MONGOLIAN MINING CORPORATION

(In Provisional Liquidation)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2016, Mongolian Mining Corporation ("**MMC**" or the "**Company**") and its subsidiaries (the "**Group**") generated a total revenue of United States Dollar ("**USD**") 31.1 million, compared to USD71.8 million for the six months ended 30 June 2015.

For the six months ended 30 June 2016, the total sales volume of the Group's primary product, washed hard coking coal ("**HCC**"), was 0.6 million tonnes ("**Mt**"), representing 20.5% decrease compared with 0.7 Mt of HCC sold for the six months ended 30 June 2015 and 32.8% increase compared with 0.45 Mt of HCC sold in the second half of 2015.

The loss attributable to the equity shareholders of the Company for the six months ended 30 June 2016 was USD61.7 million, compared to a loss of USD79.1 million for the six months ended 30 June 2015. The basic loss per share attributable to the equity shareholders of the Company amounted to USD0.67 cents for the six months ended 30 June 2016, compared to the basic loss per share of USD0.85 cents for the six months ended 30 June 2015.

Major contributing factor of the Group's net loss position was the decrease of average selling price ("**ASP**") and sales volume of coking coal products due to prolonged tough market conditions in China as coking coal price continues to be negatively impacted by global supply and demand imbalances.

The board (the "**Board**") does not recommend the payment of dividend for the six months ended 30 June 2016 (dividend for the six months ended 30 June 2015: nil).

Note: All numbers in this announcement are approximate rounded values for particular items

The Board of directors (the **"Directors"**) of the Company is announcing the unaudited consolidated interim results of the Group for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2016 - unaudited

	Note	**Six months ended 30 June**	
		2016	2015
		USD'000	*USD'000*
Revenue	*5*	**31,066**	71,804
Cost of revenue	*6*	**(64,628)**	(97,145)
Gross loss		**(33,562)**	(25,341)
Other revenue		**1,392**	330
Other net loss		**(482)**	(470)
Selling and distribution costs		**(5,707)**	(5,500)
General and administrative expenses		**(5,287)**	(11,993)
Loss from operations		**(43,646)**	(42,974)
Finance income	*7(a)*	**18,592**	3,021
Finance costs	*7(a)*	**(38,487)**	(45,939)
Net finance costs	*7(a)*	**(19,895)**	(42,918)
Share of losses of associates		**(2)**	(8)
Share of profits/(losses) of joint venture		**3**	(14)
Loss before taxation	*7*	**(63,540)**	(85,914)
Income tax	*8*	**1,833**	6,727
Loss for the period		**(61,707)**	(79,187)
Attributable to:			
Equity shareholders of the Company		**(61,720)**	(79,050)
Non-controlling interests		**13**	(137)
Loss for the period		**(61,707)**	(79,187)
Basic and diluted loss per share	*9*	**(0.67) cents**	(0.85) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2016 - unaudited

	Six months ended 30 June	
	2016	2015
	USD'000	*USD'000*
Loss for the period	**(61,707)**	(79,187)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	**10,750**	(22,949)
Total comprehensive income for the period	**(50,957)**	(102,136)
Attributable to:		
Equity shareholders of the Company	**(50,970)**	(101,999)
Non-controlling interests	**13**	(137)
Total comprehensive income for the period	**(50,957)**	(102,136)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 - unaudited

