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MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE AT HKD0.28 PER RIGHTS SHARE

CLOSURE OF REGISTER OF MEMBERS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Joint Underwriters of the Rights Issue (in alphabetical order)



BNP PARIBAS
CORPORATE & INVESTMENT BANKING

J.P.Morgan

Independent Financial Adviser



SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 10 to 33 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 34 of this circular. A letter from Somerley, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Rights Issue is set out on pages 35 to 61 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on 24 November 2014 at Queensway and Victoria Rooms, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong is set out on pages 88 to 90 of this circular. An instrument of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the enclosed instrument of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the instrument of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, the fulfillment or waiver (where applicable) of the conditions set out under the sub-paragraph headed "Conditions of the Rights Issue" on pages 19 to 21 of this circular. In particular, the Rights Issue is conditional upon, among other things, the approval of the Rights Issue by the Independent Shareholders at the EGM by way of poll. The Joint Underwriters are entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events as set out in the section headed "Termination of the Underwriting Agreement" on pages 6 to 9 of this circular. Accordingly, the Rights Issue may or may not proceed.

The Shares will be dealt in on an ex-rights basis commencing from 26 November 2014. Dealings in the Rights Shares in nil-paid form are expected to take place from 5 December 2014 to 12 December 2014 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or waived (where applicable) or the Underwriting Agreement is terminated by the Joint Underwriters, the Rights Issue will not proceed. Any Shareholders or other persons dealing in nil-paid Rights Shares during the period from 5 December 2014 to 12 December 2014 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

7 November 2014

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EXPECTED TIMETABLE

EXPECTED TIMETABLE OF THE RIGHTS ISSUE

The expected timetable for the Rights Issue is set out below:

Event	2014
Latest time for lodging transfer of Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 17 November
Closure of the register of members for determining entitlement to attend and vote at the EGM (both days inclusive)	Tuesday, 18 November to Monday, 24 November
Latest time for return of instrument of proxy for the EGM (not less than 48 hours before the EGM)	10:00 a.m. on Saturday, 22 November
Record date for attendance and voting at the EGM	Monday, 24 November
Expected date of the EGM	10:00 a.m. on Monday, 24 November
Announcement of results of the EGM	Monday, 24 November
Last day of dealings in Shares on a cum-rights basis	Tuesday, 25 November
First day of dealings in Shares on an ex-rights basis	Wednesday, 26 November
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 27 November
Closure of the register of members for determining entitlements under the Rights Issue (both days inclusive)	Friday, 28 November to Tuesday, 2 December

EXPECTED TIMETABLE

Record Date	Tuesday, 2 December
Reopening of register of members	Wednesday, 3 December
Rights Issue Documents expected to be despatched on.	Wednesday, 3 December
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Friday, 5 December
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Tuesday, 9 December
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Friday, 12 December
Latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares.	4:00 p.m. on Wednesday, 17 December
Rights Issue expected to become unconditional on or before	4:00 p.m. on Monday, 22 December
Publication of announcement of results of the Rights Issue and excess applications	Wednesday, 24 December
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be despatched on or before	Monday, 29 December
Share Certificates for fully-paid Rights Shares expected to be despatched on or before	Monday, 29 December
First day of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 30 December

Note: All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in this circular for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by agreement between the Company and the Joint Underwriters. Any changes to the anticipated timetable for the Rights Issue will be published or notified to the Shareholders and the Stock Exchange as appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place as shown if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning in force in Hong Kong at any local time:

- (i) before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. Instead the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on the Final Acceptance Date, the dates mentioned in section headed “Expected timetable of the Rights Issue” above may be affected. The Company will notify its Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Announcement”	the announcement of the Company dated 31 October 2014 in relation to, among other things, the Rights Issue
“Articles”	the existing articles of association of the Company as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beneficial Owner(s)”	any beneficial owner(s) of Shares whose Shares are registered in the name of a registered Shareholder
“BNP Paribas”	BNP Paribas Securities (Asia) Limited
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Committed Shares”	the aggregate of 3,659,139,288 Rights Shares which the Irrevocable Undertaking Covenantors have undertaken to subscribe
“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
“Despatch Date”	3 December 2014 or such later date as may be agreed between the Company and the Joint Underwriters for the despatch of the Rights Issue Documents
“Director(s)”	the director(s) of the Company
“EAF(s)”	the application form(s) for excess Rights Shares to be issued to Qualifying Shareholders in respect of application for excess Rights Shares

DEFINITIONS

“EGM”	the extraordinary general meeting to be convened by the Company for the purpose of approving, among other things, the Rights Issue
“Final Acceptance Date”	the last date for acceptance and payment in respect of provisional allotments under the Rights Issue and for application and payment for excess Rights Shares, which is currently expected to be 17 December 2014 or such later date as the Company and the Joint Underwriters may agree in writing
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising Mr. Ochirbat Punsalmaa, Mr. Unenbat Jigjid and Mr. Chan Tze Ching, Ignatius, all independent non-executive Directors, to make recommendations to the Independent Shareholders in relation to the fairness and reasonableness of the Rights Issue
“Independent Shareholder(s)”	Shareholders other than MCS Mining Group and its associates
“Independent Third Party(ies)”	any entity or person who is not a connected person within the meaning ascribed under the Listing Rules
“Irrevocable Undertaking Covenantors”	MCS Mining Group, Novel Holdings Group Limited, Trimunkh Limited, Sumberu Limited, Eco Mogul Limited, Inter Group Mongolia Limited, Gera Investments Limited, Benu Investment Limited, Crystalline Investment Limited, Tamirana Limited, Tugs Investment Limited, Shunkhlai Mining, Kerry Mining (UHG) Limited, Lotus Amsa Limited, Highline Holdings Limited, True Kind Limited, Anand & Co. Holding Limited and Botgo Limited

DEFINITIONS

“Irrevocable Undertakings”	each of the irrevocable undertakings dated 31 October 2014 given by each of the Irrevocable Undertaking Covenantors respectively in favour of the Company and the Joint Underwriters, collectively the “Irrevocable Undertakings”
“Joint Underwriters”	BNP Paribas and J.P. Morgan
“J.P. Morgan”	J.P. Morgan Securities (Asia Pacific) Limited
“Last Closing Price”	the closing price of HKD1.03 per Share as quoted on the Stock Exchange on the Last Trading Day
“Last Day for Transfer”	27 November 2014, being the last date for lodging transfer of Shares prior to the closure of the register of members of the Company
“Last Trading Day”	30 October 2014, being the last full trading day of the Shares on the Stock Exchange immediately before the issue of the Announcement
“Latest Practicable Date”	4 November 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion therein
“Latest Termination Date”	4:00 p.m. on the third Business Day after the Final Acceptance Date or such later date as the Company and the Joint Underwriters may agree in writing
“Latest Time for Acceptance”	a time which is currently expected to be 4:00 p.m. on the Final Acceptance Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MCS Mining Group”	MCS Mining Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is a controlling Shareholder
“Mt”	million tonnes

DEFINITIONS

“Non-Qualifying Shareholders”	the Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary or expedient to exclude from the Rights Issue, on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	(i) the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on the register of members of the Company is/are outside Hong Kong and (ii) Beneficial Owners whose address(es) is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Shares, to be issued to Qualifying Shareholders in respect of their entitlements under the Rights Issue
“PRC” or “China”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Qualifying Shareholder(s)”	the Shareholder(s), other than Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	such date as the Company may specify as the record date for determining entitlements to participate in the Rights Issue, which is currently expected to be 2 December 2014
“Registrar”	the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue by the Company of the Rights Shares at the Subscription Price by way of rights on the basis of three Rights Shares for every two existing Shares held on the Record Date
“Rights Issue Documents”	the Prospectus, the PAL(s) and the EAF(s)

DEFINITIONS

“Rights Shares”	not less than 5,557,554,750 Rights Shares and not more than 5,597,079,750 Rights Shares to be issued and allotted by the Company under the Rights Issue
“Share(s)”	ordinary share(s) of the Company with a par value of USD0.01 each
“Share Option Scheme”	the share option scheme adopted by the Company on 17 September 2010 pursuant to which share options are exercisable to subscribe for an aggregate of 26,350,000 new Shares with exercise period commencing on or before the Record Date
“Share Options”	the outstanding share options as at the Latest Practicable Date granted pursuant to the Share Option Scheme which are validly vested and exercisable by the holders
“Shareholder(s)”	holder(s) of Shares
“Somerley”	Somerley Capital Limited, the independent financial adviser to the Independent Board Committee
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HKD0.28 per Rights Share
“Underwriting Agreement”	the underwriting agreement dated 31 October 2014 entered into between the Company and the Joint Underwriters in relation to the Rights Issue
“Underwritten Shares”	the Rights Shares other than the Committed Shares
“US” or “United States”	the United States of America
“USD”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions granting the Joint Underwriters, by notice in writing to the Company, the right to terminate the Underwriting Agreement on the occurrence of certain events.

The Joint Underwriters may at any time prior to the Latest Termination Date, by notice in writing to the Company, rescind or terminate the Underwriting Agreement if:

- (a) there shall develop, occur, exist or come into effect or become public knowledge any event, series of events or circumstances concerning or relating to:
 - (i) any new laws or any change, or any development involving a prospective change, in existing laws or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Mongolia or the PRC; or
 - (ii) any local, national or international event or change (whether or not foregoing part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, industrial, regulatory or securities and other market conditions or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
 - (iii) any change, or any development involving a prospective change, in or affecting the assets, liabilities, business, general affairs, management, prospects, profits, losses, results of operations, position or condition, financial or trading, or performance of the Company and the other members of the Group, taken as a whole; or
 - (iv) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, economic sanctions, strike or lock-out, riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis), in each case affecting Hong Kong, Mongolia or the PRC; or
 - (v) a general moratorium on commercial banking activities declared by relevant authorities in Hong Kong, the PRC, Mongolia, the United States, the United Kingdom or the European Union (or any member thereof) or a material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in Hong Kong, the PRC, Mongolia, the United States, the United Kingdom or the European Union (or any member thereof); or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (vi) any suspension or restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange, the London Stock Exchange plc, the New York Stock Exchange, Inc. or NASDAQ, or any major disruption of any securities settlement or clearing services in Hong Kong; or
- (vii) any change, or any development involving a prospective change, or any event or circumstance likely to result in a change or a development involving a prospective change, in or affecting any Taxation, exchange controls or currency exchange rates in Hong Kong, the PRC, Mongolia, the United States, the United Kingdom or the European Union (or any member thereof); or
- (viii) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any director of the Company;

which, in the sole opinion of the Joint Underwriters:

- (1) is or will or is reasonably expected to have a material adverse effect on the business or financial or trading position or prospects of the Group or the Rights Issue; or
 - (2) has or will have or is reasonably expected to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or
 - (3) makes it impracticable, inadvisable or inexpedient to proceed with the Rights Issue; or
- (b) there comes to the notice of any of the Joint Underwriters, including but not limited to the following:
- (i) any matter or event showing any of the Warranties (as defined in the Underwriting Agreement) was, when given, untrue, incorrect or misleading or as having been breached; or
 - (ii) any material breach by the Company of any provision of the Underwriting Agreement, or any material breach by the Irrevocable Undertaking Covenantors of the Irrevocable Undertakings of any of their respective obligations or undertakings contained therein; or
 - (iii) any statement contained in the Prospectus has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or
 - (iv) any event, act or omission occurs which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities referred to in the Underwriting Agreement; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (v) failing to obtain the requisite Shareholders approval of the Rights Issue at the EGM; or
 - (vi) there is any change or development involving a prospective change in the condition, results of operations, prospects, management, business, shareholders' equity or in the financial or trading position of the Company or any member of the Group which, in the sole opinion of the Joint Underwriters, is or is reasonably expected to have a material adverse effect in the context of the Rights Issue; or
 - (vii) permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) has been withdrawn by the Stock Exchange; or
- (c) any matter or circumstance arises as a result of which any of the conditions set out in the Underwriting Agreement has become incapable of satisfaction as at the required time.

In the event the Joint Underwriters exercise their right to terminate the Underwriting Agreement prior to the Latest Termination Date, the obligations of all parties thereunder shall immediately cease and null and void and no party will (save in respect of certain rights or obligations under the Underwriting Agreement) have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

If the Joint Underwriters exercise such right, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by the Joint Underwriters.

WARNING OF THE RISKS OF DEALINGS IN SHARES AND RIGHTS SHARES

The Shares are expected to be dealt in on an ex-rights basis from 26 November 2014 (Wednesday). Dealings in the Rights Shares in nil-paid form are expected to take place from 5 December 2014 (Friday) to 12 December 2014 (Friday) (both dates inclusive). The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. It should also be noted that the Underwriting Agreement contains provisions granting the Joint Underwriters the right to terminate the Underwriting Agreement on the occurrence of certain events including force majeure. Please refer to the section headed "Termination of the Underwriting Agreement" in this circular for further details. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

Any Shareholder or other person dealing in Shares or other securities of the Company up to the date on which all conditions to which the Rights Issue is subject (as set out under the paragraph headed "Conditions of the Rights Issue" in this circular) are fulfilled (and the date on which the right of termination of the Joint Underwriters under

TERMINATION OF THE UNDERWRITING AGREEMENT

the Underwriting Agreement ceases) and any person dealing in nil-paid Rights Shares during the period from 5 December 2014 (Friday) to 12 December 2014 (Friday) (both days inclusive) will bear the risk that the Rights Issue may not become unconditional or may not proceed and are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares. If in any doubt, Shareholders and other persons contemplating dealing in securities of the Company and potential investors are recommended to consult their professional advisers. Shareholders and potential investors should exercise caution in dealing in the securities of the Company. Any buying or selling of the securities of the Company from now up to the date on which all the conditions to which the Rights Issue is subject are fulfilled, and any buying or selling of nil-paid Rights Shares, is at each investor's own risk that the Rights Issue may not become unconditional and may not proceed.

LETTER FROM THE BOARD



MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

Executive Directors:

Mr. Odjargal Jambaljamts (*Chairman*)
Dr. Battsengel Gotov (*Chief Executive Officer*)

Non-executive Directors:

Mr. Batsaikhan Purev
Dr. Oyungerel Janchiv
Mr. Od Jambaljamts
Mr. Gankhuyag Adilbish

Independent non-executive Directors:

Mr. Ochirbat Punsalmaa
Mr. Unenbat Jigjid
Mr. Chan Tze Ching, Ignatius

Registered office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal place of business in

Hong Kong:
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

7 November 2014

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES
FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE
AT HKD0.28 PER RIGHTS SHARE**

CLOSURE OF REGISTER OF MEMBERS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue. On 31 October 2014, the Board announced that the Company proposed to raise not less than approximately HKD1,556 million and not more than approximately HKD1,567 million, before estimated expenses, by issuing not less than 5,557,554,750 Rights Shares and not more

LETTER FROM THE BOARD

than 5,597,079,750 Rights Shares to the Qualifying Shareholders by way of the Rights Issue at the Subscription Price of HKD0.28 per Rights Share on the basis of three Rights Shares for every two existing Shares by a Qualifying Shareholder held on the Record Date. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of the Company. The Rights Issue will not be available to the Non-Qualifying Shareholders.

Each of MCS Mining Group, a controlling Shareholder (as defined under the Listing Rules), Novel Holdings Group Limited, Trimunkh Limited, Sumberu Limited, Eco Mogul Limited, Inter Group Mongolia Limited, Gera Investments Limited, Benu Investment Limited, Crystalline Investment Limited, Tamirana Limited, Tugs Investment Limited, Shunkhlai Mining, Kerry Mining (UHG) Limited, Lotus Amsa Limited, Highline Holdings Limited, True Kind Limited, Anand & Co. Holding Limited and Botgo Limited (which held 1,241,150,586 Shares, 184,659,019 Shares, 106,304,907 Shares, 27,927,529 Shares, 13,782,736 Shares, 10,120,113 Shares, 11,811,657 Shares, 3,327,908 Shares, 5,051,079 Shares, 1,971,079 Shares, 11,819,579 Shares, 183,000,000 Shares, 300,000,000 Shares, 112,833,333 Shares, 47,000,000 Shares, 18,833,334 Shares, 47,000,000 Shares and 112,833,333 Shares, respectively, as at the Latest Practicable Date, representing approximately 33.50%, 4.98%, 2.87%, 0.75%, 0.37%, 0.27%, 0.32%, 0.09%, 0.14%, 0.05%, 0.32%, 4.94%, 8.10%, 3.05%, 1.27%, 0.51%, 1.27% and 3.05% of the total number of the existing Shares in issue, respectively) has irrevocably undertaken to the Company and the Joint Underwriters pursuant to the Irrevocable Undertakings that, each of them will, among other things, (a) take up its entitlement to the Rights Shares under the Rights Issue pursuant to the terms of the Rights Issue in respect of the Shares legally and beneficially owned (as the case may be) by it as at the date of the Irrevocable Undertaking or the Record Date (as the case may be); (b) lodge the PALs with the Registrar with full payment therefor in accordance with the Rights Issue and not to revoke the submission of such PALs; (c) not dispose of or transfer (directly or indirectly, including without limitation by the creation of any option, charge or encumbrance or rights over or in respect of) any of its rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) up to and including the last date for acceptance and payment in respect of provisional allotments under the Rights Issue; and (d) not dispose of or transfer (directly or indirectly, including without limitation by the creation of any option, charge or encumbrance or rights over or in respect of) its legal and beneficial interests (as the case may be) in any of the Shares owned by it as at the date of the respective Irrevocable Undertaking from the date of the respective Irrevocable Undertaking up to and including the Record Date.

The Rights Issue (other than the Rights Shares that will be provisionally allotted to the Irrevocable Undertaking Covenantors pursuant to the Irrevocable Undertakings) will be fully underwritten by the Joint Underwriters, on the terms and subject to the conditions of the Underwriting Agreement.

The purpose of this circular is to provide you with, among other things, (i) further details about the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; and (iv) the notice convening the EGM.

