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MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 975)

CONNECTED TRANSACTION

On 17 August 2012, Energy Resources, an indirect wholly-owned subsidiary of the Company, entered into the Apartment Sale and Purchase Agreement with MCS Property whereby MCS Property agreed to sell and Energy Resources agreed to purchase the Apartments for a total consideration of MNT22,803,479,766 (equivalent to approximately US\$16,737,113).

MCS Property is a subsidiary of MCS Holding which is in turn wholly-owned and controlled by MCS (Mongolia) Limited which directly owns a 100% shareholding interest in MCS Mining Group Limited, a substantial Shareholder. Therefore, MCS Property is considered as an associate of MCS Mining Group Limited and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, the transaction contemplated under the Apartment Sale and Purchase Agreement constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules as the applicable percentage ratios is less than 5% pursuant to Rule 14A.32 of the Listing Rules.

APARTMENT SALE AND PURCHASE AGREEMENT

Date:

17 August 2012

Parties:

Energy Resources, an indirect wholly-owned subsidiary of the Company, as purchaser

MCS Property as seller

Principal terms:

MCS Property agreed to sell and Energy Resources agreed to purchase the Apartments pursuant to the terms of the Apartment Sale and Purchase Agreement.

The transaction under the Apartment Sale and Purchase Agreement will be completed on 31 March 2013. The Apartments will be commissioned and transferred to the ownership of Energy Resources according to the following schedule:

- Set A apartment with a total floor area of 3,188.80 m² in the 3rd quarter of 2012;
- Set C apartment with a total floor area of 2,898.00 m² in the 3rd quarter of 2012;
- Set B apartment with a total floor area of 3,254.24 m² in the 1st quarter of 2013; and
- Set D apartment with a total floor area of 3,362.32 m² in the 1st quarter of 2013.

The Apartments are designed to be self-contained fully furnished residential units, whereby set C apartment is designed to be a guesthouse in which the restaurant is designed at the ground floor and its interior design differs from the other sets of residential apartments in terms of its quality and environment including modern information technology system, gym, lobby and laundry facilities.

Consideration and payment terms:

Total consideration payable by Energy Resources to MCS Property under the Apartment Sale and Purchase Agreement is MNT22,803,479,766 (equivalent to approximately US\$16,737,113) inclusive of value added tax, other applicable taxes and all other costs associated with the sales of the Apartments by MCS Property. The original purchase cost of the Apartments to MCS Property is MNT20,149,289,810 (equivalent to approximately US\$14,789,012). The consideration payable to MCS Property was determined at the market rate of MNT1,755,000 per m² for set A, set B, set D apartments and MNT1,930,667 per m² for set C apartment.

In order to assess the market price of the apartments, the Company engaged an independent valuation company, Itgelt Estimate, to perform market price analysis. Itgelt Estimate was selected from among three Mongolian valuation companies, as it had the best professional expertise and reference. Valuation prices per m² are MNT1,814,600 for set A, set B, set D apartments and MNT2,019,800 for set C apartment. The total market value of the Apartments is MNT23,646,186,656 based on the valuation report. Valuation prices per square meter of both residential units and a guesthouse are within 5% range difference from our purchase price, which is a reasonable amount of variance and indicates that our purchase price is a market price.

As at the date of this announcement, the book value of the Apartments was approximately MNT22,803,479,766 (equivalent to approximately US\$16,737,113).

The Company will make payments for set A and set C apartments in two installments by 50% advance payment of MNT5,595,708,483 (equivalent to approximately US\$4,107,093) within 10 business days and remaining 50% payment of MNT5,595,708,483 (equivalent to approximately US\$4,107,093) within 20 business days of signing the Apartment Sale and Purchase Agreement.

The payment schedule for set B and set D apartments will be as follows:

	Date	Payments (MNT)	Percentages
Deposit	After signing the Apartment Sale and Purchase Agreement	3,483,618,840	30%
Installment 1	15 September 2012	3,483,618,840	30%
Installment 2	15 October 2012	3,483,618,840	30%
Installment 3	After handing over the keys	1,161,206,280	10%
TOTAL		11,612,062,800	100%

Reasons for the transaction:

As part of the Company's retention and relocation policy, the Company has decided to purchase the Apartments for use as residence for employees of the Group who have been relocated to Tsogttsetsii soum. The Apartments will be allocated to employees of the Group based on their length of service with the Group and position within the Group. The Company is of the view that the provision of residence would not only serve as a key tool to attract and relocate employees to Tsogttsetsii soum, but would also have the following benefits:

- **Human Resources:** Increase the population and labor force availability by attracting family members of employees of the Group to relocate to Tsogttsetsii soum.
- **Social:** Employees of the Group will be able to spend more time with their families and thus have positive impact on their family life and behavior.
- **Economical:** Reducing the cost for camping and transportation (total savings of approximately MNT30 billion in seven years assuming 360 employees of the Group will be relocated to reside at the Apartments) and monthly roster cost (which includes fly-in and fly-out cost and camp accommodation cost such as food and laundry services etc. of more than MNT1 million per employee per month). In view of the cost savings and as part of the Company's retention and relocation policy, the Company intends to transfer the title of the apartment units, without consideration, to the employees who have worked for the Group for seven years or more.