	Note	**At 30 June 2016** ***USD'000***	At 31 December 2015 *USD'000* *(audited)*
Non-current assets			
Property, plant and equipment, net	*10*	**537,139**	540,714
Construction in progress	*11*	**56,380**	55,164
Lease prepayments		**68**	68
Intangible assets	*12*	**510,220**	510,380
Interest in associates		**44**	45
Interest in joint venture		**100**	95
Other non-current assets		**63,615**	50,582
Deferred tax assets		**48,841**	46,629
Total non-current assets		**1,216,407**	1,203,677
Current assets			
Assets held for sale		**170**	55
Inventories		**30,637**	45,829
Trade and other receivables	*13*	**106,699**	93,857
Cash at bank and in hand		**2,982**	50,702
Total current assets		**140,488**	190,443
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	*14(b)*	**145,166**	197,631
Trade and other payables	*15*	**302,871**	213,429
Senior notes	*16*	**598,487**	—
Current taxation		**45**	144
Total current liabilities		**1,046,569**	411,204
Net current liabilities		**(906,081)**	(220,761)
Total assets less current liabilities		**310,326**	982,916

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2016 - unaudited

	Note	**At 30 June 2016** *USD'000*	At 31 December 2015 *USD'000* *(audited)*
Non-current liabilities			
Long-term borrowings, less current portion	*14(a)*	**—**	—
Senior notes	*16*	**—**	597,634
Provisions		**16,974**	13,567
Deferred tax liabilities		**102,448**	102,483
Other non-current liabilities		**51,271**	79,441
Total non-current liabilities		**170,693**	793,125
NET ASSETS		**139,633**	189,791
CAPITAL AND RESERVES			
Share capital		**92,626**	92,626
Reserves		**46,652**	96,823
Total equity attributable to equity shareholders of the Company		**139,278**	189,449
Non-controlling interests		**355**	342
TOTAL EQUITY		**139,633**	189,791

NOTES

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 18 May 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Group is principally engaged in the mining, processing, transportation and sale of coal products.

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

2 BASIS OF PREPARATION

The Group had net current liabilities of USD906,081,000 as at 30 June 2016 (as at 31 December 2015: net current liabilities of USD220,761,000) and made a loss of USD61,707,000 for the six months period then ended. These conditions indicate the existence of a material uncertainty which may cast significant doubt upon the going concern assumption.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available resources of financing in evaluating whether the going concern basis in preparing the consolidated financial statements is appropriate. The Directors have reviewed trading and cash flow forecasts which take into consideration the uncertainties in the current operating environment. The Directors have concluded that there are material uncertainties surrounding going concern as below:

- Future trading may not be in line with the assumption in the Group's latest forecasts, the achievability of which is dependent upon the current economic environment and the price of coking coal market;

- The Group is due to redeem the senior notes (the "**Senior Notes**") issued by the Company with a principal amount of USD600,000,000 on 29 March 2017 (see Note 16). The Group is due to repay the secured interest-bearing borrowings from BNP Paribas Singapore Branch and Industrial and Commercial Bank of China Limited (collectively, the "**Lenders**") with a principal amount of USD93,000,000 (the "**BNP and ICBC Facility**") within the year ending 31 December 2016 (see Note 14). The Group is overdue in payment of interest under the Senior Notes and in repayment of certain principal and interest under the BNP and ICBC Facility. As announced by the Company on 26 January 2016, 14 March 2016 and 23 March 2016, the Group has been actively seeking for the potential restructuring of the Senior Notes with the holders of the Senior Notes (the "**Holders**") and maintained active discussions with the steering committee of the Holders (the "**Steering Committee**"). Given the material amount of the BNP and ICBC Facility and also existing intercreditors agreement between the Lenders and the Holders (the "**Intercreditors Agreement**") in relation to the shared securities and guarantees, the discussions to revise the BNP and ICBC Facility are undertaken in connection with the restructuring of the Senior Notes. The Company announced on 8 July 2016 an indicative terms of the restructuring of the Senior Notes and the BNP and ICBC Facility (the "**Debt Restructuring**") as the Group currently proposes (the "**Debt Restructuring Proposal**"). The Steering Committee has indicated that it supports the indicative terms of the Debt Restructuring Proposal. The discussions and negotiations with the Steering Committee, the Lenders and other creditors of the Group are still ongoing. The Directors have no reason to believe that the restructuring will not be achieved after formulating and agreeing a detailed plan for protecting the interests of all stakeholders of the Group in this regard.