LETTER FROM THE BOARD

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue, and Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

PROPOSED RIGHTS ISSUE

Details of the Rights Issue are set out below:

Issue Statistics

Basis of Rights Issue	:	Three Rights Shares for every two existing Shares held on the Record Date
Subscription Price	:	HKD0.28 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	3,705,036,500 Shares
Number of Rights Shares to be issued under the Rights Issue	:	Not less than 5,557,554,750 Rights Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further issue of new Shares or repurchase of Shares before the closure of the register of members in connection with the Record Date) and not more than 5,597,079,750 Rights Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming (i) no repurchase of Shares; and (ii) the Share Options are fully exercised before the closure of the register of members in connection with the Record Date)
Amount to be raised	:	Not less than approximately HKD1,556 million and not more than approximately HKD1,567 million, before estimated expenses (based on the number of Shares in issue as at the Latest Practicable Date)
Joint Underwriters	:	BNP Paribas and J.P. Morgan

LETTER FROM THE BOARD

Enlarged number of Shares in issue upon completion of the Rights Issue : Not less than 9,262,591,250 Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further issue of new Shares or repurchase of Shares before the closure of the register of members in connection with the Record Date) and not more than 9,328,466,250 Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming (i) no repurchase of Shares; and (ii) the Share Options are fully exercised before the closure of the register of members in connection with the Record Date)

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional Shares which may be allotted and issued after the Latest Practicable Date and before the Record Date.

As at the Latest Practicable Date, there are 26,350,000 Share Options which are exercisable to subscribe for an aggregate of 26,350,000 new Shares.

Save as disclosed above, the Company has no outstanding convertible securities or options in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date. The Company also has no intention to issue or grant any warrants, options and/or convertible securities on or before the Record Date.

Assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue, the aggregate number of nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 150.0% of the Company's total number of Shares in issue as at the Latest Practicable Date and will represent approximately 60.0% of the Company's Shares in issue as enlarged by the Rights Issue.

Assuming new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue pursuant to the full exercise of all outstanding Share Options on or prior to the Last Day for Transfer, the aggregate number of nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 151.1% of the Company's total number of Shares in issue as at the Latest Practicable Date and will represent approximately 60.0% of the Company's Shares in issue as enlarged by the Rights Issue.

Subscription Price

The Subscription Price is HKD0.28 per Rights Share, which is payable in full upon a Qualifying Shareholder accepting the relevant provisional allotment of the Rights Shares or, where applicable, upon application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

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The Subscription Price represents:

- (i) a discount of approximately 72.8% to the Last Closing Price;
- (ii) a discount of approximately 51.7% to the theoretical ex-rights price of approximately HKD0.58 per Share, which is calculated based on the Last Closing Price;
- (iii) a discount of approximately 74.1% to the average of the closing prices of approximately HKD1.08 per Share as quoted on the Stock Exchange for the five consecutive trading days ending on and including the Last Trading Day; and
- (iv) a discount of approximately 74.0% to the average of the closing prices of approximately HKD1.08 per Share as quoted on the Stock Exchange for the ten consecutive trading days ending on and including the Last Trading Day.

Each Rights Share will have a par value of USD0.01.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Joint Underwriters with reference to, among others, the market price and trading liquidity of the Shares up to and including the Last Trading Day and the prevailing market conditions of the capital market in Hong Kong such as the terms of comparable rights issues by listed issuers in Hong Kong and the general economic climate. The Directors consider that issuance of new shares by way of rights issue at a discount to the market price of the shares have been commonly adopted by listed issuers in Hong Kong in order to increase attractiveness of the rights issue, and given that the Company has been recording net losses for the past two financial years, the Company considers it is necessary to offer a relatively deep discount under the Rights Issue in order to encourage the Shareholders to participate in the Rights Issue and to maintain their shareholdings in the Company and participate in the potential growth of the Group. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the Subscription Price in proportion to his/her/its shareholding in the Company held on the Record Date.

In view of the above and after taking into consideration the reasons for the Rights Issue as stated in the section headed "Reasons for the Rights Issue and Use of Proceeds" below, the Directors consider the terms of the Rights Issue, including the Subscription Price and the discount to the relative values (in the range of 51.7% to 74.1%) as indicated above, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of the provisional allotment shall be three Rights Shares (in nil-paid form) for every two existing Shares held by a Qualifying Shareholder on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

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Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder or an investor must:

- (i) be registered as a member of the Company on the Record Date; and
- (ii) not be a Non-Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, any transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by 4:30 p.m. on the Last Day for Transfer.

The last day for dealing in the Shares on a cum-rights basis is 25 November 2014 (Tuesday). The Shares will be dealt with on an ex-rights basis from 26 November 2014 (Wednesday).

The Company expects to despatch the Rights Issue Documents to Qualifying Shareholders only on or before 3 December 2014 (Wednesday). To the extent reasonably practicable and legally permitted, the Company will send copies of the Prospectus to Non-Qualifying Shareholders for their information only, but will not send PAL or EAF to them.

Holders of the outstanding Share Options who wish to participate in the Rights Issue should exercise their Share Options in accordance with the terms of the Share Option Scheme so as to enable them to be registered as members of the Company on or before the Last Day for Transfer.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

The latest time for acceptance is expected to be 4:00 p.m. on the Final Acceptance Date (the Latest Time for Acceptance).

Rights of Non-Qualifying Shareholders

Overseas Shareholders on the Record Date may not be eligible to take part in the Rights Issue as explained below.

The Rights Issue Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong. The Board will make enquiries regarding the feasibility of extending the Rights Issue to Overseas Shareholders. The Board notes the requirements specified in Rule 13.36(2)(a) of the Listing Rules and will only exclude from the Rights Issue Overseas Shareholders whom the Board, after making enquiries,

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considers it necessary or expedient to exclude on account of either the legal restrictions under the laws of the relevant jurisdictions or any requirements of the relevant regulatory bodies or stock exchanges in such jurisdictions. The basis of exclusion of Non-Qualifying Shareholders from the Rights Issue, if any, will be disclosed in the Prospectus. The Company may, subject to the advice given in the legal opinions provided by the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable and legally permitted, send copies of the Prospectus to Non-Qualifying Shareholders for their information only. The Company will not send PAL or EAF to Non-Qualifying Shareholders.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to Non-Qualifying Shareholders had they been Qualifying Shareholders, to be provisionally allotted (in nil-paid form) to J.P. Morgan or its nominee/agent, and will be sold in the market in their nil-paid form as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The aggregate net proceeds of such sale will be distributed by the Company to Non-Qualifying Shareholders (pro-rata to their shareholdings on the Record Date) in Hong Kong dollars, provided that if any of such Non-Qualifying Shareholders would be entitled to a sum not exceeding HKD100, such sum will be retained by the Company for its own benefit. Any such unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders would otherwise have been entitled will be available for excess application by Qualifying Shareholders under the EAFs.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Board pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Fractional Entitlement to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. No odd-lot matching services will be provided. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted (in nil-paid form) to J.P. Morgan or its nominee/agent, and will be sold in the market for the benefit of the Company if a premium (net of expenses) can be obtained. Any unsold fractions of Rights Shares will be available for excess application by Qualifying Shareholders under the EAFs.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for:

- (i) any unsold Rights Shares which would have been allotted to Non-Qualifying Shareholders had they been Qualifying Shareholders;

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- (ii) any unsold Rights Shares created by adding together fractions of the Rights Shares; and
- (iii) any Rights Shares provisionally allotted but not validly accepted by Qualifying Shareholders or otherwise subscribed for by renounees or transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made only by Qualifying Shareholders and only by completing an EAF (in accordance with the instructions printed thereon) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by the Latest Time for Acceptance. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis and as far as practicable on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application.

Beneficial Owners whose Shares are held by a registered nominee and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Registrar by 4:30 p.m. on the Last Day for Transfer.

The Company will regard a registered nominee as a single shareholder under the allocation of excess Rights Shares. Accordingly, the above arrangement in relation to the allocation of excess Rights Shares will not be extended to the Beneficial Owners individually. Beneficial Owners who hold their Shares through a registered nominee are advised to consider whether they would like to arrange registration of their shares in their own names by 4:30 p.m. on the Last Day for Transfer.

Status of the Rights Shares

The Rights Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares.

Application for listing of and dealings in the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. The nil-paid and fully-paid Rights Shares are expected to have the same board lot size as the Shares, i.e. 500 Shares in one board lot. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed on, or dealt in, any other stock exchange.

Stamp duty and other applicable fees and charges

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.

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Rights Shares will be eligible for admission into CCASS

Subject to the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day after the date of the transaction. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Share Certificates for Rights Shares and Refund Cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those who have accepted and (where applicable) applied for, and paid for, the Rights Shares by ordinary post at their own risk on or before 29 December 2014 (Monday). Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted to the applicants by ordinary post at their own risk on or before 29 December 2014 (Monday).

Closure of the Register of Members

The register of members of the Company will be closed from 28 November 2014 (Friday) to 2 December 2014 (Tuesday) for determining the entitlements to the Rights Shares. No transfer of Shares will be registered during this period.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date:	31 October 2014
Joint Underwriters:	BNP Paribas and J.P. Morgan
Number of underwritten Shares:	The Rights Issue will be fully underwritten by the Joint Underwriters other than the Rights Shares that each of the Irrevocable Undertaking Covenantors have undertaken to take up by way of its rights entitlement under the Rights Issue pursuant to the Irrevocable Undertakings.

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Joint Underwriters' commission: 3% of the aggregate Subscription Price payable in respect of the Underwritten Shares determined on the Record Date. The underwriting commission was determined after arm's length negotiations between the Company and the Joint Underwriters with reference to, among other things, the scale of the Rights Issue and the prevailing market rate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Joint Underwriters and their respective ultimate holding companies are Independent Third Parties.

The Directors consider that the terms of the Underwriting Agreement including the rate of commission are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned.

Conditions of the Rights Issue

The Rights Issue is conditional on (i) the satisfaction (or, as applicable, waiver) of the conditions of the Underwriting Agreement referred to in this section, and (ii) the Underwriting Agreement not being terminated in accordance with its terms. The obligations of the Joint Underwriters under the Underwriting Agreement are conditional upon, among others:

- (i) approval of the Rights Issue by the Shareholders at the EGM having been obtained;
- (ii) the issue of the Announcement within one Business Day (or such longer period as the Company and the Joint Underwriters may agree) from the date of the Underwriting Agreement;
- (iii) the registration by and filing with the Registrar of Companies in Hong Kong of the Rights Issue Documents on or before the Despatch Date;
- (iv) the lodging of a duly certified copy of the Prospectus with the Registrar of Companies in Hong Kong on or before the Despatch Date;
- (v) the posting of the Rights Issue Documents to the Qualifying Shareholders and (subject to the restrictions, if any, under the relevant overseas laws and regulations) the posting of the Prospectus stamped "For Information Only" to the Non-Qualifying Shareholders, in each case, on the Despatch Date;
- (vi) the Joint Underwriters receiving from the Company all conditions precedent documents under the Underwriting Agreement in accordance with the time specified therein;
- (vii) in respect of the relevant warranties and undertakings made by the Company in the Underwriting Agreement, by the Latest Termination Date, no breach of any of the warranties or the undertakings having come to the knowledge of any of the Joint Underwriters;

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- (viii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and such listings and permission to deal not having been withdrawn or revoked prior to the Latest Termination Date;
- (ix) all relevant approvals being obtained from all relevant governmental and regulatory authorities, including the Stock Exchange and the Securities and Futures Commission of Hong Kong, as the case may require in connection with the Rights Issue by the relevant time that each approval is required by the Company, and such approvals not being withdrawn or revoked prior to the Latest Termination Date;
- (x) delivery of an original and duly executed Irrevocable Undertakings within seven business days from the date of the Underwriting Agreement (or such longer period as the Company and the Joint Underwriters may agree) by each of the Irrevocable Undertaking Covenantors;
- (xi) fulfilment by each of the Irrevocable Undertaking Covenantors with all of its obligations under the Irrevocable Undertakings and each of the Irrevocable Undertakings not having been terminated;
- (xii) the obligations of the Joint Underwriters under the Underwriting Agreement not being terminated by the Joint Underwriters in accordance with the terms of the Underwriting Agreement;
- (xiii) each condition to enable the Rights Shares (in both nil-paid and fully-paid forms) to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied not later than the business day prior to the first day of dealings in nil-paid Rights Shares as set out in the Prospectus and no notification having been received by the Company from HKSCC by such date that such admission or facility for holding and settlement has been or is to be refused; and
- (xiv) the Shares remaining listed on the Stock Exchange at all times up to and including the Latest Termination Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a period of more than two (or such longer period as the Company and the Joint Underwriters may agree) consecutive business days (other than any suspension pending clearance of the Announcement) and no indication being received before the Latest Termination Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason.

If any of the above conditions of the Underwriting Agreement is not fulfilled, or waived if permitted by the terms of the Underwriting Agreement in whole or in part by the Joint Underwriters, by the specified time and date or the Latest Termination Date, the Underwriting Agreement shall terminate (save in respect of certain rights and obligations under the Underwriting Agreement) and the Rights Issue will not proceed.

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The Company shall use its best endeavours to procure the fulfilment of conditions set out above. The Company shall do all the things required to be done by it pursuant to the Rights Issue Documents or otherwise reasonably necessary to give effect to the Rights Issue and the arrangements contemplated by the Underwriting Agreement.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Joint Underwriters, by notice in writing to the Company, the right to terminate the Underwriting Agreement on the occurrence of certain events.

The Joint Underwriters may at any time prior to the Latest Termination Date, by notice in writing to the Company, rescind or terminate the Underwriting Agreement if:

- (a) there shall develop, occur, exist or come into effect or become public knowledge any event, series of events or circumstances concerning or relating to:
 - (i) any new laws or any change, or any development involving a prospective change, in existing laws or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Mongolia or the PRC; or
 - (ii) any local, national or international event or change (whether or not foregoing part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, industrial, regulatory or securities and other market conditions or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
 - (iii) any change, or any development involving a prospective change, in or affecting the assets, liabilities, business, general affairs, management, prospects, profits, losses, results of operations, position or condition, financial or trading, or performance of the Company and the other members of the Group, taken as a whole; or
 - (iv) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, economic sanctions, strike or lock-out, riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in each case affecting Hong Kong, Mongolia or the PRC; or

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- (v) a general moratorium on commercial banking activities declared by relevant authorities in Hong Kong, the PRC, Mongolia, the United States, the United Kingdom or the European Union (or any member thereof) or a material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in Hong Kong, the PRC, Mongolia, the United States, the United Kingdom or the European Union (or any member thereof); or
- (vi) any suspension or restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange, the London Stock Exchange plc, the New York Stock Exchange, Inc. or NASDAQ, or any major disruption of any securities settlement or clearing services in Hong Kong; or
- (vii) any change, or any development involving a prospective change, or any event or circumstance likely to result in a change or a development involving a prospective change, in or affecting any Taxation, exchange controls or currency exchange rates in Hong Kong, the PRC, Mongolia, the United States, the United Kingdom or the European Union (or any member thereof); or
- (viii) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any director of the Company;

which, in the sole opinion of the Joint Underwriters:

- (1) is or will or is reasonably expected to have a material adverse effect on the business or financial or trading position or prospects of the Group or the Rights Issue; or
 - (2) has or will have or is reasonably expected to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or
 - (3) makes it impracticable, inadvisable or inexpedient to proceed with the Rights Issue; or
- (b) there comes to the notice of any of the Joint Underwriters, including but not limited to the following:
- (i) any matter or event showing any of the Warranties (as defined in the Underwriting Agreement) was, when given, untrue, incorrect or misleading or as having been breached; or
 - (ii) any material breach by the Company of any provision of the Underwriting Agreement, or any material breach by the Irrevocable Undertaking Covenantors of the Irrevocable Undertakings of any of their respective obligations or undertakings contained therein; or

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- (iii) any statement contained in the Prospectus has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or
 - (iv) any event, act or omission occurs which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities referred to in the Underwriting Agreement; or
 - (v) failing to obtain the requisite Shareholders approval of the Rights Issue at the EGM; or
 - (vi) there is any change or development involving a prospective change in the condition, results of operations, prospects, management, business, shareholders' equity or in the financial or trading position of the Company or any member of the Group which, in the sole opinion of the Joint Underwriters, is or is reasonably expected to have a material adverse effect in the context of the Rights Issue; or
 - (vii) permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) has been withdrawn by the Stock Exchange; or
- (c) any matter or circumstance arises as a result of which any of the conditions set out in the Underwriting Agreement has become incapable of satisfaction as at the required time.

In the event the Joint Underwriters exercise their right to terminate the Underwriting Agreement prior to the Latest Termination Date, the obligations of all parties thereunder shall immediately cease and null and void and no party will (save in respect of certain rights or obligations under the Underwriting Agreement) have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

If the Joint Underwriters exercise such right, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by the Joint Underwriters.

Lock-Up

The Company has undertaken to the Joint Underwriters that, except with the prior written consent of each of the Joint Underwriters, the Company shall not (except for the offer, allotment and issue of the Rights Shares pursuant to the Rights Issue and the Shares converted from the Share Options), at any time during the period commencing on the date of the Underwriting Agreement and ending on, and including, the date that is 90 days after the first day of trading of the Rights Shares in fully-paid form on the Stock Exchange (the "Lock-up Period"): (i) allot, issue, sell, accept subscription for, offer to allot or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise dispose of, either directly or indirectly, conditionally

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or unconditionally, any Shares or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares); (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares); (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any such transaction specified in (i), (ii) or (iii) above.

MCS Mining Group has also undertaken in its Irrevocable Undertaking to the Joint Underwriters that, except with the prior written consent of each of the Joint Underwriters, MCS Mining Group will not (save for the performance of its Irrevocable Undertaking) at any time during the Lock-up Period; (a) sell, offer to sell, contract, mortgage, charge, pledge, hypothecate or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of the Company), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether the transaction is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not the allotment, issue, sale, granting of options or warrant, disposal of or creation of encumbrance over, either directly or indirectly, conditionally or unconditionally, of Shares or such other securities of the Company will be completed within the Lock-up Period) provided that MCS Mining Group has pledged Shares, and in the future may pledge or charge Shares in favour of the syndicate lenders of the Loan Facility to comply with the covenants of the Loan Facility, and this undertaking shall not be applicable to any subsequent disposal of the Shares by such pledgee or chargee. "Loan Facility" means the credit facility obtained by MCS Holding LLC, an affiliate of MCS Mining Group, from a syndicate of lenders including an affiliate of BNP Paribas in 2012 secured by a charge of a portion of the Shares held by MCS Mining Group.