MCS Property is one of the leading construction management and property development companies in Mongolia. MCS Property has worked with the Company since the beginning of the UHG mine site development and the quality of its construction work has been outstanding. In consideration of the extensive experience and expertise of MCS Property, the Directors believe that it is in the best interest to acquire the Apartments from MCS Property to ensure the apartments purchased are of the highest quality.

INFORMATION ON THE GROUP

The Company is principally engaged in open-pit mining and sale of coking coal in Mongolia.

Energy Resources, an indirect wholly-owned subsidiary of the Company, is principally engaged in the operation of the UHG mine.

INFORMATION ON MCS PROPERTY

MCS Property, a wholly-owned subsidiary of MCS Holding, is principally engaged in the property development, as well as carries out full-scale construction project management in provision of construction engineering, construction design and consulting service.

LISTING RULES IMPLICATIONS

MCS Property is a subsidiary of MCS Holding which is in turn wholly-owned and controlled by MCS (Mongolia) Limited which directly owns a 100% shareholding interest in MCS Mining Group Limited, a substantial Shareholder. Therefore, MCS Property is considered as an associate of MCS Mining Group Limited and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, the transaction contemplated under the Apartment Sale and Purchase Agreement constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules as the applicable percentage ratios is less than 5% pursuant to Rule 14A.32 of the Listing Rules.

Each of Mr. Odjargal Jambaljamts, Mr. Gantumur Lingov, Mr. Od Jambaljamts and Ms. Enkhtuvshin Gombo, being a Director and a director of MCS Holding, has abstained from voting on the relevant resolutions of the Board for approval of the Apartment Sale and Purchase Agreement. Other than Mr. Odjargal Jambaljamts, Mr. Gantumur Lingov, Mr. Od Jambaljamts and Ms. Enkhtuvshin Gombo, none of the Directors has a material interest in the acquisition of the Apartments.

The Directors (including the independent non-executive Directors) of the Company are of the view that the Apartment Sale and Purchase Agreement was entered into on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

DEFINITION

“Apartment Sale and Purchase Agreement”	the sale and purchase agreement entered into between MCS Property and Energy Resources on 17 August 2012 in relation to the sale and purchase of Apartments;
“Apartments”	four sets of apartments (set A, set B, set C, set D, total seven buildings) constructed by MCS Property with total area of 12,703.36 m ² in Tsogttsetsii soum of Umnugobi province, Mongolia;
“associate”	having the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Mongolian Mining Corporation (Stock code: 975), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Construction Work Agreement for Residential Apartment”	the construction work agreement for residential apartment entered into between Energy Resources and MCS Property on 14 June 2010 whereby MCS Property agreed to build the first two apartments of “Tsetsii town”.
“Director(s)”	director(s) of the Company;

“Energy Resources”	Energy Resources LLC, a company incorporated in Mongolia with limited liability, is an indirect wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Itgelt Estimate”	Itgelt Estimate LLC, a company incorporated in Mongolia with limited liability, is an independent valuation company;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MCS Holding”	MCS Holding LLC, a company incorporated in Mongolia with limited liability, is an indirect wholly-owned subsidiary of MCS (Mongolia) Limited;
“MCS Mining Group Limited”	MCS Mining Group Limited, a company incorporated in the British Virgin Islands with limited liability, is a substantial Shareholder and a direct wholly-owned subsidiary of MCS (Mongolia) Limited;
“MCS (Mongolia) Limited”	MCS (Mongolia) Limited, a company incorporated in the British Virgin Islands which directly owns 100% shareholding interest in MCS Mining Group Limited, a substantial Shareholder;
“MCS Property”	MCS Property LLC, a company incorporated in Mongolia with limited liability, is a subsidiary of MCS Holding which is wholly-owned by MCS (Mongolia) Limited which directly owns 100% shareholding interest in MCS Mining Group Limited, a substantial Shareholder;
“MNT”	togrok or tugrik, the lawful currency of Mongolia;
“m ² ”	square meter;
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the registered holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“UHG mine”	the Group’s Ukhaa Khudag deposit located in the Tavan Tolgoi coalfield;
“US\$”	United States Dollar, the lawful currency of the United States of America; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of US\$1.00= MNT1,362.45, has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

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

Hong Kong, 17 August 2012

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. Od Jambaljamts, 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.