- As disclosed in the paragraph headed "Other and Subsequent Events" under the Management Discussion and Analysis section on pages 47 and 48 of this interim results announcement, the Company filed an application (the "**Application**") with the Grand Court of the Cayman Islands (the "**Cayman Court**") on 7 July 2016 (Cayman Islands time) for the appointment of joint provisional liquidators (the "**JPLs**") over the Company on a "soft touch" basis, to assist the Debt Restructuring negotiation with its creditors; and also filed a petition for the winding up of the Company (the "**Petition**"), as a necessary pre-cursor to facilitate the Application. An order was granted by the Cayman Court on 19 July 2016 with respect of the appointment of the JPLs, and the hearing of the Petition is scheduled to be heard on 1 September 2016. The Company has worked together with the JPLs, and the Directors are not aware of any impediments yet indicating negative result of the upcoming hearing.

- As announced by the Company on 29 April 2016, the Group was in payment default under the BNP and ICBC Facility (see Note 14). This default also triggered a cross default under the Senior Notes. On 26 April 2016, the Company received (i) a notice from BNP Paribas Hong Kong Branch on immediate payment of all amounts accrued or outstanding under the BNP and ICBC Facility of approximately USD95 million, and (ii) a notice from the shared security agent (the "**Shared Security Agent**") on enforcement of the security interest over capital stock of Mongolian Coal Corporation Limited. As disclosed in the paragraph headed "Other and Subsequent Events" under the Management Discussion and Analysis section on pages 47 and 48 of this interim results announcement, BNP Paribas Singapore Branch filed an application for the winding-up of the Company and the appointment of the joint official liquidators to the Company ("**BNP Petition**") with the Cayman Court immediately after the Company filed its Application and the Petition. Given the aforementioned order granted by the Cayman Court on 19 July 2016, the BNP Petition has been adjourned. The Directors closely monitor the progress and status of BNP Petition, and maintain regular and active communication with the Lenders.

- The Group is overdue in repaying promissory notes of USD72,216,000 to QGX Holding Ltd. ("**QGX**") (see Note 15(v)). The Company continues to maintain regular and constructive discussions with QGX regarding the settlement arrangements, with awareness of the Debt Restructuring.

The Directors consider that, among all the above-mentioned matters and conditions, the key determining factor lies with the Debt Restructuring and it is the material uncertainty in relation to the going concern assumption.

Based on the Group's business plan and cash flow forecast, and assuming having the support from its creditors in relation to the Debt Restructuring and also the ongoing support from its shareholders, the Directors are optimistic to have sufficient financial resources to cover the operating costs and to meet its financial obligations as and when they fall due for the twelve-month period from 30 June 2016. In the meantime, the Directors have identified a number of management initiatives that the business could pursue and which they are of the opinion that can be achieved to mitigate the liquidity and solvency pressure, including:

- The Group had updated the service agreement with the mining contractor by taking decreased charge rates; such cost saving effect has been revealed during the six months ended 30 June 2016 and thereafter;

- The Group manages capital expenditure to minimum levels;

- The Group is seeking prepayments at reaching new coal off-take agreements, and negotiating business terms with suppliers to ease cash flow demands.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), including compliance with International Accounting Standard 34, Interim financial reporting, ("**IAS 34**") issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issuance on 26 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to International Financial Reporting Standards ("**IFRSs**") that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group:

- Annual Improvements to IFRSs 2012-2014 Cycle

- Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

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

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the group's interim financial report as the group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the group's interim financial report.

4 SEGMENT REPORTING

The Group has one business segment, the mining, processing, transportation and sale of coal products. The majority of its customers are located in the People's Republic of China ("**PRC**"). Based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment, the Group's only operating segment is the mining, processing, transportation and sale of coal products. Accordingly, no additional business and geographical segment information are presented.