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Irrevocable Undertakings

As at the Latest Practicable Date, MCS Mining Group, a controlling Shareholder (as defined under the Listing Rules), Novel Holdings Group Limited, Trimunkh Limited, Sumberu Limited, Eco Mogul Limited, Inter Group Mongolia Limited, Gera Investments Limited, Benu Investment Limited, Crystalline Investment Limited, Tamirana Limited, Tugs Investment Limited, Shunkhlai Mining, Kerry Mining (UHG) Limited, Lotus Amsa Limited, Highline Holdings Limited, True Kind Limited, Anand & Co. Holding Limited and Botgo Limited held 1,241,150,586 Shares, 184,659,019 Shares, 106,304,907 Shares, 27,927,529 Shares, 13,782,736 Shares, 10,120,113 Shares, 11,811,657 Shares, 3,327,908 Shares, 5,051,079 Shares, 1,971,079 Shares, 11,819,579 Shares, 183,000,000 Shares, 300,000,000 Shares, 112,833,333 Shares, 47,000,000 Shares, 18,833,334 Shares, 47,000,000 Shares and 112,833,333 Shares, respectively, representing approximately 33.50%, 4.98%, 2.87%, 0.75%, 0.37%, 0.27%, 0.32%, 0.09%, 0.14%, 0.05%, 0.32%, 4.94%, 8.10%, 3.05%, 1.27%, 0.51%, 1.27% and 3.05% of the total number of the existing Shares in issue, respectively.

Pursuant to the respective Irrevocable Undertakings, each of the Irrevocable Undertaking Covenantors has irrevocably undertaken to the Company and the Joint Underwriters that each of them will, among other things:

- (i) take up its entitlement to the Rights Shares under the Rights Issue pursuant to the terms of the Rights Issue in respect of the Shares legally and beneficially owned (as the case may be) by it as at the date of the Irrevocable Undertakings or the Record Date (as the case may be);
- (ii) lodge the PALs with the Registrar with full payment therefor in accordance with the Rights Issue and not to revoke the submission of such PALs;
- (iii) not dispose of or transfer (directly or indirectly, including without limitation by the creation of any option, charge or encumbrance or rights over or in respect of) any of its rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) up to and including the last date for acceptance and payment in respect of provisional allotments under the Rights Issue; and
- (iv) not dispose of or transfer (directly or indirectly, including without limitation by the creation of any option, charge or encumbrance or rights over or in respect of) its legal and beneficial interest (as the case may be) in any of the Shares owned by it as at the date of the Irrevocable Undertakings from the date of the Irrevocable Undertakings up to and including the Record Date.

The Rights Issue is fully underwritten by the Joint Underwriters on the terms of the Underwriting Agreement other than all the Rights Shares that will be provisionally allotted to and which are to be taken up by the Irrevocable Undertaking Covenantors pursuant to the Irrevocable Undertakings on the terms and conditions set out in the Irrevocable Undertakings.

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REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Directors consider that, after taking into account the costs and benefits of different types of fund raising alternatives available to the Group, the Rights Issue is the preferred means for the Group to improve liquidity and finance its general working capital.

The Directors believe that the Rights Issue is in the interests of the Group and the Shareholders as a whole since it would allow the Qualifying Shareholders to maintain their respective pro-rata shareholdings in the Company and participate in the future growth and development of the Company.

The expenses in relation to the Rights Issue (including financial, legal advisory and other professional expenses) are estimated to be approximately HKD40 million and will be borne by the Company. The estimated net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HKD0.27.

The estimated net proceeds of the Rights Issue will be not less than approximately HKD1,516 million and not more than approximately HKD1,527 million after the deduction of all estimated expenses of HKD40 million. The Directors currently intend to use the net proceeds of the Rights Issue for the following purposes which is in-line with the Group's overall business strategy:

- approximately 10% (or not less than approximately HKD151.6 million and not more than approximately HKD152.7 million of the total estimated net proceeds) for strengthening the capital base of and providing greater financial flexibility for the Group to support the continuing development and growth of the Group's business and funding its future expansion needs including, but not limited to:
 - expanding the Group's product load out facility for railways. While the Group currently has no approved plans or specific timing with respect to such expansion, the Group expects to coordinate such expansion with the development of a railway by an Independent Third Party;
 - continuing current modifications to the run-of-mine coal feed facility to increase feed volume and blending ability; and
 - modifications to the coal handling and preparation plant to optimize and increase product yield. While the Group currently has no approved plans or specific timing with respect to such modifications, the Group does not expect to incur significant capital expenses since these modifications will involve optimization of existing plant equipment performance;
- approximately 35% (or not less than approximately HKD530.6 million and not more than approximately HKD534.4 million of the total estimated net proceeds) for general working capital for development of the Group's existing and future business and investment opportunities as may be identified from time to time. As at the Latest Practicable Date, the Group has not identified any business and investment opportunities; and

LETTER FROM THE BOARD

- approximately 55% (or not less than approximately HKD833.8 million and not more than approximately HKD839.9 million of the total estimated net proceeds) for repayment of some of the existing indebtedness of the Group in order to further improve the Group's net gearing ratio, cash position and availability of working capital.

EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the Rights Issue under various scenarios,

- (i) assuming that no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue:

	As at the Latest Practicable Date ⁽²⁾		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders) ⁽²⁾		Immediately after completion of the Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders (save for the Irrevocable Undertaking Covenantors and the Joint Underwriters)) ⁽²⁾	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Irrevocable Undertaking Covenantors	2,439,426,192	65.84%	6,098,565,480	65.84%	6,098,565,480	65.84%
Other public shareholders	1,265,610,308	34.16%	3,164,025,770	34.16%	1,265,610,308	13.66%
J.P. Morgan and its sub-underwriters ⁽³⁾	-	-	-	-	949,207,371	10.25%
BNP Paribas and its sub-underwriters ⁽³⁾	-	-	-	-	949,207,731	10.25%
Total	3,705,036,500	100.00%	9,262,591,250	100.00%	9,262,591,250	100.00%

Notes:

- Based on information in the Company's disclosure of interests register.
- Certain percentages figures included in this table have been subject to rounding adjustments. Accordingly figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- Pursuant to the Underwriting Agreement, each Joint Underwriter has agreed that it will hold less than 10% of the total number of Shares in issue immediately upon completion of the Rights Issue. The Joint Underwriters have separately entered into sub-underwriting agreements with certain sub-underwriters to ensure that each Joint Underwriter will hold less than 10% of the total number of Shares in issue upon the completion of the Rights Issue. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the sub-underwriters is an Independent Third Party.
- The Company shall ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

LETTER FROM THE BOARD

- (ii) assuming that new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue pursuant to the full exercise of all outstanding Share Options on or prior to the Last Day for Transfer but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue:

	As at the Latest Practicable Date ⁽²⁾		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders) ⁽²⁾		Immediately after completion of the Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders (save for the Irrevocable Undertaking Covenantors and the Joint Underwriters)) ⁽²⁾	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Irrevocable Undertaking Covenantors	2,439,426,192	65.38%	6,098,565,480	65.38%	6,098,565,480	65.38%
Directors	3,500,000	0.09%	8,750,000	0.09%	3,500,000	0.04%
Other public shareholders	1,288,460,308	34.53%	3,221,150,770	34.53%	1,288,460,308	13.80%
J.P. Morgan and its sub-underwriters ⁽³⁾	-	-	-	-	968,970,231	10.39%
BNP Paribas and its sub-underwriters ⁽³⁾	-	-	-	-	968,970,231	10.39%
Total	3,731,386,500	100.00%	9,328,466,250	100.00%	9,328,466,250	100.00%

Notes:

- (1) Based on information in the Company's disclosure of interests register.
- (2) Certain percentages figures included in this table have been subject to rounding adjustments. Accordingly figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- (3) Pursuant to the Underwriting Agreement, each Joint Underwriter has agreed that it will hold less than 10% of the total number of Shares in issue immediately upon completion of the Rights Issue. The Joint Underwriters have separately entered into sub-underwriting agreements with certain sub-underwriters to ensure that each Joint Underwriter will hold less than 10% of the total number of Shares in issue upon the completion of the Rights Issue. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the sub-underwriters is an Independent Third Party.
- (4) The Company shall ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

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PREVIOUS EQUITY FUND RAISING BY THE COMPANY

The Company has not undertaken any equity fund raising exercise in the 12-month period immediately preceding the Latest Practicable Date.

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS

As a result of the Rights Issue, the exercise price and the number of Shares to be issued pursuant to the Share Option Scheme may be adjusted in accordance with the respective terms and conditions of the said Share Option Scheme and the Listing Rules or guidelines issued by the Stock Exchange, upon the completion of the Rights Issue and from time to time. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

BUSINESS REVIEW OF THE GROUP AND PROSPECTS

The Group is principally engaged in open-pit mining and processing of coking coal in Mongolia, as well as the transportation, export and sale of the resulting premium products into China.

The Group's revenue for the year ended 31 December 2013 declined by 7.8% to USD437.3 million (2012: USD474.5 million) due to unfavorable global coking coal market conditions. The Group's gross profit for the year ended 31 December 2013 was approximately USD75.9 million, representing an increase of USD21.8 million, or 40.3%, from gross profit of USD54.1 million recorded for the year ended 31 December 2012. In 2013, gross profit margin was 17.3%, compared with 11.4% in 2012.

The Group's revenue for the six months ended 30 June 2014 declined by 22.3% to USD192.6 million as compared to USD247.8 million during the first half of 2013 due to continued pressure on coking coal prices and to a lesser extent due to lower sales volume. The Group's gross profit for the six months ended 30 June 2014 was approximately USD20.5 million, representing a decrease of approximately USD7.8 million or 27.7% from the gross profit of approximately USD28.3 million recorded for the six months ended 30 June 2013. The decrease in the average selling price for coking coal products supplied by the Group was a result of decreased demand from coke plants and steel mills in China and reducing output due to global economic conditions. For the six months ended 30 June 2014, gross profit margin was 10.6% remaining at comparable level with 11.4% reported for the six months ended 30 June 2013.

As disclosed in the annual report of the Company for the year ended 31 December 2013 and the interim report of the Company for the six months ended 30 June 2014, the global coking coal market had experienced significant downward pressure on selling prices due to the imbalance of supply and demand, and the recovery trajectory for the pricing of coking coal in China and globally remains uncertain in the second half of 2014. Sizeable reduction in forecast coal output for the second half of 2014 was announced in August 2014 by one of the largest

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coal producers in China, signaling that other Chinese coal producers may follow suit. Such measures follow production cuts announced in the first half of this year by various global coal producers in North America and Australia. In parallel with significant reduction to the investment made in support of increasing coal production capacity, according to the published reports, this may provide the required support to improve the equilibrium which is expected to serve as a base for supporting both domestic and seaborne coking coal pricing towards the end of 2014. The management maintains a positive outlook over the long term as the fundamentals of demographics associated with increasing industrialisation will continue to create demand for steel across Asia and other emerging markets.

The management considers that, with all major development project related capital expenditure complete, liquidity improvement initiatives implemented and the maintenance of competitive cost structure by virtue of its robust production profile and efficient cost control measures, the Company is well positioned to face the headwinds in this more challenging environment.

The Company intends to pursue the following key strategies in order to maintain and enhance its position as a leading Asian washed coking coal producer: (i) maximise asset utilisation to drive unit fixed costs down; (ii) support initiatives to improve transportation infrastructure and capability, in particular cross border railway development, to gain access to the Chinese railway network and connecting customers in China; (iii) explore opportunities for expanding and diversifying its business operations through potential strategic cooperation and joint venture agreements; and (iv) continue its strong commitment to safety, the environment and socially responsible operation.

The Company will continue to strengthen existing and create new long-term relations with its end-user customers, and will actively look at strategic long term partnerships to expand its relations and presence in China. Additionally, the Company will continue to monitor and assess the market situation whilst prioritising focus on the liquidity, working capital management, cost control, operational efficiency and productivity.

The Company aims to further optimize the allocation of its resources, and through the synergy brought about by the integration of its mining, processing, logistics and transportation operations, the Company will strive to expand its sales and distribution channels reaching the end-user customers located in the main steel producing regions in China.

The Group's coal price, production volume and sales revenue may vary from estimates due to a variety of factors including seasonality, prices of coal, supply-demand dynamics and economic activities in China or Mongolia. In the first half of 2014, the Group sold approximately 1.9 Mt of hard coking coal and approximately 1.2 Mt of middlings. In the third quarter of 2014, while the Mongolian coking coal exports declined by 26% compared to the same period last year according to Mongolian Statistical Information Service, coinciding with a decline in coking coal imports in China during the period, the Group exported approximately 1.0 Mt of hard coking coal and approximately 0.2 Mt of middlings. Despite the challenging environment in the Chinese coal market which continued to put coal prices under pressure in

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the third quarter, there are a number of factors which could contribute to the stabilization of coal prices in the fourth quarter, including the winter restocking, and the price increases and production cuts already announced or may be announced by major Chinese domestic coal suppliers. The Company will (i) continue to monitor the development of the coal market in the fourth quarter and (ii) seek to implement measures to neutralize the impacts of potential adverse changes in the market including adjusting its production plan to take advantage of the new coal distribution channel under the cost-and-freight sales model.

TAXATION

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of, in the case of Qualifying Shareholders, the receipt, purchase, holding, exercising, disposing of or dealing in nil-paid Rights Shares or the fully-paid Rights Shares and, in the case of Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of nil-paid Rights Shares on their behalf.

WARNING OF THE RISKS OF DEALINGS IN SHARES AND RIGHTS SHARES

The Shares are expected to be dealt in on an ex-rights basis from 26 November 2014 (Wednesday). Dealings in the Rights Shares in nil-paid form are expected to take place from 5 December 2014 (Friday) to 12 December 2014 (Friday) (both dates inclusive). The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. It should also be noted that the Underwriting Agreement contains provisions granting the Joint Underwriters the right to terminate the Underwriting Agreement on the occurrence of certain events including force majeure. Please refer to the section headed “Termination of the Underwriting Agreement” in this circular for further details. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

Any Shareholder or other person dealing in Shares or other securities of the Company up to the date on which all conditions to which the Rights Issue is subject (as set out under the paragraph headed “Conditions of the Rights Issue” in this circular) are fulfilled (and the date on which the right of termination of the Joint Underwriters under the Underwriting Agreement ceases) and any person dealing in nil-paid Rights Shares during the period from 5 December 2014 (Friday) to 12 December 2014 (Friday) (both days inclusive) will bear the risk that the Rights Issue may not become unconditional or may not proceed and are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares. If in any doubt, Shareholders and other persons contemplating dealing in securities of the Company and potential investors are recommended to consult their professional advisers. Shareholders and potential investors should exercise caution in dealing in the securities of the Company. Any buying or selling of the securities of the Company from now up to the date on which all the conditions to which the Rights Issue is subject are fulfilled, and any buying or selling of nil-paid Rights Shares, is at each investor’s own risk that the Rights Issue may not become unconditional and may not proceed.

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TRADING ARRANGEMENTS

The last day for dealing in the Shares on a cum-rights basis is 25 November 2014 (Tuesday). The Shares will be dealt with on an ex-rights basis from 26 November 2014 (Wednesday). To qualify for the Rights Issue, a Shareholder or investor must: (i) be registered as a member of the Company on the Record Date; and (ii) not be a Non-Qualifying Shareholder. In order to be registered as a member of the Company on the Record Date, any transfer of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by 4:30 p.m. on the Last Day for Transfer. The register of members will be closed from 28 November 2014 (Friday) to 2 December 2014 (Tuesday) (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Holders of the outstanding Share Options who wish to participate in the Rights Issue should exercise their Share Options in accordance with the terms of the Share Option Scheme so as to enable them to be registered as members of the Company on or before the Last Day for Transfer.

GENERAL

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the EGM. As at the Latest Practicable Date, MCS Mining Group holding 1,241,150,586 Shares, representing approximately 33.50% of the issued share capital of the Company, and being entitled to exercise control over the voting right of all its Shares, is a controlling Shareholder. MCS Mining Group and its associates will abstain from voting in favour of the resolution approving the Rights Issue and the transactions contemplated thereunder at the EGM. To the best information and knowledge of the Directors, as at the Latest Practicable Date, the aforementioned party has no intention to vote against the resolution approving the Rights Issue and the transaction contemplated thereunder at the EGM.

The Rights Issue is conditional on, among other things, the Rights Issue being approved by the Independent Shareholders at the EGM.

Subject to, among other things, the approval of the Rights Issue by the Independent Shareholders at the EGM, the Rights Issue Documents will be despatched to the Qualifying Shareholders and the Prospectus will be despatched to the Non-Qualifying Shareholders for information purposes only as soon as practicable.

THE EGM

A notice for convening the EGM to be held at 10:00 a.m on 24 November 2014 at Queensway and Victoria Rooms, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong or any adjournment is set out from pages 88 to 90 of this circular.

LETTER FROM THE BOARD

Save as disclosed above, as at the Latest Practicable Date, none of the Shareholders are required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying instrument of proxy to the Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the instrument of proxy shall not preclude you from attending and voting at the EGM should you so wish and in such event, the proxy shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 34 of this circular which contains its recommendation to the Independent Shareholders, and the letter from Somerley set out on pages 35 to 61 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue.

The Independent Board Committee, having taken into account the advice of Somerley, considers that the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue and the Underwriting Agreement at the EGM.

The Directors consider that the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, therefore, the Directors recommend the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue.



MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

7 November 2014

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES
FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE
AT HKD0.28 PER RIGHTS SHARE**

We refer to the circular dated 7 November 2014 (the “Circular”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed as the Independent Board Committee to consider the Rights Issue and to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the EGM to approve the Rights Issue. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regards.

We wish to draw your attention to the letter from Somerley as set out in the Circular which contains, inter alia, its advice and recommendation to us and the Independent Shareholders regarding the terms and conditions of the Rights Issue and the Underwriting Agreement with the principal factors and reasons for its advice and recommendation.

Having taken into account the advice and recommendation of Somerley, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Ochirbat Punsalmaa

Mr. Unenbat Jigjid

Mr. Chan Tze Ching, Ignatius

Independent non-executive Directors

LETTER FROM SOMERLEY

The following is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

7 November 2014

To: *The Independent Board Committee and the Independent Shareholders of
Mongolian Mining Corporation*

Dear Sirs,

**RIGHTS ISSUE IN THE PROPORTION OF
THREE RIGHTS SHARES FOR EVERY TWO EXISTING SHARES
HELD ON THE RECORD DATE**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and Independent Shareholders in connection with the Rights Issue, details of which are contained in the circular to the Shareholders dated 7 November 2014 (the "Circular"), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Company proposed to raise not less than approximately HKD1,556 million and not more than approximately HKD1,567 million before estimated expenses, by way of Rights Issue of not less than 5,557,554,750 Rights Shares and not more than 5,597,079,750 Rights Shares on the basis of three Rights Shares for every two Shares held on the Record Date at the Subscription Price of HKD0.28 per Rights Share payable in full on acceptance.

Each of MCS Mining Group, a controlling Shareholder (as defined under the Listing Rules), Novel Holdings Group Limited, Trimunkh Limited, Sumberu Limited, Eco Mogul Limited, Inter Group Mongolia Limited, Gera Investments Limited, Benu Investment Limited, Crystalline Investment Limited, Tamirana Limited, Tugs Investment Limited, Shunkhlai Mining, Kerry Mining (UHG) Limited, Lotus Amsa Limited, Highline Holdings Limited, True Kind Limited, Anand & Co. Holding Limited and Botgo Limited (which held 1,241,150,586 Shares, 184,659,019 Shares, 106,304,907 Shares, 27,927,529 Shares, 13,782,736 Shares, 10,120,113 Shares, 11,811,657 Shares, 3,327,908 Shares, 5,051,079 Shares, 1,971,079 Shares,

LETTER FROM SOMERLEY

11,819,579 Shares, 183,000,000 Shares, 300,000,000 Shares, 112,833,333 Shares, 47,000,000 Shares, 18,833,334 Shares, 47,000,000 Shares and 112,833,333 Shares, respectively as at the Latest Practicable Date, representing approximately 33.50%, 4.98%, 2.87%, 0.75%, 0.37%, 0.27%, 0.32%, 0.09%, 0.14%, 0.05%, 0.32%, 4.94%, 8.10%, 3.05%, 1.27%, 0.51%, 1.27% and 3.05% of the total number of the existing Shares in issue, respectively) has irrevocably undertaken to the Company and the Joint Underwriters pursuant to the Irrevocable Undertakings that, each of them will, among other things, (a) take up its entitlement to the Rights Shares under the Rights Issue pursuant to the terms of the Rights Issue in respect of the Shares legally and beneficially owned (as the case may be) by it as at the date of the Irrevocable Undertaking or the Record Date (as the case may be); (b) lodge the PALs with the Registrar with full payment therefor in accordance with the Rights Issue and not to revoke the submission of such PALs; (c) not dispose of or transfer (directly or indirectly, including without limitation by the creation of any option, charge or encumbrance or rights over or in respect of) any of its rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) up to and including the last date of acceptance and payment in respect of provisional allotments under the Rights Issue; and (d) not dispose of or transfer (directly or indirectly, including without limitation by the creation of any option, charge or encumbrance or rights over or in respect of) its legal and beneficial interests (as the case may be) in any of the Shares owned by it as at the date of the respective Irrevocable Undertaking from the date of the respective Irrevocable Undertaking up to and including the Record Date.

The Rights Shares (other than the Rights Shares that will be provisionally allotted to the Irrevocable Undertaking Covenantors pursuant to the Irrevocable Undertakings) will be fully underwritten by the Joint Underwriters, on the terms and subject to the conditions of the Underwriting Agreement.

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the EGM. As at the Latest Practicable Date, MCS Mining Group is a controlling Shareholder. MCS Mining Group and its associates will abstain from voting in favour of the resolution approving the Rights Issue and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Messrs. Ochirbat Punsalmaa, Unenbat Jigjid and Chan Tze Ching, Ignatius, has been established to make a recommendation to the Independent Shareholders on whether the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. During the past two years, Somerley Limited (presently known as “Somerley International Limited” and a fellow subsidiary of Somerley Capital Limited) acted as the independent financial adviser and issued an opinion letter contained in the Company’s circular dated 8 November 2013 in relation to continuing connected transactions of the Group. The past engagement was limited

LETTER FROM SOMERLEY

to providing independent advisory services to the Independent Board Committee and Independent Shareholders pursuant to the Listing Rules. Under the past engagement, Somerley Limited received normal professional fees from the Company. Notwithstanding the past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Somerley and the Company or any other parties that could be reasonably regarded as hindrance to Somerley's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue.

In formulating our opinion and recommendation, we have reviewed, among other things, the annual reports of the Company for the years ended 31 December 2012 and 2013 (the "2012 and 2013 Annual Reports"), and the interim report of the Company for the six months ended 30 June 2014 (the "2014 Interim Report") and the information as set out in the Circular. In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information, facts and opinions were true, accurate and complete in all material aspects and will remain so up to the date of the EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or to doubt the truth, accuracy or completeness of the information provided. We have not conducted any independent investigation into the business, affairs and financial position of the Group, nor have we carried out any independent verification of the information supplied.

For the purpose of this letter and for illustration purposes only, amounts denominated in HKD have been converted into USD using the exchange rate of USD1.00 = HKD7.7565.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

1. Background of the Group

The Group is principally engaged in the mining, processing, transportation and sale of coking coal. It owns and operates two coking coal mines at the UHG mine site and the BN mine site, both located in South Gobi in Mongolia, and is the largest coal mining company in Mongolia. As stated in the 2014 Interim Report, UHG deposit and BN deposit were estimated to contain 701 Mt and 282 Mt of Measured, Indicated and Inferred Coal Resources respectively as at 30 June 2012.

LETTER FROM SOMERLEY

2. Financial performance of the Group

Set out below is a summary of the profit and loss of the Group for the three years ended 31 December 2013 and six months ended 30 June 2013 and 2014 as extracted from the 2012 and 2013 Annual Reports and the 2014 Interim Report.

<i>(USD'000)</i>	For the six months		For the year ended 31 December		
	ended 30 June				
	2014	2013	2013	2012	2011
Revenue	192,638	247,849	437,339	474,480	542,568
Cost of revenue	<u>(172,177)</u>	<u>(219,546)</u>	<u>(361,485)</u>	<u>(420,400)</u>	<u>(336,368)</u>
Gross profit	20,461	28,303	75,854	54,080	206,200
Other revenue	2,677	201	592	1,121	435
Other net income	34,446	4,725	7,073	5,418	76
Selling, general and administrative expenses	<u>(41,374)</u>	<u>(17,764)</u>	<u>(52,410)</u>	<u>(48,183)</u>	<u>(60,303)</u>
Profit from operations	16,210	15,465	31,109	12,436	146,408
Finance income	1,944	8,186	9,551	39,561	22,236
Finance costs	(47,725)	(46,817)	(95,095)	(50,994)	(13,785)
Share of losses of associate	(9)	(280)	(1,087)	(362)	(119)
Share of profits of joint ventures	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
(Loss)/profit before taxation	(29,579)	(23,446)	(55,522)	641	154,740
Income tax	<u>1,574</u>	<u>(1,783)</u>	<u>(2,551)</u>	<u>(3,183)</u>	<u>(35,650)</u>
(Loss)/profit attributable to the Shareholders	<u>(28,005)</u>	<u>(25,229)</u>	<u>(58,073)</u>	<u>(2,542)</u>	<u>119,090</u>

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With the commencement of the sale of washed coal after the first phase of coal handling and preparation plant was commissioned by Mongolian governmental authorities in the second quarter of 2011 and the increase in the coal price, the Group recorded the highest turnover and net profit in 2011 since its listing in 2010, amounting to USD542.6 million and USD119.1 million respectively. During the year, the Group completed the acquisition of the BN mine, a coking coal asset located 30 km south-west from the UHG deposit which enable the sharing of coal handling and processing facilities and increased utilization of coal transportation and logistics infrastructure. The Company issued a USD85 million convertible bond to the vendor for settlement of part of the acquisition consideration. In addition, in the event that the total reserves of the BN mine exceeds 150 Mt as verified by an independent technical adviser, an additional payment of up to USD105 million would be payable by the Group.

With BN mine commenced its commercial operations in February 2012, the Group's ROM coal production reached about 9.4 Mt, representing a year-on-year increase of about 32.4%. The Group recorded total revenue of USD474.5 million for the year ended 31 December 2012, representing a decrease of 12.5% as compared with 2011, as a result of the significant drop in average selling price although the sales volume increased 16.7% from 4.8 Mt in 2011 to 5.6 Mt in 2012. Sale of hard coking coal increased significantly accounting for from 43.4% in 2011 to 78.2% in 2012 of the Group's turnover. In 2012, the Group's pricing for its washed coking coal products followed the negative trend in the global market prices of coking coal products. The average selling price of the Group's hard coking coal products, which accounted for 60.7% of the total sales volume, decreased 30.3% from USD155.6 per tonne in 2011 to USD108.4 per tonne in 2012. In March 2012, the Group issued senior notes raising a net proceeds of USD587 million to support its major production and infrastructure developments. The notes carry an interest rate of 8.875% per annum from the date of issue (i.e. 29 March 2012) to its maturity (i.e. 29 March 2017), which increased the finance cost to USD51.0 million in 2012 from USD13.8 million in 2011. On 27 November 2012, the Company issued two promissory notes (the "Promissory Notes") to settle the additional consideration of USD105 million for the BN mine acquisition following confirmation of the final total reserve, with the Promissory Notes each amounted to USD52.5 million and carried interest of 3.0% per annum to the maturity date on 22 November 2013. Subsequently, the maturity date for one of the Promissory Notes was extended to 31 December 2014, while the maturity date for the second Promissory Note was further extended to 31 March 2014, 2 July 2014, 30 September 2014 and 31 December 2014 with the interest rate increased to 8% per annum from July 2014. Due to the squeeze in gross profit margin as a result of the significant drop in average selling price of coal products and the coal transportation and stockpile losses of USD19.5 million (which was one-off recording at the end of the year) and the increase in finance cost, the Group made a net loss of USD2.5 million for the year ended 31 December 2012.

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In 2013, the Group recorded slight increases in both annual production of ROM coal and sales volume to 9.7 Mt and 5.7 Mt respectively but the continued drop in average selling price of hard coking coal (2012: USD108.4 per tonne and 2013: USD92.1 per tonne) which accounted for 89.7% of its turnover as a result of the increased supply in the global coking coal market continued to drag down its revenue. Since 30 June 2012, as part of the Group's strategic response to the coal market situation, there has been minimization of mining activity within the BN mine with priorities focused on UHG mine. In order to maintain competitiveness within the challenging market environment and as advised by the management of the Group, the Company focused on a suite of initiatives to improving efficiency, minimizing cash costs and reducing operational cash outflows. One of the initiatives was to minimize the activity at BN mine and utilize just UHG rather than operating both mines to minimize operating cost in a falling price environment. For the year ended 31 December 2013, the Group's revenue dropped further to USD437.3 million but gross profit increased 40.3% to USD75.9 million mainly due to various cost savings in processing, handling, transportation, logistics and transportation and stockpiles losses. Finance cost, on the other hand, increased from USD51.0 million in 2012 to USD95.1 million in 2013 due to the decrease in fair value of derivative component and the full year interest on liability component of the senior notes and the increase in foreign exchange loss due to depreciation of Mongolian Togrog against US Dollars. The significant increase in finance cost in 2013 offset the positive effect on gross profit as a result of the various cost saving measures and the net loss therefore increased to USD58.1 million for the year ended 31 December 2013.

In the first half of 2014, the Group's total ROM coal production amounted to 3.3 Mt, representing a decrease of 21.3% as compared to the corresponding period in 2013, which was all sourced from UHG mine. Although the sales volume of 3.2 Mt was about the same as the first half of 2013, the Group's total revenue dropped 22.3% to USD192.6 million as compared to USD247.8 million in 2013 mainly due to the continued negative average hard coking coal selling price trend (1H2013: USD98.7 per tonne and 1H2014: USD86.2 per tonne), which accounted for 85.3% of its turnover. As a result of the continuous measures undertaken by the management of the Group to increase efficiency and reduce costs, the gross profit margin only dropped 0.8% from 11.4% to 10.6%. The administrative expenses increased 132.9% to USD41.4 million as compared to the first half of 2013 mainly due to the selling and distribution expenses associated with the new China inland sales activities which commenced in 2014. The Group developed its own sales and distribution channels in China which achieved higher selling prices but also incurred higher selling and distribution expenses. The operating profit per tonne is similar for both existing and new sales channels. The Group reported a net loss of USD28.0 million for the six months ended 30 June 2014 mainly due to lower coking coal products prices under the challenging market conditions, as coking coal pricing was continuing to be affected by global supply and demand imbalances. Shareholders should refer to the 2012 and 2013 Annual Reports and 2014 Interim Report for further details of the Group's financial performance.

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3. Financial position of the Group

Set out below is a summary of the balance sheets of the Group for as at 31 December 2011, 2012 and 2013 and 30 June 2014 as extracted from the 2012 and 2013 Annual Reports and 2014 Interim Report.

<i>(USD '000)</i>	As at 30 June 2014	As at 31 December		
		2013	2012	2011
Non-current assets				
Property, plant and equipment, net	627,949	574,467	527,358	347,109
Construction in progress	59,010	148,371	242,838	183,229
Lease prepayments	76	85	103	105
Intangible assets	696,354	696,354	774,773	681,352
Interest in associates	75	2,203	3,808	4,278
Interest in joint venture	85	–	–	–
Other financial assets	1,934	–	–	–
Other non-current assets	2,260	6,590	26,727	7,423
Deferred tax assets	25,388	21,781	19,144	9,698
	<u>1,413,131</u>	<u>1,449,851</u>	<u>1,594,751</u>	<u>1,233,194</u>
Current assets				
Assets held for sale	1,026	56,906	–	–
Inventories	95,981	106,461	90,290	57,734
Trade and other receivables	249,646	209,117	207,914	109,322
Cash at bank and in hand	67,523	76,535	284,322	227,765
	<u>414,176</u>	<u>449,019</u>	<u>582,526</u>	<u>394,821</u>
Current liabilities				
Short-term borrowings and current portion of long-term borrowings	133,818	141,818	81,818	333,568
Trade and other payables	301,496	287,951	247,057	118,680
Current taxation	3,936	3,426	3,950	17,508
Convertible bond	–	–	85,000	83,508
Obligations under finance leases	37	81	210	247
	<u>439,287</u>	<u>433,276</u>	<u>418,035</u>	<u>553,511</u>
Net current (liabilities)/ assets	<u>(25,111)</u>	<u>15,743</u>	<u>164,491</u>	<u>(158,690)</u>
Total assets less current liabilities	<u>1,388,020</u>	<u>1,465,594</u>	<u>1,759,242</u>	<u>1,074,504</u>
Non-current liabilities				
Long-term borrowings, less current portion	164,534	150,089	249,113	144,661
Senior notes	594,872	594,329	592,891	–
Provisions	13,682	10,118	15,538	11,110
Deferred tax liabilities	149,599	149,627	149,574	149,656
Obligations under finance leases	–	9	113	213
Other non-current liabilities	448	455	–	–
	<u>923,135</u>	<u>904,627</u>	<u>1,007,229</u>	<u>305,640</u>
Net assets	<u>464,885</u>	<u>560,967</u>	<u>752,013</u>	<u>768,864</u>
Capital and reserves				
Share capital	37,050	37,050	37,050	37,050
Reserves	427,835	523,917	714,963	731,814
	<u>464,885</u>	<u>560,967</u>	<u>752,013</u>	<u>768,864</u>
Total equity	<u>464,885</u>	<u>560,967</u>	<u>752,013</u>	<u>768,864</u>

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As at 31 December 2011, 2012 and 2013, the Group had net assets of USD768.9 million, USD752.0 million and USD561.0 million respectively. According to the 2012 and 2013 Annual Reports, the major components of the total assets include property, plant and equipment, intangible assets and cash at bank and in hand, accounting for 77.2%, 72.9% and 71.0% of the total assets as at 31 December 2011, 2012 and 2013 respectively. Property, plant and equipment mainly comprised of buildings and plants, machinery and equipment and mining properties. As at 31 December 2012, the balance increased significantly by USD180.2 million as compared to 2011, mainly representing the addition of coal handling and preparation plant and other mining related machinery and equipment in relation to the Group's mining operation. Intangible assets mainly represents the mining right acquired during the acquisition of BN mine in 2011. As at 31 December 2013, cash at bank and in hand decreased by USD207.8 million as compared to 2012, which is mainly due to repayment of borrowings during the year. The total liabilities mainly include short-term and long-term borrowings and convertible bond as at 31 December 2011 which accounted for 65.4% of the Group's total liabilities. Upon issuance of senior notes in March 2012, the major components of liabilities include short-term and long-term borrowings, convertible bond and senior notes which accounted for 70.8% as at 31 December 2012. Upon full repayment of the convertible bond in April 2013, the short-term and long-term borrowings and senior notes accounted for 66.2% of the Group's total liabilities as at 31 December 2013.

