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any significant subsidiary (or any group of restricted subsidiaries that together would constitute a significant subsidiary), or for all or substantially all of the property and assets of the Company or any subsidiary (or any group of restricted subsidiaries that together would constitute a significant subsidiary), or (3) effects any general assignment for the benefit of creditors;
- (i) (a) the entity holding the mining license in relation to the Ukhaa Khudag mine ceases to be, directly or indirectly a wholly owned restricted subsidiary or a Subsidiary Guarantor or (b) the mining license for the Ukhaa Khudag mine ceases to be valid and effective or wholly owned by the Company or a Subsidiary Guarantor;
- (j) any Subsidiary Guarantor denies or disaffirms its obligations under its guarantee or, except as permitted by the Indenture, any such guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (k) any default by the Company in the performance of any of its obligations under the security documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or
- (l) the Company denies or disaffirms its obligations under any security document or, other than in accordance with the Indenture and the security documents, any security document ceases to be or is not in full force and effect or the Trustee ceases to have a first priority security interest in the Collateral (subject to any permitted liens and the Intercreditor Agreement).

If an event of default (other than an event of default specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the holders), may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable.

If an event of default specified in clause (g) or (h) above occurs with respect to the Company or any significant subsidiary (or any group of restricted subsidiaries that together would constitute a significant subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

### *Covenants*

The Notes, the indenture governing the Notes and the guarantees provided by the Subsidiary Guarantors will limit the Company's ability and the ability of its restricted subsidiaries to, among other things:

- incur additional indebtedness;
- make investments or other restricted payments;
- pay dividends or make other distributions;
- enter into agreements that restrict the Company's restricted subsidiaries' ability to pay dividends;
- issue or sell capital stock of restricted subsidiaries;
- guarantee indebtedness;
- enter into certain transactions with affiliates;
- create liens;
- enter into sale and leaseback transactions;
- sell assets;
- effect a consolidation or merger; and
- engage in different business activities.

### ***Optional Redemption of the Notes***

At any time and from time to time on or after 29 March, 2015, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the applicable redemption date, if redeemed during the 12-month period commencing on 29 March of any year set forth below:

<b>Period</b>	<b>Redemption Price</b>
2015	104.4375%
2016	102.2188%

At any time and from time to time prior to 29 March 2015, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the applicable premium as of, and accrued and unpaid interest on the Notes redeemed, if any, to (but not including), the redemption date.

In addition, at any time and from time to time prior to 29 March 2015, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 108.875% of the principal amount of the Notes, plus accrued and unpaid interest on the Notes redeemed, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

### ***Reasons for the Notes Issue***

We estimate that we will receive net proceeds from the offering of approximately US\$587 million, after deducting the underwriting commissions and estimated expenses payable by us in relation to the offering. We intend to use such net proceeds as follows:

- approximately 67% for financing transportation infrastructure improvement and development projects, including, without limitation, for our UHG-GS railway project; and
- approximately 33% for working capital and other general corporate purposes, including, without limitation, for exploration and debt refinancing.

We may reallocate the use of proceeds in response to changing market conditions or circumstances and other factors, including, without limitation, the timing of our UHG-GS railway project. For example, if there is a change in the timing of our UHG-GS railway project, we may decide not to allocate proceeds to our UHG-GS railway project and instead we may refinance our existing debt or allocate proceeds for other purposes.

### ***Listing and rating***

The Company has received approval in-principle for the listing and quotation of the Notes on the Official List of the SGX-ST. Admission to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Company or the Notes. No listing of the Notes has been sought in Hong Kong.

The Notes are expected to be rated “B1” by Moody’s Investors Service, Inc. and “B+” by Standard and Poor’s Ratings Services.

## **ADDITIONAL INFORMATION**

The following information amends/supplements the Company’s announcement on 14 March 2012 regarding the proposed issue of guaranteed senior notes.

The following risk factor is to be added after the last paragraph on page 44:

“In addition, pursuant to the Intercreditor Agreement, the Trustee, the facility agent under the New Standard Bank Facilities Agreement and the representative of any permitted pari passu secured indebtedness will be entitled to give instructions to the shared security agent to foreclose the Collateral, upon the occurrence of a continuing event of default under the applicable finance document. In the event of any conflict between any enforcement instructions, the shared security agent shall act in accordance with the first enforcement instruction it receives. If the preference of the holders of the Notes at such time is not to foreclose the Collateral, or if foreclosure may not at such time be in the best interest of the holders, the holders will not be able to instruct the shared security agent to refrain from acting. In addition, other than with respect to enforcement instructions and other circumstances as described under the Intercreditor Agreement, creditors representing 50% or more of the indebtedness subject to the Intercreditor Agreement shall be entitled to give any instruction (other than enforcement instruction) which will override any conflicting instruction given by any other party. If the indebtedness of the Notes at such time constitutes less than 50% of the indebtedness subject to the Intercreditor Agreement, the holders of the Notes will not be able to override any prevailing instruction, and such prevailing instruction may not be in the best interest of the holders of the Notes.”