5 REVENUE

The Group is principally engaged in the mining, processing, transportation and sale of coal products. Revenue represents the sales value of goods sold to customers exclusive of value added or sales taxes and after deduction of any trade discounts and volume rebates. The amount of each significant category of revenue recognised for the six months ended 30 June 2016 is as follows:

	Six months ended 30 June	
	2016	2015
	USD'000	*USD'000*
Self-produced coal		
HCC	**31,066**	47,963
Washed thermal coal ("**middlings**")	**—**	1
Trading of coal procured from Chinese third party sources	**—**	23,840
	31,066	71,804

Revenue during the six months ended 30 June 2016 include approximately USD26,777,000 (six months ended 30 June 2015: USD17,063,000) which arose from sales of HCC to customers through agent sales arrangements for diversifying and expanding the Group's sales channels.

6 COST OF REVENUE

	Six months ended 30 June	
	2016	2015
	USD'000	*USD'000*
Mining costs	**11,224**	20,169
Processing costs	**6,994**	7,783
Transportation costs	**8,155**	8,748
Provision for coal inventories	**11,837**	6,122
Others *(Note (i))*	**8,559**	35,266
Cost of revenue during mine operations	**46,769**	78,088
Cost of revenue during idled mine period *(Note (ii))*	**17,859**	19,057
Cost of revenue	**64,628**	97,145

Notes:

(i) Others include cost of coal procured from Chinese third party sources and royalty tax for the coal exported from Mongolia.

(ii) For the six months ended 30 June 2016, cost of revenue during idled mine period includes mining contractor costs and depreciation expense related to idled plant and equipment.

7 LOSS BEFORE TAXATION

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

(a) **Net finance costs:**

	Six months ended 30 June	
	2016	2015
	USD'000	*USD'000*
Interest income	**(1,235)**	(3,021)
Foreign exchange gain, net *(Note(i))*	**(17,357)**	—
Finance income	**(18,592)**	(3,021)
Interest on bank and other borrowings	**9,229**	11,129
Interest on liability component of the Senior Notes *(Note 16)*	**27,478**	27,242
Transaction costs	**1,601**	2,223
Unwinding interest on		
- Accrued reclamation obligations	**179**	431
Net interest expense	**38,487**	41,025
Foreign exchange loss, net	**—**	4,914
Finance costs	**38,487**	45,939
Net finance costs	**19,895**	42,918

Note:

(i) Foreign exchange gain (net) during the six months ended 30 June 2016 includes realized foreign exchange gain of approximately USD18,384,000 (six months ended 30 June 2015: nil) in respect of certain receivables.

* *No borrowing costs have been capitalised during the six months ended 30 June 2016 and the six months ended 30 June 2015.*

(b) **Staff costs:**

	Six months ended 30 June	
	2016	2015
	USD'000	*USD'000*
Salaries, wages, bonuses and benefits	**4,621**	13,815
Retirement scheme contributions	**625**	1,565
Equity-settled share-based payment expenses	**799**	1,919
	6,045	17,299

Pursuant to the relevant labour rules and regulations in Mongolia, the Group participates in defined contribution retirement benefit schemes ("**the Schemes**") organised by the Government of Mongolia (the "**GoM**") whereby the Group is required to make contributions to the Schemes at a rate of 7% of the eligible employees' salaries. Contributions to the Schemes vest immediately.

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

(c) **Other items:**

	Six months ended 30 June	
	2016	2015
	USD'000	*USD'000*
Depreciation and amortisation	**17,117**	23,599
Operating lease charges: minimum lease payments	**236**	1,108
Costs of inventories	**64,628**	97,145
Loss/(gain) on disposal of property, plant and equipment and assets held for sale	**65**	(60)
Selling and distribution costs *(Note (i))*	**5,707**	5,500

Note:

(i) Selling and distribution costs represent fees and charges incurred for exporting coal into the PRC, logistics and transportation costs, governmental fees and charges and fixed agent fees associated with the market penetration strategy to diversify and expand sales channels in the PRC.