As at 30 June 2014, the Group's net assets dropped further to USD464.9 million. The gradual drop in net assets during the review period was mainly due to the net losses recorded in financial year ended 31 December 2012 and 2013 and the six months ended 30 June 2014 and the negative exchange adjustments on the majority of the Group's assets which are denominated in Mongolian Togrog as a result of depreciation of Mongolian Togrog against US Dollars. In the 2014 Interim Report, without qualifying their conclusion, the auditors emphasised that the Group reported net current liability position amounting to USD25.1 million as at 30 June 2014 and made a loss of USD28.0 million, which may cast significant doubt about its ability to continue as a going concern. Shareholders should refer to the 2014 Interim Report for details of the Group's financial position and the paragraphs headed "Business review of the Group and prospects" in the letter from the Board for the trading prospects of the Group.

The gearing ratio (calculated as net borrowings, which is determined by total bank and other borrowings (including convertible bonds and senior notes but excluding the Promissory Notes) deducted by cash at bank and in hand, divided by net assets) (the "Gearing Ratio") of the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 were 43.4%, 96.3% 144.3% and 177.6%. The increase in Gearing Ratio in 2012 was mainly due to the issuance of senior notes in March 2012. The increase in Gearing Ratio in 2013 and the six months ended 30 June 2014 was mainly due to the decrease in net assets during this period as mentioned above.

Taking into account the loss-making history and the increasing trend of gearing level of the Group as described above, we consider that an equity call can strengthen the Group's financial position by reducing its gearing and finance cost so as to enhance the Group's liquidity. The Rights Issue is also a way to allow all Qualifying Shareholders to have an equal opportunity to participate and enable them to maintain their proportionate interests in the Company should they wish to do so.

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4. Principal terms of the Rights Issue

The table below summarises the principal terms of the Rights Issue:

Basis of the Rights Issue	:	Three Rights Shares for every two existing Shares held on the Record Date
Subscription Price	:	HKD0.28 per Rights Share, which was arrived at after arm's length negotiation between the Company and the Joint Underwriters with reference to, among others, the market price and trading liquidity of the Shares up to and including the Last Trading Day and the prevailing market conditions of the capital market in Hong Kong such as the terms of comparable rights issues by listed issuers in Hong Kong and the general economic climate.
Number of Shares in issue as at the Latest Practicable Date	:	3,705,036,500 Shares
Number of Rights Shares to be issued under the Rights Issue	:	Not less than 5,557,554,750 Rights Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further issue of new Shares or repurchase of Shares before the closure of the register of members in connection with the Record Date) and not more than 5,597,079,750 Rights Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming (i) no repurchase of Shares; and (ii) the Share Options are fully exercised before the closure of the register of members in connection with the Record Date)
Amount to be raised	:	Not less than approximately HKD1,556 million and not more than approximately HKD1,567 million, before expenses (based on the number of Shares in issue as at the Latest Practicable Date)
Joint Underwriters	:	BNP Paribas and J.P. Morgan

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- Joint Underwriters' commission : 3% of the aggregate Subscription Price payable in respect of the Underwritten Shares determined on the Record Date. The underwriting commission was determined after arm's length negotiation between the Company and the Joint Underwriters with reference to, among other things, the scale of the Rights Issue and the prevailing market rate.
- Enlarged number of Shares in issue upon completion of the Rights Issue : Not less than 9,262,591,250 new Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further issue of new Shares or repurchase of Shares before the closure of the register of members in connection with the Record Date) and not more than 9,328,466,250 new Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming (i) no repurchase of Shares; and (ii) the Share Options are fully exercised before the closure of the register of members in connection with the Record Date)
- Qualifying Shareholders : The Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders in respect of whom the Directors, after making enquiries, consider it necessary or expedient to exclude from the Rights Issue, on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
- Conditions : Customary regulatory approvals and approval of the proposed Rights Issue by the Independent Shareholders at the EGM
- Transferability : Counter for trading in nil-paid Rights Shares to be available on the Stock Exchange
- Excess application : Available to Qualifying Shareholders

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- Status of the Rights Shares : Rank pari passu with the existing Shares in all respects and entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares
- Lock-up period : The Company has undertaken generally not to allot or issue any securities of the Company for a period commencing from the date of signing the Underwriting Agreement and ending on, and including the date that is 90 days after the first day of trading of the Rights Shares in fully-paid form on the Stock Exchange (the “Lock-up Period”). Shares held by MCS Mining Group are also generally subject to the Lock-up Period. Details of the aforementioned are set out in the sub-section headed “Lock-up” in the “Letter from the Board”

Assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue, the aggregate number of nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 150.0% of the Company’s total number of Shares in issue as at the Latest Practicable Date and will represent approximately 60.0% of the Company’s Shares in issue as enlarged by the Rights Issue.

Assuming new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue pursuant to the full exercise of all outstanding Share Options on or prior to the Last Day for Transfer, the aggregate number of nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents approximately 151.1% of the Company’s total number of Shares in issue as at the Latest Practicable Date and will represent approximately 60.0% of the Company’s Shares in issue as enlarged by the Rights Issue.

The Rights Issue is subject to the approval of the Independent Shareholders and will be fully underwritten (other than the Rights Shares that will be provisionally allotted to Irrevocable Undertaking Covenantors pursuant to the Irrevocable Undertakings) in accordance with requirements under the Listing Rules but is conditional upon the conditions set out in the sub-section headed “Conditions of the Rights Issue” in the Letter from the Board contained in the Circular being fulfilled.

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The Rights Issue is considered as appropriate and feasible means of fund raising for the Group taking into account: (i) debt financing would not resolve the financing needs of the Group for relieving its interest burden and possible repayment liabilities if the term loan and senior notes term out in 2016 and 2017 respectively, and might increase its finance cost; (ii) placing would only be available to certain places and the existing Shareholders' interests in the Company might be diluted; (iii) the Rights Issue offers all the Qualifying Shareholders equal opportunity to subscribe for their pro-rata provisional entitlement of the Rights Shares; and (iv) the Rights Issue allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market.

5. Reasons for and benefits of the Rights Issue and the use of proceeds

The Directors consider that, after taking into account the costs and benefits of different types of fund raising alternatives available to the Group, the Rights Issue is preferred means for the Group to improve liquidity and finance its general working capital.

The Directors believe that the Rights Issue is in the interests of the Group and the Shareholders as a whole since it would allow the Qualifying Shareholders to maintain their respective pro-rata shareholdings in the Company and participate in the future growth and development of the Company.

The expenses in relation to the Rights Issue (including financial, legal advisory and other professional expenses) are estimated to be approximately HKD40 million and will be borne by the Company. The estimated net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HKD0.27.

The estimated net proceeds of the Rights Issue will be not less than approximately HKD1,516 million and not more than approximately HKD1,527 million after the deduction of all estimated expenses of HKD40 million. The Directors currently intend to use the net proceeds of the Rights Issue for the following purposes which is in-line with the Group's overall business strategy:

- approximately 10% (or not less than approximately HKD151.6 million and not more than approximately HKD152.7 million of the total estimated net proceeds) for strengthening the capital base of and providing greater financial flexibility for the Group to support the continuing development and growth of the Group's business and funding its future expansion needs including, but not limited to:
 - expanding the Group's product load out facility for railways. While the Group currently has no approved plans or specific timing with respect to such expansion, the Group expects to coordinate such expansion with the development of a railway by an Independent Third Party;

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- continuing current modifications to the run-of-mine coal feed facility to increase feed volume and blending ability; and
- modifications to the coal handling and preparation plant to optimize and increase product yield. While the Group currently has no approved plans or specific timing with respect to such modifications, the Group does not expect to incur significant capital expenses since these modifications will involve optimization of existing plant equipment performance;
- approximately 35% (or not less than approximately HKD530.6 million and not more than approximately HKD534.4 million of the total estimated net proceeds) for general working capital for development of the Group's existing and future business and investment opportunities as may be identified from time to time. As at the Latest Practicable Date, the Group has not identified any business and investment opportunities; and
- approximately 55% (or not less than approximately HKD833.8 million and not more than approximately HKD839.9 million of the total estimated net proceeds) for repayment of some of the existing indebtedness of the Group in order to further improve the Group's net gearing ratio, cash position and availability of working capital.

We have discussed with the Directors regarding other financing methods such as placing and banking facilities. We note that (i) debt financing and bank borrowings will incur interest burden and repayment obligations of the Group and may be subject to lengthy due diligence and negotiations as well as the pledge of assets by the Group, in particular given that the Group recorded net losses in each of the past two and a half financial years; (ii) a fully underwritten rights issue removes a certain degree of uncertainty as compared to other equity fund raising exercises and offers all the Qualifying Shareholders an equal opportunity to participate; (iii) the Rights Issue enables all Qualifying Shareholders to maintain their proportionate interests in the Company; and (iv) the Shareholders who do not participate in the fund raising of the Company can dispose of their rights shares entitlements in the market in nil-paid form. Based on the foregoing, we concur with the Directors' view that the Rights Issue is an appropriate means to raise fund to improve liquidity and finance its operations, investment opportunities and expansion plan as may be identified.

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6. Analysis performed on the terms of the Rights Issue

In order to assess the fairness and reasonableness of the terms of the Rights Issue, we have considered the following principal factors based on the Subscription Price:

(1) Review of historical share price performance

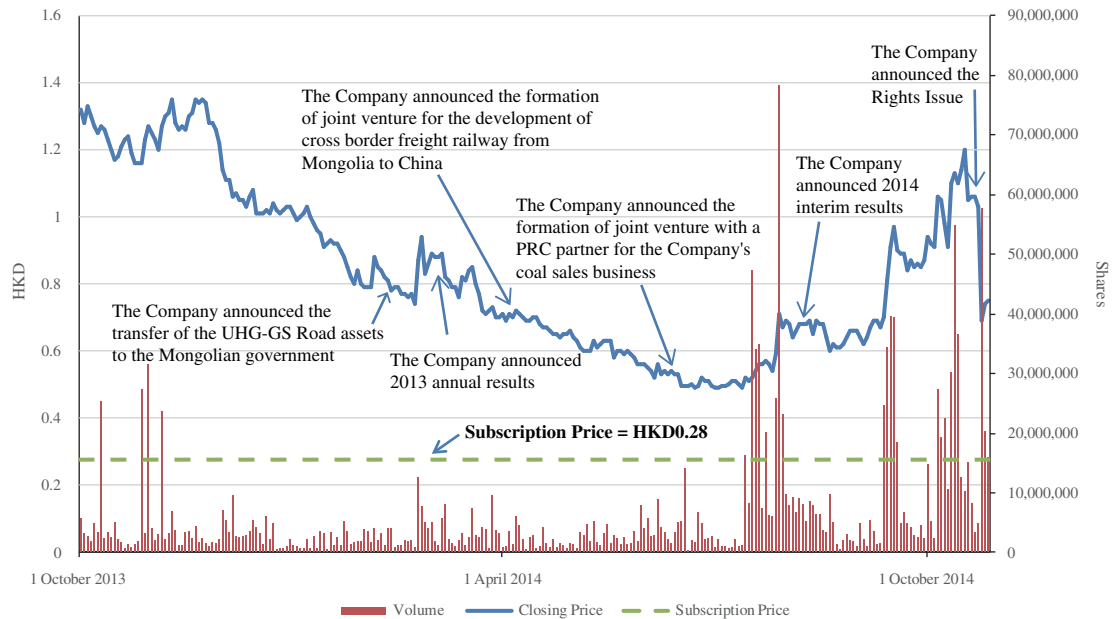
The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each of the 12 months during the period commencing from 1 November 2013 (approximately 12 months prior to the Latest Practicable Date) up to and including the Latest Practicable Date (the “Review Period”) are shown as follows:

Month	Highest closing price HKD	Lowest closing price HKD	Average daily closing price HKD
2013			
November	1.35	1.20	1.29
December	1.14	1.01	1.05
2014			
January	1.03	0.80	0.94
February	0.94	0.74	0.81
March	0.89	0.71	0.81
April	0.72	0.64	0.69
May	0.66	0.58	0.62
June	0.59	0.49	0.53
July	0.57	0.49	0.52
August	0.71	0.54	0.65
September	0.97	0.62	0.74
October	1.20	0.69	0.99
November (up to and including the Latest Practicable Date)	0.75	0.74	0.75

Source: website of the Stock Exchange (www.hkexnews.hk)

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During the Review Period, the average daily closing price of the Shares ranged from approximately HKD0.52 to HKD1.29 per Share in each month, with the highest and lowest closing prices of the Shares as quoted on the Stock Exchange, being HKD1.35 per Share recorded on 11 November 2013, 20 November 2013 and 22 November 2013 and HKD0.49 per Share recorded on 30 June 2014, 9 July 2014, 10 July 2014 and 21 July 2014 respectively. The Subscription Price represents a discount of approximately 79.3% to the highest closing price and a discount of approximately 42.9% to the lowest closing price of the Shares respectively. In addition, the chart below illustrates the closing prices of the Shares, as quoted on the Stock Exchange during the Review Period:



Source: website of the Stock Exchange (www.hkexnews.hk)

The Share price performance displayed a general decreasing trend throughout the Review Period. The Company announced the sales of paved road and cross-border infrastructure to the Mongolian government for a consideration of USD90.3 million on 13 February 2014, followed by announcements on 8 April 2014 and 25 June 2014 regarding the formation of two joint ventures for the development of cross border railway and the Company's coal sales business respectively. Despite these favourable developments, the Share price declined further as the Company reported a net loss of USD58.1 million for the year ended 31 December 2013 compared to USD2.5 million for 2012 in the annual results announcement on 11 March 2014, with the Company's financial performances continued to be challenged by high finance costs and weak coal prices as discussed above in the section headed "2. Financial performance of the Group". The Share price performance began to improve in recent months with the average daily closing price increased from HKD0.65 in August to HKD0.99 in October. The Company announced on 5 August 2014 that it was unaware of any reasons for these price increases but it was in discussions with financial institutions regarding a possible fund raising exercise. Following the Announcement, the average daily closing price of the Shares declined to HKD0.75 in November (up to and including the Latest Practicable Date).

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We noted that it is a common market practice that, in order to enhance the attractiveness of a rights issue to existing shareholders, the subscription price represents a discount to the prevailing market prices of the relevant shares. As such, we consider that the setting of the Subscription Price at a discount to the closing price of the Shares at the Latest Practicable Date is in line with general market practice.

(2) *Liquidity of the Shares*

The following table sets out the total trading volume per month and the average daily trading volume per month of the Shares during the Review Period:

	Total monthly trading volume of the Shares (Shares)	Average daily trading volume of the Shares during the month (Shares)	% of average daily trading volume of the Shares to the total issued Shares ⁽¹⁾	% of average daily trading volume of the Shares to the total public float ⁽²⁾
2013				
November	75,284,162	3,584,960	0.10	0.28
December	67,953,154	3,397,658	0.09	0.27
2014				
January	39,279,865	1,870,470	0.05	0.15
February	58,237,115	3,065,111	0.08	0.24
March	73,870,252	3,517,631	0.09	0.28
April	43,258,388	2,162,919	0.06	0.17
May	44,226,073	2,211,304	0.06	0.17
June	80,254,547	4,012,727	0.11	0.32
July	202,114,340	9,187,015	0.25	0.73
August	240,812,575	11,467,265	0.31	0.91
September	205,469,972	9,784,284	0.26	0.77
October	346,086,375	16,480,304	0.44	1.30
November (up to and including the Latest Practicable Date)	36,097,862	18,048,931	0.49	1.43

Source: website of the Stock Exchange (www.hkexnews.hk)

Notes:

(1) Based on 3,705,036,500 Shares in issue as at the Latest Practicable Date.

(2) Based on 1,265,610,308 Shares as held in public hands on the Latest Practicable Date.

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We note from the above table that the trading volume of the Shares was generally thin during the Review Period, where the percentages of average daily trading volume of the Shares to the total issued Shares and the total public float during the Review Period were mainly below 0.49% and 1.43%, respectively, despite the trading volume increased significantly since July 2014. We are advised by the management of the Group that they are not aware of any particular reasons for such an unusual fluctuation in trading volume. Both trading volume and price increased significantly in August 2014, and the Company announced on 5 August 2014 that it was unaware of any reasons for these price and trading volume movements but it was in discussions with financial institutions regarding a possible fund raising exercise.