The second sentence of the paragraph under “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Cash Flows from Operating Activities” on page 58 will be deleted in its entirety and replaced by:

“Changes in working capital mainly included (i) an increase in trade and other receivables of US\$7.0 million, primarily due to increased trade receivables, (ii) an increase in coking coal inventories of US\$6.9 million and (iii) a decrease in trade and other payables of US\$4.6 million, primarily due to the decrease in prepayments by customers.”

The last paragraph under “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures About Market Risk – Foreign Currency Exchange Risk” on page 62 will be deleted in its entirety and replaced with:

“During the years ended December 31, 2009, 2010 and 2011, 100% of our revenue and approximately 49.9%, 36.0%, 27.7% of our purchases, respectively, were denominated in currencies other than Togrogs, the functional currency of our Mongolian entities.”

The first full paragraph under “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures About Market Risk – Foreign Currency Exchange Risk” on page 63 will be deleted in its entirety and replaced with:

“For the year ended December 31, 2009, approximately 79.1%, 12.7%, 87.5% of our cost of revenue, operating expenditures and capital expenditures were denominated in U.S. dollars, respectively, with the remaining denominated in Togrogs. For the year ended December 31, 2010, approximately 33.5%, 28.0%, 25.7% of our cost of revenue, operating expenditures and

capital expenditures were denominated in U.S. dollars, respectively, 5.1% and 1.4% of operating expenditures and capital expenditures were denominated in RMB, respectively, with the remaining denominated in Togrogs. For the year ended December 31, 2011, approximately 27.6%, 27.2% and 23.4% of our cost of revenue, operating expenditures and capital expenditures were denominated in U.S. dollars, with the remaining denominated in Togrogs.”

The following sentence will be added as the first paragraph under “Business – Recent Developments” on page 97:

“On March 22, 2012, Petrovis LLC, which currently owns approximately 11.4% of our share capital, launched a block sale of shares of our company. It is offering 83,000,000 to 86,000,000 shares, representing approximately 2.2% to 2.3% of our outstanding share capital, at HK\$7.35 to HK\$7.65 per share. The transaction is expected to close on March 27, 2012.”

## **DEFINITIONS**

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of directors of our Company
“Collateral”	the capital stock of Mongolia Coal Corporation Limited and Mongolian Coal Corporation S.à.r.l., owned by the Company and Mongolian Coal Corporation Limited, respectively
“Company” or “we”	Mongolian Mining Corporation, a company incorporated in the Cayman Islands with limited liability on 18 May 2010
“GS”	Gashuun Sukhait, the Mongolia side of the Sino-Mongolian border crossing
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Indenture”	an indenture governing the Notes to be entered into among the Company, the Subsidiary Guarantors and the Trustee
“Initial Purchasers”	ING Bank N.V., Singapore Branch, J.P. Morgan Securities Ltd., Merrill Lynch International, Standard Bank Plc and Standard Chartered Bank
“Intercreditor Agreement”	the agreement to be entered into among, the Company, the Subsidiary Guarantors, Standard Bank Plc, the Trustee and the shared security agent in relation to the the application of proceeds of enforcement of the shared security and the application of proceeds of enforcement of the guarantees with respect to the Notes and the Company’s obligations under the New Standard Bank Facilities Agreement
“Joint Bookrunners”	ING Bank N.V., Singapore Branch, J.P. Morgan Securities Ltd. and Merrill Lynch International

“Joint Lead Managers”	ING Bank N.V., Singapore Branch, J.P. Morgan Securities Ltd., Merrill Lynch International, Standard Bank Plc and Standard Chartered Bank
“New Standard Bank Facilities Agreement”	the US\$300 million term loan facilities agreement the Company entered into with Standard Bank Plc dated 8 March 2012 and on or before 29 March 2012, the Company will provide notice to Standard Bank Plc to reduce the size of the facility to US\$200 million
“Notes”	8.875% guaranteed senior notes due 2017
“Notes Issue”	the issue of the Notes by the Company
“Purchase Agreement”	the agreement dated 22 March 2012 entered into between the Company, the Subsidiary Guarantors and the Initial Purchasers
“Securities Act”	the U.S. Securities Act of 1933, as amended
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Subsidiary Guarantors”	Mongolian Coal Corporation Limited, Mongolian Coal Corporation S.à.r.l., Energy Resources Corporation LLC, Energy Resources LLC, Energy Resources Mining LLC and Transgobi LLC
“Trustee”	Deutsche Bank Trust Company Americas
“UHG”	Ukhaa Khudag, located in Tsogttsetsii soum of South Gobi Province
“United States” or “U.S.”	the United States of America
“US\$” or “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States

For and on behalf of the Board  
**Mongolian Mining Corporation**  
**Odjargal Jambaljamts**  
*Chairman*

Hong Kong, 23 March 2012

*As at the date of this announcement, the Board consists of Mr. Odjargal Jambaljamts and Dr. Battsengel Gotov, being the executive directors of the Company, 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 of the Company, and Mr. Ochirbat Punsalmaa, Mr. Unenbat Jigjid and Mr. Chan Tze Ching, Ignatius, being the independent non-executive directors of the Company.*