8 INCOME TAX

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

	Six months ended 30 June	
	2016	2015
	USD'000	*USD'000*
Current tax	**169**	214
Deferred taxation	**(2,002)**	(6,941)
	(1,833)	(6,727)

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

	Six months ended 30 June	
	2016	2015
	USD'000	*USD'000*
Loss before income tax	**(63,540)**	(85,914)
Tax on loss before taxation, calculated at the rates applicable in profits/(loss) in the countries concerned	**(1,062)**	(7,489)
Tax effect of non-deductible expense (*Note (iii)*)	**8,173**	585
Tax effect of non-taxable income (*Note (iii)*)	**(9,191)**	(821)
Tax losses not recognized	**227**	998
Actual tax expenses	**(1,833)**	(6,727)

Notes:

(i) Pursuant to the income tax rules and regulations of Mongolia, the Group is liable to Mongolian Enterprise Income Tax at a rate of 10% of the first MNT3 billion taxable income and 25% of the remaining taxable income for the six months ended 30 June 2016 and 2015. According to the Corporate Income Tax Law of the PRC, the Company's subsidiary in the PRC is subject to statutory income tax rate of 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The Group is not subject to Hong Kong and Luxembourg profits tax as it has no assessable income arising in or derived from Hong Kong and Luxembourg during the six months ended 30 June 2016 and 2015.

(iii) Non-deductible and non-taxable items represent mainly the unrealised exchange gain which is non-taxable and other non-deductible expenses and non-taxable income pursuant to the income tax rules and regulations of Mongolia and other related tax source regions during the six months ended 30 June 2016 and 2015.

9 LOSS PER SHARE

(a) **Basic loss per share**

The calculation of basic loss per share for the six months ended 30 June 2016 is based on the loss attributable to ordinary equity shareholders of the Company for the period of USD61,720,000 (six months ended 30 June 2015: loss attributable to ordinary equity shareholders of the Company of USD79,050,000) and the 9,262,591,250 ordinary shares (six months ended 30 June 2015: 9,262,591,250 ordinary shares) in issue during the six months ended 30 June 2016. In calculating the loss per share, the weighted average number of shares outstanding during the six months ended 30 June 2016 and 2015 were calculated as if the bonus elements without consideration included in the rights issue had existed from the beginning of the comparative period.

(b) **Diluted loss per share**

For the six months ended 30 June 2016 and 2015, basic and diluted loss per share are the same as the effect of the potential ordinary shares outstanding is anti-dilutive.

The equity-settled share-based payment transactions are anti-dilutive and therefore not included in calculating diluted loss per share for the six months ended 30 June 2016 and 2015.

10 PROPERTY, PLANT AND EQUIPMENT

Mining properties of the Group as at 30 June 2016 include stripping activity assets carrying book value of USD230,545,000 (31 December 2015: USD225,233,000).

During the six months ended 30 June 2016, the additions of property, plant and equipment of the Group, representing mainly various mining structures, amounted to USD6,643,000 (six months ended 30 June 2015: USD22,226,000). Items of property, plant and equipment with a net book value of USD1,606,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: USD276,000). As at 30 June 2016, certain of the Group's borrowings were secured by the Group's coal handling and preparation plant-modules I and II, power plant and water supply infrastructure assets-phase I with a net book value of USD88,063,000, USD22,653,000 and USD2,418,000, respectively (31 December 2015: USD91,100,000, USD23,519,000 and USD2,532,000 respectively) (see Note 14).

11 CONSTRUCTION IN PROGRESS

The construction in progress is mainly related to water supply extension facilities and other mining related machinery and equipment.

12 INTANGIBLE ASSETS

Intangible assets represent the acquired mining right.