(3) *Comparison with recent rights issues*

We have identified, on a best efforts basis, rights issue precedents involving companies listed on the Stock Exchange announced during the period from 1 January 2014 up to and including the Latest Practicable Date, with the number of rights shares representing between 50% and 250% of the companies' total number of shares in issue as at the date of the relevant announcements (the "Comparable Rights Issues"). We are of the view that the below issues are suitable comparables as we note that a review period since the beginning of 2014 would allow us to capture the recent market trend and information for the purpose of comparing the terms of the Rights Issue. It should be noted that the subject companies involved in the Comparable Rights Issues may have different principal activities, scale of operation and trading prospects as compared with those of the Company. As such, the Comparable Rights Issues may only be used to provide a general reference. Details of the Comparable Rights Issues are set out as follow:

Date of announcement	Company name (stock code)	Business activities	Basis (number of rights share(s) for number of existing shares)	Discount of subscription price to the theoretical ex-rights price on the last trading day immediately prior to the date of the announcement of the rights issue %	Underwriting commission %	Underwritten by controlling shareholder(s) (Y/N)	Excess application (Y/N)
22 Oct 2014	China Strategic Holdings Limited (235)	Manufacturing and trading of battery products and related accessories, investments in securities, money lending business, trading of metals and sales of electronic products	1:2	49.69	2.5	N	Y

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Date of announcement	Company name (stock code)	Business activities	Basis (number of rights share(s) for number of existing shares)	Discount of subscription price to the theoretical ex-rights price on the last trading day immediately prior to the date of the announcement of the rights issue %	Underwriting commission %	Underwritten by controlling shareholder(s) (Y/N)	Excess application (Y/N)
10 Oct 2014	Unlimited Creativity Holdings Limited (8079)	Money lending business, property investment, retail business, medicine store, financial instruments and quoted shares investment in Hong Kong	5:2	23.08	2.5	N	N
29 Sep 2014	Tonly Electronics Holdings Limited (1249)	Research and development, manufacturing and sale of premium AV Products	1:2	15.00	0.00	Y ⁽¹⁾	Y
3 Sep 2014	Bright Smart Securities & Commodities Group Limited (1428)	Provision of financial services, including securities broking, margin financing, commodities and futures broking and bullion trading	1:2	20.00	2.50	Y ⁽²⁾	Y
2 Sep 2014	Midas International Holdings Limited (1172)	Printing business and property business	1:2	37.10	2.50	N	Y
25 Aug 2014	Venturepharm Laboratories Limited (8225)	Research, development and commercialisation of drug products	3:2	50.00	0.00	Y ⁽¹⁾	Y
20 Aug 2014	Rui Kang Pharmaceutical Group Investments Limited (8037)	Manufacture, research and development, sale and distribution of consumer cosmetic, health related and pharmaceutical products, health supplement wine, dental materials and equipment; and trading of securities	1:2	13.98	2.50	N	N
17 Aug 2014	China Renji Medical Group Limited (648)	Provision of medical equipment and services	1:2	42.60	4.00	N	N

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Date of announcement	Company name (stock code)	Business activities	Basis (number of rights share(s) for number of existing shares)	Discount of subscription price to the theoretical ex-rights price on the last trading day immediately prior to the date of the announcement of the rights issue %	Underwriting commission %	Underwritten by controlling shareholder(s) (Y/N)	Excess application (Y/N)
12 Aug 2014	China New Economy Fund Limited (80)	Investment in both private and publicly listed enterprises	1:2	27.59	2.50	N	N
13 Jul 2014	China Gamma Group Limited (164)	Rare earth refinery and processing business, gamma ray irradiation services; property development, rental and sales; trading of building materials; provision of renovation services; securities trading and investment	1:2	49.74	1.00	N	Y
3 Jul 2014	Applied Development Holdings Limited (519)	Resort and property development, property and investment holding	1:2	57.90	2.50	N	Y
19 Jun 2014	Vision Fame International Holding Limited (1315)	Provision of building construction services, property maintenance services, alterations, renovation, upgrading works and fitting-out works services	1:1	11.11	1.00	N	N
22 Apr 2014	Haitong International Securities Group Limited (665)	Corporate finance, brokerage and margin financing, investment management, fixed income, currency and commodities, structured financing and equity derivatives	1:2	7.77	0.00	Y ⁽²⁾	Y
11 Apr 2014	China Primary Resources Holdings Limited (8117)	Manufacture and sale of polyethylene pipes, sale of composite materials, transmission and distribution of natural gas	1:2	46.60	0.00	Y ⁽¹⁾	Y

LETTER FROM SOMERLEY

Date of announcement	Company name (stock code)	Business activities	Basis (number of rights share(s) for number of existing shares)	Discount of subscription price to the theoretical ex-rights price on the last trading day immediately prior to the date of the announcement of the rights issue %	Underwriting commission %	Underwritten by controlling shareholder(s) (Y/N)	Excess application (Y/N)
21 Mar 2014	Computech Holdings Limited (8081)	Provision of IT services, money lending business, provision of medical diagnostic and health check services, and securities and property investments business	1:2	16.88	3.50	N	Y
4 Mar 2014	Sincere Watch (Hong Kong) Limited (444)	Distribution of branded luxury watches, timepieces and accessories	1:2	58.53	2.50	N	Y
For all Comparable Rights Issues							
				Minimum	7.77	0.00	
				Maximum	58.53	4.00	
				Mean	32.97	1.84	
				Median	32.35	2.50	
For all Comparable Rights Issues underwritten only by independent third parties							
				Minimum	11.11	1.00	
				Maximum	58.53	4.00	
				Mean	35.29	2.45	
				Median	37.10	2.50	
The proposed Rights Issue							
				The proposed Rights Issue	51.72	3.00	

Source: website of the Stock Exchange (www.hkexnews.hk)

Notes:

- (1) These respective Comparable Rights Issues are underwritten solely by controlling shareholder.
- (2) These respective Comparable Rights Issues are underwritten by both controlling shareholder(s) and independent third party(ies).

A total of 16 Comparable Rights Issues are identified. We have noted a rights issue precedent which took place in 2014 with a premium of 13.60% over the theoretical ex-rights price, which is considered to be an outlier and excluded from the Comparable Rights Issues. As illustrated in the above table, the discount of the Subscription Price is higher than those of the mean and median of the discount of the rights issue price to the

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theoretical ex-rights price of the shares of the Comparable Rights Issues but is within the range of the discounts found in Comparable Rights Issues during the Review Period. Furthermore, when excluding the Comparable Rights Issues which were underwritten by the controlling shareholders of the issuers, the discounts of the rights issue price to the theoretical ex-rights price for 2 of the 11 Comparable Rights Issues were 57.90% and 58.53%, which are higher than the discount of 51.72% to the theoretical ex-rights price for the proposed Rights Issue. The underwriting commission payable to the Joint Underwriters is 3%, which is within the range of those in the Comparable Rights Issues. Having taken into account that (i) the Rights Issue is a fair and appropriate method of equity fund raising which provides Qualifying Shareholders with a means of ensuring that their percentage holding in the Company is not diluted; (ii) discounts for rights issues vary across these listed companies which are engaged in different businesses with different financial performances and trading prospects; (iii) the terms of the Rights Issue have been determined following commercial and arm's length negotiations between the Company and the Joint Underwriters, which are independent third parties; (iv) the discount of the Subscription Price is within the range of the discounts of the rights issue price to the theoretical ex-rights price of the shares of the Comparable Rights Issues; and (v) the underwriting commission for the Rights Issue is within the range of those in the Comparable Rights Issues, we consider that the Rights Issue is on normal commercial terms which are fair and reasonable to the Independent Shareholders.

7. Potential dilution effect on the existing Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. The shareholding of Qualifying Shareholders who take up their entitlements in full under the Rights Issue will remain unchanged upon completion of the Rights Issue. For those Qualifying Shareholders who opt not to take up their entitlements in full under the Rights Issue, depending on the extent to which they take up their entitlements, their shareholding interests will be diluted upon completion of the Rights Issue by a maximum of 60.0%.

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Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the Rights Issue under various scenarios:

- (i) Assuming that no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders (save for the Irrevocable Undertaking Covenants and the Joint Underwriters))	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Irrevocable Undertaking						
Covenants	2,439,426,192	65.84%	6,098,565,480	65.84%	6,098,565,480	65.84%
Other public shareholders	1,265,610,308	34.16%	3,164,025,770	34.16%	1,265,610,308	13.66%
J.P. Morgan and its sub-underwriters ⁽¹⁾	-	-	-	-	949,207,731	10.25%
BNP Paribas and its sub-underwriters ⁽¹⁾	-	-	-	-	949,207,731	10.25%
Total	3,705,036,500	100.00%	9,262,591,250	100.00%	9,262,591,250	100.00%

Notes:

- (1) Pursuant to the Underwriting Agreement, each Joint Underwriter has agreed that it will hold less than 10% of the total number of Shares in issue immediately upon completion of the Rights Issue. The Joint Underwriters have separately entered into sub-underwriting agreements with certain sub-underwriters to ensure that each Joint Underwriter will hold less than 10% of the total number of Shares in issue upon the completion of the Rights Issue. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the sub-underwriters is an Independent Third Party.
- (2) The Company shall ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

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- (ii) Assuming that new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue pursuant to the full exercise of all outstanding Share Options on or prior to the Last Day for Transfer but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders (save for the Irrevocable Undertaking Covenants and the Joint Underwriters))	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Irrevocable Undertaking						
Covenants	2,439,426,192	65.38%	6,098,565,480	65.38%	6,098,565,480	65.38%
Directors	3,500,000	0.09%	8,750,000	0.09%	3,500,000	0.04%
Other public shareholders	1,288,460,308	34.53%	3,221,150,770	34.53%	1,288,460,308	13.80%
J.P. Morgan and its sub-underwriters ⁽¹⁾	–	–	–	–	968,970,231	10.39%
BNP Paribas and its sub-underwriters ⁽¹⁾	–	–	–	–	968,970,231	10.39%
Total	3,731,386,500	100.00%	9,328,466,250	100.00%	9,328,466,250	100.00%

Notes:

- (1) Pursuant to the Underwriting Agreement, each Joint Underwriter has agreed that it will hold less than 10% of the total number of Shares in issue immediately upon completion of the Rights Issue. The Joint Underwriters have separately entered into sub-underwriting agreements with certain sub-underwriters to ensure that each Joint Underwriter will hold less than 10% of the total number of Shares in issue upon the completion of the Rights Issue. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the sub-underwriters is an Independent Third Party.
- (2) The Company shall ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

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Despite the potential dilution effect resulted from the Right Issue, having taken into account (i) the proceeds from the Rights Issue is intended to improve liquidity and finance operations, investment opportunities and expansion plan as may be identified; (ii) the Rights Issue is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company; (iii) the inherent dilutive nature of rights issue in general if the existing Shareholder does not take up his/her/its entitlements thereunder; and (iv) the discount of the Subscription Price to prevailing market price of the Shares is necessary to encourage the Qualifying Shareholders to participate in the Rights Issue, we consider the possible dilution effect on the existing Shareholders to be acceptable.

8. Financial effects of the Rights Issue on the Group

(a) Equity attributable to the Shareholders

We set out below the equity and pro forma equity attributable to the Shareholders, including on a per Share basis, of the Group as at 30 June 2014 and upon completion of the proposed Rights Issue with reference to the unaudited financial information of the Group as set out in the 2014 Interim Report.

	The Group	The Group immediately upon completion of the proposed Rights Issue
Equity attributable to the Shareholders (USD million)	464.9	661.8 ⁽¹⁾
Total number of Shares in issue	3,705,036,500	9,328,466,250 ⁽²⁾
Equity attributable to the Shareholders per Share (USD)	0.13	0.07

Note:

- (1) HKD1,527 million, being the maximum amount of the estimated net proceeds of the Rights Issue, is used.
- (2) Assuming that new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue pursuant to the full exercise of all outstanding Share Options on or prior to the Last Day for Transfer, and a maximum of 5,597,079,750 Rights Shares are issued under the proposed Rights Issue.

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As shown in the table above, as at 30 June 2014, the Group's equity attributable to the Shareholders amounted to approximately USD464.9 million, or approximately USD0.13 per Share. The pro forma equity attributable to the Shareholders of the Group per Share, is calculated based on the net asset value of the Group as enlarged by USD196.9 million, being the maximum net proceeds raised from the Rights Issue, and the number of Shares then in issue after 5,597,079,750 Rights Shares are issued. The pro forma equity attributable to the Shareholders of the Group of USD0.07 per Share upon completion of the proposed Rights Issue would represent a dilution of approximately 46.2% to the equity attributable to the Shareholders of the Group per Share of USD0.13 as at 30 June 2014.

Shareholders should also note that the incidental costs attributable to the Rights Issue will be recognised in equity as and when actually incurred.

(b) Gearing and liquidity

As at 30 June 2014, the Group had net assets of approximately USD464.9 million and net borrowings (including senior notes) of approximately USD825.7 million. The bank and other loans carry interest rates ranging from LIBOR plus 3.75% to 10% per annum. The Gearing Ratio was approximately 177.6%.

We set out below the gearing and net borrowings of the Group as at 30 June 2014 and upon completion of the proposed Rights Issue based on the unaudited financial information of the Group as set out in the 2014 Interim Report.

	The Group	The Group immediately upon completion of the proposed Rights Issue
Net assets (USD million)	464.9	661.8
Net borrowings ⁽¹⁾ (USD million)	825.7	628.8 ⁽²⁾
<i>Gearing Ratio (%)</i>	<i>177.6</i>	<i>95.0</i>

Note:

- (1) Calculated by deducting total bank and other borrowings, convertible bonds and senior notes of USD893.2 million by cash at bank and in hand of USD67.5 million.
- (2) As discussed above in the section headed "5. Reasons for and benefits of the Rights Issue and the use of proceeds", the Directors currently intend to use (i) approximately 55% of the net proceeds to repay some of the existing indebtedness of the Group, (ii) approximately 10% to support the Group's continuing business development and fund its future expansion needs; and (iii) approximately 35% for development of its existing and future business and investment opportunities. As the Group currently has no approved plans or specific timing for its business expansion and has not identified any business and investment opportunities, it is assumed that the entire net proceeds from the Rights Issue of US\$196.9 million will be booked as cash on hand in its account upon completion of the Rights Issue.

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As shown in the table above, the Gearing Ratio of the Group will improve to 95.0% immediately upon completion of the proposed Rights Issue. The decrease in gearing for the Group as at 30 June 2014 is attributable to the increase in net assets and decrease in net borrowings both as a result of completion of the proposed Rights Issue.

DISCUSSION AND ANALYSIS

The Company proposes to raise not less than approximately HKD1,516 million after expenses by way of the Rights Issue on the basis of three Rights Shares for every two existing Shares held on the Record Date at the Subscription Price of HKD0.28 per Rights Share, payable in full on acceptance. This may be regarded as a “heavy” call on Shareholders, reflecting a substantial need for new equity capital. The extent of Independent Shareholders’ dilution if they do not take up their Rights is up to a maximum of 60.0%. As the basis exceeds 1-for-2, under the Listing Rules, the Rights Issue requires approval by Independent Shareholders by a resolution on which MCS Mining Group and its associates will not vote.

The Group is principally engaged in the mining, processing, transportation and sale of coal products. The Group’s major product is washed hard coking coal accounting for over 85.3% of its revenue for the six months ended 30 June 2014. Almost all of its products are sold to China. The recent performance of the Group is discussed in paragraph “2. Financial performance of the Group” above. Profitability has been under pressure because of the declining price of the coking coal products produced by the Group, reduced demand from the Group’s Chinese customers and challenging global economics conditions for the mining industry. The Group’s average selling price for washed hard coking coal fell from USD155.6 for the year ended 31 December 2011 to USD86.2 for the six months ended 30 June 2014. At the same time, the Gearing Ratio of the Group (measured by net debt/net assets) has increased from 43.4% to 177.6%. The management of the Group has a positive outlook for the longer term and intends to maintain and enhance its position as a leading Asian washed coking coal producer. The Group has completed all the development capital expenditure needed to achieve this goal. Consequently, we consider the Directors’ strategy to raise substantial new equity at this stage by means of the Rights Issue is a correct one. Debt refinancing would not resolve and relieve the Group’s current interest burden and repayment obligations as they fall due. The Rights Issue will raise net proceeds of not less than HKD1,516 million and, as set out above, following completion, on an illustrative basis would improve the Gearing Ratio from 177.6% to 95.0% with the injection of USD196.9 million proceeds from the proposed Rights Issue which is assumed to reduce the net borrowings by the same amount.

To demonstrate the support in the Company’s long term future, a significant group of Shareholders including, amongst others, MCS Mining Group, the controlling Shareholder, and Kerry Mining (UHG), a significant Shareholder, holding a total of 65.84% in the issued share capital of the Company have executed the Irrevocable Undertakings to take up their entitlements to the Rights Shares under the Rights Issue. The Company will not allot or issue any new securities for a period commencing from the date of signing the Underwriting Agreement and ending on, and including the date that is 90 days after the first day of trading of the Rights Shares in fully-paid form on the Stock Exchange and shares held by MCS Mining

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Group are also generally subject to the same Lock-up Period. The remaining Rights Shares have been underwritten by arm's length commercial underwriters at a usual commission rate. The Rights Issue provides Qualifying Shareholders with a means of ensuring that their percentage holding in the Company is not diluted. Existing shareholders on the Record Date will have the right to apply for excess Rights Shares before any underwriting is called upon.

The Subscription Price of HKD0.28 represents reflects a discount of 51.72% to the theoretical ex-rights price of HKD0.58 before the Announcement. We consider this a usual discount when compared to the rights issues set out in paragraph "6. Analysis performed on the terms of the Rights Issue – (3) Comparison with recent rights issues" above where arm's length underwriters are involved. A discount of 51.72% should in due course provide a firm basis for trading in nil-paid rights, so that those shareholders who may not wish to contribute more cash can sell their rights in the market. Those wishing to do so should note that on the basis of expected timetable, trading in nil-paid rights will take place from 5-12 December 2014.

OPINION

Based on the above principal factors and reasons, we consider that the Rights Issue is on normal commercial terms which are fair and reasonable to the Independent Shareholders and that the proposed Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Kenneth Chow
Managing Director

Jenny Leung
Director

Mr. Kenneth Chow and Ms. Jenny Leung are licensed persons and responsible officers of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

A. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the financial years ended 31 December 2011, 2012 and 2013, respectively, and for the six months ended 30 June 2014 is disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mmc.mn):

- (i) the unaudited consolidated financial statements included in the Company's interim report for the six months ended 30 June 2014 (pages 61 to 89), in the independent review report issued by the Company's auditors, without qualifying the review conclusion, an emphasis of matter has been included to draw attention of the users of the interim financial report (pages 59 to 60);
- (ii) the audited consolidated financial statements included in the Company's annual report for the year ended 31 December 2013 (pages 129 to 204);
- (iii) the audited consolidated financial statements included in the Company's annual report for the year ended 31 December 2012 (pages 127 to 204); and
- (iv) the audited consolidated financial statements included in the Company's annual report for the year ended 31 December 2011 (pages 117 to 187).

B. STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 30 September 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

Indebtedness	30 September 2014 <i>USD'000</i>
Secured bank loans	
Current portion	101,664
Non-current portion	141,948
	243,612

Unsecured bank loans	
Current portion	40,000
Non-current portion	-
	40,000

Indebtedness	30 September 2014 <i>USD'000</i>
Senior notes	
Current portion	–
Non-current portion	595,384
	<hr/>
	595,384
	<hr style="border-top: 1px dashed black;"/>
Total borrowings	878,996
	<hr style="border-top: 3px double black;"/>
Analysis of total borrowings repayable as follows:	
– Within 1 year or on demand	141,664
– After 1 year but within 2 years	123,564
– After 2 years but within 5 years	613,768
– After 5 years	–
	<hr/>
Total borrowings	878,996
	<hr style="border-top: 3px double black;"/>

As at the close of business on 30 September 2014, the Group had total banking facilities of approximately USD420.0 million, including (1) the BNP Paribas and Industrial and Commercial Bank of China Limited facility (the “BNP and ICBC Facility”) of USD200.0 million (including a greenshoe option of up to USD50.0 million); (2) USD180.0 million facility agreements with European Bank for Reconstruction and Development, FMO – Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. and DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (the “EBRD, FMO and DEG Loan Agreements”); and (3) USD40.0 million revolving credit line from Trade and Development Bank of Mongolia. Out of such available facilities, a total of USD370.0 million was drawn and bore interest at the prevailing market rates.