Given the fact that the coking coal market experienced continuing price decline and the operating losses sustained by the Group during the six months ended 30 June 2016, according to IAS 36, Impairment of assets, the management has performed impairment assessment on the carrying amount of the Group's property, plant and equipment, construction in progress, intangible assets and long-term prepayments related to the UHG Mine and BN Mine operations (collectively referred to as "**UHG and BN Assets**"). For the purpose of this, the UHG and BN Assets are treated as a cash generating unit ("**CGU**").

The recoverable amount of the CGU was based on value in use, determined by discounting the future cash flows to be generated from the continuing use of the UHG and BN Assets. The key assumptions used in the estimation of value in use were based on the management's best estimation and were in line with the reserves and resource statements and exploration and evaluation works undertaken by appropriately qualified persons and detailed life-of-mine ("**LOM**") plans.

Based on the impairment assessment, the carrying amount of the CGU has not exceeded its recoverable amount as at 30 June 2016, and has not resulted in the identification of an impairment loss as at 30 June 2016. The Directors are of the opinion that the impairment provision is adequate as at 30 June 2016 and no additional or reversal of impairment provision is needed in respect of the Group's non-financial assets in this regard. The Directors believe that the estimates and assumptions incorporated in the impairment assessment are reasonable; however, the estimates and assumptions are subject to significant uncertainties and judgements.

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2016	At 31 December 2015
	USD'000	*USD'000* *(audited)*
Trade receivables *(Note (a))*	**2,922**	1,976
Other receivables *(Note (c))*	**104,213**	92,317
	107,135	94,293
Less: allowance for doubtful debts *(Note (b)*	**(436)**	(436)
	106,699	93,857

Notes:

(a) **Ageing analysis**

Trade receivables (net of allowance for doubtful debts) are invoiced amounts due from the Group's customers which are due from the date of billing. Respective ageing analysis is as follows:

	At 30 June 2016	At 31 December 2015
	USD'000	*USD'000* *(audited)*
Within 90 days	**2,042**	631
90 to 180 days	**444**	734
180 to 365 days	**—**	175
	2,486	1,540

(b) **Impairment of trade receivables**

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

As at 30 June 2016, an allowance for doubtful debts amounts to USD436,000 (31 December 2015: USD436,000) which was made on a collective basis in respect of the Group's trade receivable balances outstanding at the balance sheet date. Receivables that were past due but not impaired relate to a number of independent customers that have good track record with the Group, or had reached payment schedules with the Group before the authorised issue of this interim financial report. Therefore, the management anticipates full recovery of its remaining outstanding trade receivables; therefore, no further loss provisions have been recorded in respect of the Group's trade receivables.

(c) **Other receivables**

	At 30 June 2016 *USD'000*	At 31 December 2015 *USD'000* *(audited)*
Amounts due from related parties *(Note (i))*	**386**	456
Prepayments and deposits *(Note (ii))*	**30,355**	25,462
VAT and other tax receivables *(Note (iii))*	**17,252**	20,752
Amounts due from the GoM in relation to the termination of the Concession Agreement *(Note (iv))*	**—**	41,952
Amounts due from EBRD, FMO and DEG *(Note (v))*	**53,825**	—
Others	**2,395**	3,695
	104,213	92,317

Notes:

(i) Amount due from related parties are unsecured, interest-free and have no fixed repayment terms.

(ii) At 30 June 2016, prepayments and deposits mainly represent the prepayments made to the Group's mining contractor.

(iii) Value added tax ("**VAT**") and other tax receivables include amounts that have been accumulated to date in certain subsidiaries and were due from the Tax Authority of Mongolia. Based on current available information the Group anticipates full recoverability of such amounts.

(iv) It represented the compensation amount receivable from the GoM upon the termination of a Build-Operate-Transfer Concession Agreement (the "**Concession Agreement**") signed on 6 May 2013, relating to the railway base infrastructure between Ukhaa Khudag coking coal mine and Gashuun Sukhait border check point of Mongolia (the "**UHG-GS Railway**"), which was settled by issuance of MNT denominated promissory notes by the Ministry of Finance ("**MOF**") to the Group.

(v) On 11 March 2016, the Group entered into the Deed of Termination and Release (the "**DTR**") with European Bank for Reconstruction and Development ("**EBRD**"), Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ("**FMO**"), and Deutsche Investitions-und Entwicklungsgesellschaft mbH ("**DEG**") (collectively the "**Parallel Lenders**") regarding the repayment of secured interest-bearing borrowings (see Note 14). Pursuant to the DTR, to release the obligations under the borrowings in their entirety and the relevant security (the "**Release**"), the Group endorsed to the Parallel Lenders certain promissory notes issued by MOF (see Note 13 (iv)) with total amount of approximately MNT105.6 billion; the Release is only effective after 121 calendar days plus 2 business days from the signing of the DTR (the "**Timing Condition**"). The Timing Condition has been fulfilled on 25 July 2016.

14 BORROWINGS

(a) **The Group's long-term interest-bearing borrowings comprise:**

	At 30 June 2016 *USD'000*	At 31 December 2015 *USD'000* *(audited)*
Bank loan		
- secured	**144,818**	144,818
- unsecured	**1,265**	40,000
Less: Current portion of long-term borrowings less amortised transaction costs	**(145,166)**	(182,631)
Less: Unamortised transaction costs	**(917)**	(2,187)
	—	—

As at 30 June 2016, the Group's current portion of long-term interest-bearing borrowings from EBRD, FMO and DEG of USD40,909,000 (31 December 2015: USD40,909,000), USD6,545,000 (31 December 2015: USD6,545,000) and USD4,364,000 (31 December 2015: USD4,364,000), respectively, bearing interest of one month LIBOR + 3.5%~3.75%, were secured by the Group's property, plant and equipment (see Note 10) and cash at bank. The obligations under this loan have been fully settled and released as at 25 July 2016 (see Note 13(c)(v))

As at 30 June 2016, the Group's current portion of long-term interest-bearing borrowings under the BNP and ICBC Facility of USD93,000,000 (31 December 2015: USD93,000,000), bearing interest of LIBOR + 6.00% per annum, were secured by the Group's cash at bank and inventory. The attributable transaction cost amounts to USD917,000 as at 30 June 2016.

As at 30 June 2016, unpaid borrowings under USD40,000,000 revolving credit facility was USD1,265,000 (31 December 2015: USD40,000,000). The facility bears 11.2% per annum interest and the latest extension of the maturity date was granted until 29 July 2016. The Company continues to maintain regular and constructive discussions with the lender regarding the extension and settlement arrangements.

The Group's long-term borrowings are repayable as follows:

	At 30 June 2016 *USD'000*	At 31 December 2015 *USD'000* *(audited)*
Within 1 year or on demand	**146,083**	184,818
After 1 year but within 2 years	**—**	—
	146,083	184,818

(b) **The Group's short-term interest-bearing borrowings comprise:**

	At 30 June 2016 *USD'000*	At 31 December 2015 *USD'000* *(audited)*
Bank loans		
- Unsecured	—	15,000
Current portion of long-term borrowings		
- Bank loan	**146,083**	184,818
Less: Unamortised transaction costs	**(917)**	(2,187)
	145,166	197,631

Certain bank loans of the Group are subject to the fulfillment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. As at 30 June 2016, the Group was in payment default and breach of certain financial covenants under the BNP and ICBC Facility as at 30 June 2016.