Save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities, at the close of business on 30 September 2014, none of the members of the Group had (a) any debt securities issued and outstanding, and authorized or otherwise created but unissued; (b) any term loans; (c) any borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptances credits or hire purchase commitments; (d) any debentures, mortgages or charges; or (e) any guarantee or other material contingent liabilities.

Pledge of assets

At the close of business on 30 September 2014, the Group pledged Energy Resources LLC’s (“ER”) current accounts held with Trade and Development Bank of Mongolia, Khan Bank of Mongolia, Golomt Bank of Mongolia, its Debt Reserve Account for loan repayment, cooperation contract with Inner Mongolia Qinghua Group of China, coal mining agreement

with Leighton LLC; engineering, procurement and construction management (“EPCM”) contract for the coal handling and preparation plant (“CHPP”) constructed at the Ukhaa Khudag (“UHG”) site with Sedgman LLC; CHPP modules 1 and 2; UHG Power Plant; and water facilities for the EBRD, FMO and DEG Loan Agreements.

The Company pledged its Collection and Cash Collateral accounts with BNP Paribas, coal sales contracts with Inner Mongolia Risun Coal Industry Co., Ltd, Shenhua Bayannaer Energy Co., Ltd, and Inner Mongolia Qinghua Group of China, and coal stockpile of ER for the BNP and ICBC Facility.

Share pledges of Mongolian Coal Corporation Limited and Mongolian Coal Corporation S.a.r.l. are shared among the BNP and ICBC Facility and the USD600.0 million Senior Notes.

ER pledged its 4,207,500 common shares, being 16.46% common shares held by it in International Medical Centre LLC pursuant to Share Pledge between ER and EBRD dated 24 June 2013 to secure loan repayment obligation of International Medical Centre LLC in proportion to its equity interest in International Medical Centre LLC.

The total amount of indebtedness covered with above pledges is USD839.0 million as at 30 September 2014.

Disclaimer

Save as disclosed above, and apart from intra-group liabilities and normal trade payables in normal course of business, as at the close of business on 30 September 2014, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

C. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources presently available to the Group including internally generated funds, external borrowings and the estimated net proceeds from the Rights Issue (subject to the shareholders’ approval) in the absence of unforeseen circumstances, the Group has sufficient working capital for at least 125% of our present working capital requirements for at least the next twelve months following the date of this circular.

D. MATERIAL ADVERSE CHANGE

The Directors confirmed that there had been no material adverse change in the financial or trading position or prospect of the Group since 31 December 2013, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

The unaudited pro forma financial information should be read in conjunction with Appendix I headed “Financial Information of the Group” in this circular, the annual report of the Company for the year ended 31 December 2013, and the interim report of the Company for the six months ended 30 June 2014.

(1) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE LIABILITIES OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the consolidated net tangible liabilities of the Group as if the Rights Issue had been completed on 30 June 2014.

The unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group is prepared based on the adjusted consolidated net liabilities of the Group as at 30 June 2014, as derived from the published interim report of the Company for the six months ended 30 June 2014, and adjusted as described in the accompanying notes.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

For illustrative purposes only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group after completion of the Rights Issue as if it had taken place as at 30 June 2014:

	Consolidated net tangible liabilities of the Group attributable to equity shareholders of the Company as at 30 June 2014	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the equity shareholders of the Company after completion of the Rights Issue
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	
Based on 5,557,554,750 Rights Shares to be issued at subscription price of HKD0.28 per Rights Share	<u>(231,469)</u>	<u>195,464</u>	<u>(36,005)</u>
Based on 5,597,079,750 Rights Shares to be issued at subscription price of HKD0.28 per Rights Share	<u>(231,469)</u>	<u>196,891</u>	<u>(34,578)</u>
Consolidated net tangible liabilities per Share as at 30 June 2014 <i>(Note 3)</i>			<u>USD(6.25) cents</u>
Unaudited pro forma adjusted consolidated net tangible liabilities per Share, after completion of the Rights Issue of 5,557,554,750 Rights Shares <i>(Note 4)</i>			<u>USD(0.39) cents</u>
Unaudited pro forma adjusted consolidated net tangible liabilities per Share, after completion of the Rights Issue of 5,597,079,750 Rights Shares <i>(Note 4)</i>			<u>USD(0.37) cents</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

- (1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as at 30 June 2014 is based on the consolidated net tangible assets attributable to equity shareholders of the Company of USD464,885,000 as extracted from the published interim report of the Company for the six months ended 30 June 2014 after deduction of consolidated intangible assets of USD696,354,000.
- (2) The estimated net proceeds from the Rights Issue of approximately USD195,464,000 to USD196,891,000 are based on 5,557,554,750 Rights Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further issue of new Shares or repurchase of Shares before the closure of the register of members in connection with the Record Date) to 5,597,079,750 Rights Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming (i) no repurchase of Shares; and (ii) the Share Options are fully exercised before the closure of the register of members in connection with the Record Date) to be issued at the subscription price of HKD0.28 per Rights Share and after deduction of estimated related expenses of approximately HKD40,000,000. The 5,557,554,750 Rights Shares to 5,597,079,750 Rights Shares are calculated on the basis of three Rights Shares for every two existing Shares at the Record Date. For the purpose of the estimated net proceeds from the Rights Issue, the translation of Hong Kong dollars into United States dollars was made at the rate of USD1.00 to HKD7.7565.
- (3) The calculation of the consolidated net tangible liabilities per Share as at 30 June 2014 is based on the consolidated net tangible liabilities attributable to equity shareholders of the Company of USD231,469,000 and on the basis of 3,705,036,500 Shares in issue as at 30 June 2014.
- (4) The unaudited pro forma adjusted consolidated net tangible liabilities per Share after completion of the Rights Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible liabilities attributable to equity shareholders of the Company after completion of the Rights Issue of USD36,005,000 to USD34,578,000 and on the basis of 9,262,591,250 Shares to 9,302,116,250 Shares in issue and assuming the Rights Issue had been completed on 30 June 2014.

The Shares in issue represent:

– an aggregate of 3,705,036,500 Shares in issue as at 30 June 2014	3,705,036,500	3,705,036,500
– issue of 5,557,554,750 Rights Shares to 5,597,079,750 Rights Shares assuming the Rights Issue had completed on 30 June 2014	5,557,554,750	5,597,079,750
	9,262,591,250	9,302,116,250

- (5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible liabilities of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2014.

**(2) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of an accountants' report received from KPMG, for inclusion in this circular, in respect of the unaudited pro forma statement of adjusted net tangible liabilities of the Group as set out in this Appendix II.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

7 November 2014

TO THE DIRECTORS OF MONGOLIAN MINING CORPORATION

We have completed our assurance engagement to report on the compilation of pro forma financial information of Mongolian Mining Corporation (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible liabilities of the Group as at 30 June 2014 as set out in Part 1 of Appendix II to the circular dated 7 November 2014 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part 1 of Appendix II to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue of ordinary shares on the basis of three rights shares for every two existing ordinary shares (the "Rights Issue") on the Group's financial position as at 30 June 2014 as if the Rights Issue had taken place at 30 June 2014. As part of this process, information about the Group's financial position as at 30 June 2014 has been extracted by the Directors from the interim report of the Group for the six months ended 30 June 2014.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately after completion of the Rights Issue is set out as follows:

- (I) Assuming no further issue of new Shares or repurchase of Shares before the closure of the register of members in connection with the Record Date:

- (i) As at the Latest Practicable Date

<i>Authorized:</i>	<i>USD</i>
<u>6,000,000,000</u> Shares	<u>60,000,000</u>
 <i>Issued and fully paid:</i>	
<u>3,705,036,500</u> Shares	<u>37,050,365</u>

- (ii) Immediately after completion of the Rights Issue

<i>Authorized:</i>	<i>USD</i>
<u>15,000,000,000</u> Shares	<u>150,000,000</u>
 <i>Issued and fully paid:</i>	
3,705,036,500 Shares	37,050,365
<u>5,557,554,750</u> Rights Shares	<u>55,575,548</u>
<u>9,262,591,250</u> Total	<u>92,625,913</u>

(II) Assuming (i) no repurchase of Shares; and (ii) the Share Options are fully exercised before the closure of the register of members in connection with the Record Date:

(i) As at the Latest Practicable Date

<i>Authorized:</i>	<i>USD</i>
<u>6,000,000,000</u> Shares	<u>60,000,000</u>
<i>Issued and fully paid:</i>	
<u>3,731,386,500</u> Shares	<u>37,313,865</u>

(ii) Immediately after completion of the Rights Issue

<i>Authorized:</i>	<i>USD</i>
<u>15,000,000,000</u> Shares	<u>150,000,000</u>
<i>Issued and fully paid:</i>	
3,731,386,500 Shares	37,313,865
<u>5,597,079,750</u> Rights Shares	<u>55,970,798</u>
<u>9,328,466,250</u> Total	<u>93,284,663</u>

All the existing Shares in issue are fully-paid and rank pari passu in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, issued and fully-paid) will rank pari passu in all respects with the then existing Shares in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save for the Share Options, as at the Latest Practicable Date, the Company did not have any outstanding warrants, options or securities convertible into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following persons had, or were deemed or taken to have, interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Interests in the Shares

Name of Directors	Nature of Interest	Number of Shares held	Approximate
			percentage of issued share capital of the Company
Mr. Odjargal Jambaljamts (Note 1)	Interest of controlled corporation	1,425,809,605 (L)	38.48%
		1,148,190,630 (S)	30.99%
Mr. Od Jambaljamts (Note 2)	Interest of controlled corporation	1,347,455,493 (L)	36.37%
		1,254,495,537 (S)	33.86%
Mr. Adilbish Gankhuyag (Note 3)	Interest of controlled corporation	11,819,579 (L)	0.32%
		11,819,579 (S)	0.32%
Dr. Oyungerel Janchiv (Note 4)	Interest of controlled corporation	112,833,333 (L)	3.05%
Mr. Batsaikhan Purev (Note 5)	Interest of controlled corporation	183,000,000 (L)	4.94%

(L) – long position (S) – short position

Notes:

- Mr. Odjargal Jambaljamts, through Novel Holdings Group Limited which is 100% owned by him, is interested in 49.84% of MCS (Mongolia) Limited. MCS (Mongolia) Limited holds the entire interest of MCS Mining Group Limited which in turn holds 1,241,150,586 shares and has a short position in 1,148,190,630 shares in the Company. Novel Holdings Group Limited also directly holds 184,659,019 shares in the Company under its name.
- Mr. Od Jambaljamts, through Trimunkh Limited which is 100% owned by him, is interested in 28.69% of MCS (Mongolia) Limited. MCS (Mongolia) Limited holds the entire interest of MCS Mining Group Limited which in turn holds 1,241,150,586 shares and has a short position in 1,148,190,630 shares in the Company. Trimunkh Limited also directly holds 106,304,907 shares and has a short position in 106,304,907 shares in the Company under its name.

3. Mr. Gankhuyag Adilbish, through Tugs Investment Limited which is 100% owned by him, holds 11,819,579 shares and has a short position in 11,819,579 shares in the Company.
4. Dr. Oyungerel Janchiv, through Lotus Amsa Limited which is 100% owned by her, holds 112,833,333 shares in the Company.
5. The shares were registered in the name of Shunkhlai Mining. Mr. Batsaikhan Purev is interested in 50% of Shunkhlai Group LLC which holds the entire interest of Shunkhlai Mining LLC, which in turn holds the entire interest of Shunkhlai Mining.

Interest in the Underlying Shares

Name of Director	Nature of Interest	Total number of underlying Shares held pursuant to Share Options under the Share Option Scheme	Approximate percentage of issued share capital of the Company
<u>Dr. Battengel Gotov</u>	<u>Beneficial owner</u>	<u>8,000,000 (L)</u>	<u>0.22%</u>

(L) – long position

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Interests in the Shares/underlying Shares

Name of Substantial Shareholders	Nature of Interest	Number of Shares/ underlying Shares held	Approximate percentage of issued share capital of the Company
MCS Mining Group	Beneficial Owner	1,241,150,586 (L)	33.50%
Limited (<i>Note 1</i>)		1,148,190,630 (S)	30.99%
MCS (Mongolia) Limited	Interest of controlled	1,241,150,586 (L)	33.50%
(<i>Note 1</i>)	corporation	1,148,190,630 (S)	30.99%
Novel Holdings Group	Interest of controlled	1,425,809,605 (L)	38.48%
Limited (<i>Note 1</i>)	corporation/ Beneficial owner	1,148,190,630 (S)	30.99%

Name of Substantial Shareholders	Nature of Interest	Number of Shares/ underlying Shares held	Approximate percentage of issued share capital of the Company
Trimunkh Limited (Note 1)	Interest of controlled corporation/ Beneficial Owner	1,347,455,493 (L) 1,254,495,537 (S)	36.37% 33.86%
Ms. Batmunkh Dashdeleg (Note 1)	Interest of spouse	1,425,809,605 (L) 1,148,190,630 (S)	38.48% 30.99%
Ms. Munkhsuren Surenkhoo (Note 1)	Interest of spouse	1,347,455,493 (L) 1,254,495,537 (S)	36.37% 33.86%
Kerry Mining (UHG) Limited (“KMUHG”) (Note 2)	Beneficial Owner	300,000,000 (L)	8.10%
Kerry Mining (Mongolia) Limited (“KMM”) (Note 2)	Interest of controlled corporation	300,000,000 (L)	8.10%
Fexos Limited (“Fexos”) (Note 2)	Interest of controlled corporations	302,363,529 (L)	8.16%
Kerry Holdings Limited (“KHL”) (Note 2)	Interest of controlled corporations	302,363,529 (L)	8.16%
Kerry Group Limited (“KGL”) (Notes 2 and 3)	Interest of controlled corporations	412,172,352 (L)	11.12%
Genesis Asset Managers, LLP	Investment manager	222,167,638 (L)	6.00%
Wellington Management Company, LLP	Investment manager	185,183,752 (L)	5.00%

(L) – Long position (S) – Short position

Notes:

- (1) The entire issued share capital of MCS Mining Group Limited is owned by MCS (Mongolia) Limited. MCS (Mongolia) Limited is owned as to approximately 49.84% by Novel Holdings Group Limited which in turn is wholly-owned by Mr. Odjargal Jambaljamts, and 28.69% by Trimunkh Limited which in turn is wholly-owned by Mr. Od Jambaljamts. MCS Mining Group Limited holds 1,241,150,586 shares and has a short position in 1,148,190,630 shares in the Company. Novel Holdings Group Limited directly holds 184,659,019 shares in the Company. Trimunkh Limited also directly holds 106,304,907 shares in the Company and has a short position in 106,304,907 shares in the Company. Ms. Batmunkh Dashdeleg is the spouse of Mr. Odjargal Jambaljamts, and Ms. Munkhsuren Surenkhoo is the spouse of Mr. Od Jambaljamts.
- (2) (a) KMUHG is a direct wholly-owned subsidiary of KMM. Fexos controls more than one-third of the voting power of KMM. Fexos is a direct wholly-owned subsidiary of KHL which in turn is a direct wholly-owned subsidiary of KGL. Accordingly, KMM, Fexos, KHL and KGL are deemed to be interested in the 300,000,000 shares that KMUHG is interested.
- (b) Fexos controls more than one-third of the voting power of Kerry Asset Management Limited (“KAM”). Fexos, KHL and KGL are deemed to be interested in the 2,363,529 shares that KAM is interested.

- (3) Out of KGL's corporate interest in 412,172,352 shares of the Company, KGL's wholly-owned subsidiaries (other than KHL) are interested in 109,808,823 shares of the Company, KHL (through companies that it controls more than one-third of the voting power) is interested in 302,363,529 shares of the Company.

Save as disclosed above, so far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital.

As at the Latest Practicable Date, save for Mr. Odjargal Jambaljamts, Mr. Od Jambaljamts and Mr. Gankhuyag Adilbish, none of the Directors is a director or employee of MCS Mining Group.

4. DIRECTORS' INTERESTS IN CONTRACT AND ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2013 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. LITIGATION

No member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or any of their respective associates had any interest in business which competes with or may compete with the business of the Group or had any other conflict of interests which any person has or may have with the Group.

8. EXPERTS AND CONSENTS

The following is the qualification of the experts who have been named in this circular or has given opinions, letter or advice contained in this circular:

Name	Qualification
Somerley Capital Limited	a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
KPMG	Certified Public Accountants

Somerley Capital Limited and KPMG have given and have not withdrawn his/her written consent to the issue of this circular with the inclusion therein of its letters dated 7 November 2014 and 7 November 2014 respectively, and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of above experts was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MATERIAL CONTRACTS

The Group had entered into the following contracts within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are contracts not being in the ordinary course of business of the Company or may be material:

- (i) shareholders' agreement dated 7 April 2014 entered into among Energy Resources LLC, Lodestar Investment Pte Ltd, Erdenes Tavan Tolgoi JSC and Tavan Tolgoi JSC in connection with the formation of the joint venture company "Gashuunsukhait Railway LLC";
- (ii) joint venture agreement dated 25 June 2014 entered into between Mongolian Coal Corporation Limited and Risun Mining Co., Ltd in connection with the formation of a joint venture company "Tianjin Zhengcheng Import and Export Trade Co., Ltd"; and
- (iii) the Underwriting Agreement dated 31 October 2014.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Headquarters and principal place of business in Mongolia	16th Floor, Central Tower Sukhbaatar District Ulaanbaatar 14200 Mongolia
Authorised representatives in Hong Kong	Dr. Battsengel Gotov 16th Floor, Central Tower Sukhbaatar District Ulaanbaatar 14200 Mongolia Ms. Ng Sin Yee, Clare Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Ms. Ng Sin Yee, Clare
Joint Underwriters of the Rights Issue	BNP Paribas and J.P. Morgan
Legal advisers to the Company in respect of the Rights Issue	As to Cayman Islands law: Conyers Dill & Pearman (Cayman) Limited 2901, One Exchange Square 8 Connaught Place, Central Hong Kong As to Hong Kong law and US law: Davis Polk & Wardwell 18th Floor, The Hong Kong Club Building 3A Chater Road Hong Kong

	<p>As to Mongolian law: Economic and Legal Consultancy LLP Advocates Suite 62, Grand Office Center Sukhbaatar District, 1st Khoroo Jamiyan Gun Street-12, Olympic Street-3 Ulaanbaatar-14253, Mongolia</p>
Legal advisers to the Joint Underwriters in respect of the Rights Issue	<p>As to Hong Kong law and US law: Paul Hastings 21-22/F, Bank of China Tower 1 Garden Road Hong Kong</p>
Auditors and Reporting accountants	<p>KPMG 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong</p>
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	<p>Somerley Capital Limited 20th Floor China Building 29 Queen's Road Central Hong Kong</p>
Principal share registrar and transfer office	<p>Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands</p>
Hong Kong Share Registrar	<p>Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong</p>

Principal bankers	EBRD – European Bank for Reconstruction and Development London, United Kingdom
	FMO – Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (Entrepreneurial Development Bank of Netherlands)
	DEG – Deutsche Investitions-und Entwicklungsgesellschaft mbH (The German Investment and Development Company)
	BNP Paribas, Singapore Branch
	Industrial and Commercial Bank of China Limited
	Citibank, N.A., Hong Kong Branch
	The Bank of East Asia, Limited Hong Kong
	Standard Chartered Bank (Hong Kong) Limited
	Golomt Bank of Mongolia
	Khan Bank of Mongolia
	Trade and Development Bank of Mongolia
Stock code	00975
Website	http://www.mmc.mn

11. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HKD40 million, which are payable by the Company.

12. PARTICULARS OF DIRECTORS

(a) Name and address of Directors

Name	Address
<i>Executive Directors</i>	
Mr. Odjargal Jambaljamts	Bella Vista Town House 15 11th Housing Committee (Khoroo) Khan-Uul District Ulaanbaatar Mongolia
Dr. Battsengel Gotov	Apartment 203 Building 200, Bella Vista 11th Housing Committee (Khoroo) Khan-Uul District Ulaanbaatar Mongolia
<i>Non-Executive Directors</i>	
Dr. Oyungerel Janchiv	Apartment 401 Building 202 Royal Green Villa 11th Housing Committee Section 2 Khan-Uul District Ulaanbaatar Mongolia
Mr. Batsaikhan Purev	Apartment 501, Building 205 Royal Green Villa, Section 2 11th Housing Committee Ulaanbaatar Mongolia

Name	Address
Mr. Od Jambaljamts	Apartment 2, Building 40/5 Beijing Street, 7th Housing Committee Sukhbaatar District Ulaanbaatar Mongolia
Mr. Gankhuyag Adilbish	Apartment 212 Building 200 Bella Vista, Section 4 11th Housing Committee (Khoroo) Khan-Uul District Ulaanbaatar Mongolia
<i>Independent non-executive Directors</i>	
Mr. Ochirbat Punsalmaa	Building 11, Olympic Street 1st Housing Committee Sukhbaatar District Ulaanbaatar Mongolia
Mr. Unenbat Jigjid	Apartment 9 Building 26/1 2nd Housing Committee Sukhbaatar District Ulaanbaatar Mongolia
Mr. Chan Tze Ching, Ignatius	Flat 6D, Portofino Villas 88 Pak To Avenue Clearwater Bay Kowloon Hong Kong

(b) Profiles of Directors*Executive Directors*

Mr. Odjargal Jambaljamts, chairman, aged 49, is an executive Director and Chairman of the Board. Mr. Jambaljamts was appointed as an executive Director of the Company on 18 May 2010. Mr. Jambaljamts is also the Chairman of the Nomination Committee and member of the Remuneration Committee of the Company. From 1993 to the present, Mr. Jambaljamts has been the Chairman of MCS Holding LLC (together with its subsidiaries, the “MCS Group”), an associate of the MCS Mining Group. Mr. Jambaljamts is a director of Starain Limited since January 2011, director of Novel International Investment Limited and director of Novel Holdings Group Limited, a controlling shareholder of the Company, since March 2012. He was appointed as a director of MCS (Mongolia) Limited, also a controlling shareholder, and MCS Mining Group on 3 July 2012. Mr. Jambaljamts is the brother of Mr. Od Jambaljamts, a non-executive Director and controlling shareholder of the Company. From 1989 to 1991, Mr. Jambaljamts was an automation engineer at the Energy Authority of Ulaanbaatar, Mongolia. From 1992 to 1993, he was an economist at the Hydropower LLC for the Project of Egiin River. Mr. Jambaljamts was awarded a bachelor’s degree in cybernetics of electrical system by the Kiev Polytechnic Institute, Ukraine, and holds his master’s degree in business administration from the Maastricht School of Management, Ulaanbaatar, Mongolia.

Dr. Battsengel Gotov, aged 41, is an executive Director and Chief Executive Officer of the Company. Dr. Gotov was appointed as an executive Director of the Company on 18 May 2010. He joined the Group in June 2008 as the Chief Executive Officer of Energy Resources LLC. Since 2004, Dr. Gotov has served at various managerial positions in the MCS Group. He was appointed as the Chief Executive Officer of Khangad Exploration LLC on 7 December 2012. From 1996 to 2000, Dr. Gotov was an Assistant Professor at Comenius University in Bratislava. He moved to the University of Cologne, Germany in September 2000 as a research fellow sponsored by the Alexander von Humboldt Foundation, and stayed at the University of Cologne from September 2000 until October 2003 as a postdoctoral fellow. Dr. Gotov is a board member of the Mongolian National Mining Association, the Mineral Industry Safety Association and the South Gobi Business Council. Dr. Gotov was awarded a master’s degree in science and a PhD in organic chemistry by the Comenius University, Slovakia.

Non-executive Directors

Dr. Oyungerel Janchiv, aged 59, is a non-executive Director of the Company. She was appointed as a non-executive Director of the Company on 16 September 2010. Between 1979 and 1982, Dr. Janchiv served as a petroleum economist at the Oil Supply Management Authority. From 1988 to 1990, she served as a chief economist at the Oil Supply Management Authority. From 1990 to 1996, she was the general director of the board of directors of the Neft Import Concern and was responsible for managing the importation and distribution of petroleum products. Since 2008, Dr. Janchiv has been Chairperson of Petrovis LLC, the largest petroleum import and distribution company in Mongolia. She is also the largest shareholder of Petrovis Matad Inc., which is the largest shareholder of Petro Matad Limited. Since September 2012, Dr. Janchiv has been the deputy chair of Petro Matad Limited which is listed on the Alternative Investment Market of the London Stock Exchange. Dr. Janchiv was awarded a diploma of engineer-economist for the petroleum and gas industry and a PhD by the Gubkin State University of Oil and Gas in Moscow, Russia.

Mr. Batsaikhan Purev, aged 48, is a non-executive Director of the Company. He was appointed as a non-executive Director of the Company on 16 September 2010. He is a representative of Shunkhlai Mining, a shareholder of the Company. He is a founder of Shunkhlai LLC, one of the first private companies in Mongolia and one of Mongolia's largest petroleum companies. He has been the General Director of Shunkhlai LLC and Shunkhlai Group LLC, and an executive director of Shunkhlai Mining LLC since 1993. Mr. Purev has been the Chairman of Skytel LLC since 2011 and Chairman and President of Shunkhlai Group LLC since January 2012. He is a Chairman of APU Company, a company listed on the Mongolian Stock Exchange. Mr. Purev was awarded a bachelor's degree in mechanical engineering by the Mongolian Technical University.

Mr. Od Jambaljamts, aged 50, is a non-executive Director of the Company. Mr. Jambaljamts was appointed as a non-executive Director of the Company on 4 July 2012. He is also a member of the Corporate Governance Committee of the Company. Mr. Jambaljamts is the president of MCS Group and a director of a number of subsidiaries within the MCS Group. He also works as the Honorary Council General of Denmark. Mr. Jambaljamts has over 20 years of experience in both private and public sectors and has extensive experience in working with companies in a diversity of fields. Mr. Jambaljamts is the brother of Mr. Odjargal Jambaljamts, the Chairman of the Board, an executive Director and a controlling shareholder of the Company. Mr. Jambaljamts is also a director of MCS (Mongolia) Limited and MCS Mining Group since July 2012 and director of Trimunkh Limited since July 2011, all of which are controlling shareholders of the Company. Mr. Jambaljamts was awarded a bachelor's degree in International Relations by the Institute for International Relations, Moscow, Russia in 1988 and master's degree in arts majoring in foreign affairs by the University of Oxford, United Kingdom in 1993. Mr. Jambaljamts was awarded the Honorary Labour Medal of Mongolia in 1997, and twice awarded with the Polestar medal of Mongolia.

Mr. Gankhuyag Adilbish, aged 37, is a non-executive Director of the Company. He was appointed as a non-executive Director of the Company on 13 October 2014. Mr. Adilbish is also a member of the Audit Committee of the Company. He is a representative of MCS Group. Mr. Adilbish is currently the managing director of MCS Holding LLC. Mr. Adilbish joined the MCS Group in 1999 as a financial analyst of MCS International LLC, the former holding company of MCS Holding LLC, and was subsequently appointed as the deputy managing director of MCS Electronics LLC, a subsidiary of MCS Holding LLC in 2000. Mr. Adilbish became the vice president and chief financial officer of MCS Holding LLC in 2005 and the managing director of MCS Holding LLC in 2009. Mr. Adilbish also sits on the board of directors of a number of subsidiaries of MCS Holding LLC and its joint venture companies. Mr. Adilbish was awarded a bachelor's degree in finance and economics by the National University of Mongolia.

Independent non-executive Directors

Mr. Ochirbat Punsalmaa, aged 72, is an independent non-executive Director of the Company. Mr. Punsalmaa was appointed as an independent non-executive Director of the Company on 16 September 2010. Mr. Punsalmaa is the Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee of the Company. During 1972 to 1990, Mr. Punsalmaa held various positions with the Government of Mongolia, including deputy minister of the ministry of power energy and mining, minister of the ministry of fuel and power energy of Mongolia, chairman of the state committee of external economic relations and cooperation of Mongolia and minister of the external economic relation of Mongolia. Mr. Punsalmaa was the President of Mongolia between 1990 and 1997. Since 1997, he has been the chairman of the board of Ochirbat Foundation. He was awarded a PhD in Technical Sciences by the Moscow Mining Institute, and Honorary Doctorate by Dankook University, South Korea, Mongolian Technical University and Saint Petersburg Mining Institute, Russia. He has been an Academician of Mongolian Academy of Science since July 2011. Mr. Punsalmaa was credited as a Barrister Emeritus by the School of Law, Texas Wesleyan University, United States.

Mr. Unenbat Jigjid, aged 52, is an independent non-executive Director of the Company. Mr. Jigjid was appointed as an independent non-executive Director of the Company on 16 September 2010. Mr. Jigjid is the Chairman of the Corporate Governance Committee and member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. From 1990 to 2000, Mr. Jigjid held various positions in the Bank of Mongolia, including economist, senior economist, director of the monetary policy department and governor. During the period from 2000 to 2006, Mr. Jigjid was the executive director of the Mongolian Bankers Association. Since 2009, Mr. Jigjid has been an executive director of the Corporate Governance Development Center in Mongolia. He is also a member of the supervisory board of the Bank of Mongolia and the board of Micro Finance

Development Fund. From October 2010, Mr. Jigjid serves as a director of Golomt Bank and Resources Investment Capital. He has been the board member of Open Society Forum in Mongolia since March 2011. On 26 April 2013, Mr. Jigjid was appointed as an independent non-executive Director of APU Company, a company listed on the Mongolian Stock Exchange. Mr. Jigjid was awarded a master's degree in economics by the Moscow Institute of Economics and Statistics, Russia, and a master's degree in international affairs by Columbia University, United States.

Mr. Chan Tze Ching, Ignatius, aged 57, is an independent non-executive Director of the Company. Mr. Chan was appointed as an independent non-executive Director of the Company on 16 September 2010. He is the Chairman of the Audit Committee and member of the Corporate Governance Committee of the Company. From 1980 to 2007, Mr. Chan held various positions in Citigroup, including management associate, country treasurer and head of sales and trading, head of corporate banking business for Hong Kong, country officer for Taiwan, chief operating officer for Greater China, country officer for Hong Kong and head of corporate and investment banking business for Greater China. Mr. Chan was appointed as a member of the board of directors of the Community Chest of Hong Kong in February 2005. In 2008, he was the deputy chief executive of the Bank of China (Hong Kong) Limited. Mr. Chan was appointed as a senior advisor of The Bank of East Asia Limited in March 2009. He was also appointed as a member of the Council of Hong Kong Red Cross in April 2010, senior advisor of CVC Capital Partners Limited in November 2010, member of the Executive Committee of the Investor Education Centre (IEC) of the Securities and Futures Commission in October 2012, member of the Hong Kong Tourism Board and Deputy Chairman of Council of the Hong Kong Polytechnic University in April 2013, and Board Adviser of Hong Kong New Territories General Chamber of Commerce in May 2013. Mr. Chan is a member of the Sponsorship and Development Fund of The Open University of Hong Kong for the period from 1 March 2013 to 28 February 2015. He is also an Honorary Advisory Vice President of The Hong Kong Institute of Bankers for the period from December 2013 to December 2016. Mr. Chan was appointed as a Member of the Standing Commission on Civil Service Salaries and Conditions of Service of the Government of the Hong Kong Special Administrative Region for the period from January 2014 to December 2015. Mr. Chan is a member of the Disciplinary Appeals Committee of the Hong Kong Securities Clearing Company Limited and an independent non-executive director of Hong Kong Exchanges and Clearing Limited, the shares of which are listed on the Stock Exchange. He was also appointed as a non-executive director of Rizal Commercial Banking Corporation, the shares of which are listed on the Philippines Stock Exchange on 28 November 2011. Mr. Chan was an independent non-executive director of Larry Jewelry International Company Limited, the shares of which are listed on the Stock Exchange for the period from 28 November 2012 to 20 June 2014. Mr. Chan was appointed as a non-independent non-executive director of Affin Holdings Berhad, the shares of which are listed on Bursa Malaysia on 6 August 2013. Mr. Chan was awarded bachelor's and master's degrees in business administration by the University of Hawaii, United States, and is a Certified Public Accountant with the American Institute of Certified Public Accountants.

13. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Ng Sin Yee, Clare, who is a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.
- (b) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

14. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours in any weekday (excluding Saturdays, Sundays and public holidays) at the office of the Company at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Articles;
- (b) the annual reports of the Company for the years ended 31 December 2012 and 2013 and the interim report of the Company for the six months ended 30 June 2014;
- (c) the letter issued by KPMG regarding the unaudited pro forma financial information as set out in Appendix II of this circular;
- (d) the written consents given by KPMG and Somerley referred to in the paragraph headed "Experts and Consents" in this Appendix;
- (e) the letter from the Board;
- (f) the letter from the Independent Board Committee;
- (g) the letter from Somerley;
- (h) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix; and
- (i) this circular.

NOTICE OF EGM



MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Mongolian Mining Corporation (the “Company”) will be held at 10:00 a.m. on 24 November 2014 at Queensway and Victoria Rooms, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong for the following purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the authorized share capital of the Company be and is hereby increased from USD60,000,000 to USD150,000,000 by the creation of additional 9,000,000,000 shares of USD0.01 each;
- (b) subject to and conditional upon (i) the fulfillment or waiver (as applicable) of the conditions of the Underwriting Agreement (as defined below); (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Rights Shares (as defined below) (in their nil-paid and fully-paid forms); and (iii) the Underwriting Agreement not being terminated in accordance with its terms, the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;

For the purpose of this resolution, “Rights Issue” means the proposed issue by way of right of not less than 5,557,554,750 new Shares and not more than 5,597,079,750 new Shares (the “Rights Shares”) at a subscription price of HKD0.28 per Rights Share to the qualifying shareholders (the “Qualifying Shareholders”) of the Company whose names appear on the register of members of the Company at the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “Non-Qualifying Shareholders”) with addresses on the register of members of the Company which are outside Hong Kong whom the directors of the Company (the “Director(s)”), after making enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of three Rights Shares for every two existing Shares held and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the

NOTICE OF EGM

“Underwriting Agreement”) (a copy of which has been produced to this meeting marked “A” and initialed by the chairman of this meeting for the purpose of identification) dated 31 October 2014 and entered into between the Company, BNP Paribas Securities (Asia) Limited and J.P. Morgan Securities (Asia Pacific) Limited (the “Joint Underwriters”);

- (c) any Director be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (a) the Rights Shares may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (b) Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Non-Qualifying Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;
- (d) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Joint Underwriters) be and are hereby approved; and
- (e) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to agreeing to any variation, amendment or waiver as, in the opinion of the Directors, is in the interests of the Company and its shareholders as a whole.”

By order of the Board
Mongolian Mining Corporation
Odjargal Jambaljamts
Chairman

Hong Kong, 7 November 2014

NOTICE OF EGM

Notes:

- (1) Any member of the Company (the “Shareholder(s)”) entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.
- (2) The instrument of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (3) Delivery of the instrument of proxy shall not preclude a Shareholder from attending and voting in person at the EGM and in such event, the instrument of proxy shall be deemed to be revoked.
- (4) Where there are joint Shareholders, any one of such joint Shareholder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (5) The instrument of proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof at which the person named in the instrument of proxy proposes to vote and in default the instrument of proxy shall not be treated as valid.