15 TRADE AND OTHER PAYABLES

	At 30 June 2016 *USD'000*	At 31 December 2015 *USD'000* *(audited)*
Trade payables *(Note (i))*	**97,130**	39,287
Receipts in advance *(Note (ii))*	**43,374**	40,016
Amounts due to related parties *(Note (iii))*	**10,421**	11,565
Payables for purchase of equipment	**3,330**	2,691
Security deposit on construction work	**877**	978
Interest payables *(Note (iv))*	**46,365**	18,961
Other taxes payables	**5,812**	3,310
Promissory notes *(Note (v))*	**72,216**	72,230
Others *(Note (vi))*	**23,346**	24,391
	302,871	213,429

Notes:

(i) As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2016 *USD'000*	At 31 December 2015 *USD'000* *(audited)*
Within 90 days	**25,188**	14,122
90 to 180 days	**17,482**	2,153
180 to 365 days	**47,737**	14,019
Over 365 days	**6,723**	8,993
	97,130	39,287

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

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

(iv) Interest payables as at 30 June 2016 include 2% default interest calculated on the BNP and ICBC Facility starting from 22 March 2016, and unpaid semi-annual coupon under the Senior Notes, which were due in March 2016.

(v) On 27 November 2012, the Company issued two promissory notes to QGX each in the amount of USD52,500,000, and bear interest at a rate of 8.0% per annum as at 30 June 2016. The original maturity date was 22 November 2013 and it has been extended several times since then. The latest extension of the maturity date of the two promissory notes was granted until 15 April 2016. The Company continues to maintain regular and constructive discussions with QGX regarding the settlement arrangements.

(vi) Others represent accrued expenses, payables for staff related costs and other deposits.

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

16 SENIOR NOTES

	USD'000
At 1 January 2015	595,906
Interest charged during the year	54,978
Interest payable	(53,250)
At 31 December 2015	597,634
At 1 January 2016	597,634
Interest charged during the period *(Note 7(a))*	27,478
Interest payable	(26,625)
At 30 June 2016	598,487

On 29 March 2012, the Company issued the guaranteed Senior Notes in the aggregate principal amount of USD600,000,000 which were listed on the Singapore Exchange Securities Trading Limited. The Senior Notes bear interest at 8.875% per annum, payable semi-annually in arrears, and will be due in March 2017.

The Senior Notes may be redeemed at the option of the Company upon giving not less than 30 days or no more than 60 days notice to the Holders.

The Company has agreed, for the benefit of the Holders, to pledge all of the capital stock of Mongolian Coal Corporation Limited owned by the Company and to cause Mongolian Coal Corporation Limited to pledge all of the capital stock of Mongolian Coal Corporation S.a.r.l. owned by Mongolian Coal Corporation Limited. The Senior Notes are guaranteed by some of the Company's subsidiaries, namely Mongolian Coal Corporation Limited, Mongolian Coal Corporation S.a.r.l., Energy Resources Corporation LLC, Energy Resources LLC ("**ER**"), Energy Resources Mining LLC and Transgobi LLC.

The Senior Notes have been accounted for as a hybrid financial instrument containing both a derivative component and a liability component.

The derivative component was initially recognised at its fair value of USD4,920,000, and the attributable transaction cost of USD107,000 were charged to the profit or loss for the year ended 31 December 2012. Fair value of the derivative component as at year ended 31 December 2015 was nil; this amount was valued by the Directors with reference to a valuation report issued by an independent business valuer based on the Binomial model. As at 30 June 2016, the Directors were of the opinion that the fair value of the derivative component remained unchanged as that of 31 December 2015.

The liability component was initially recognised at an amortised cost of USD591,707,000, after taking into account of attributable transaction costs of USD13,213,000.

The Group is seeking the Debt Restructuring. The Group has appointed restructuring advisers to assist with negotiations with the Holders and to achieve the Debt Restructuring. Further details are set out in Note 2.

17 DIVIDENDS

The Board does not recommend declaration and payment of interim dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

According to the data released by the World Steel Association ("**WSA**"), in the first half of 2016, China's crude steel production reached 399.6 Mt, which decreased by 1.1% from the same period in 2015.

Industry sources indicated that China has reduced its steel production capacity by 13 Mt in the first half of 2016, which accounts for about 30% of the planned target for this year. The Ministry of Industry and Information Technology ("**MIIT**") stated that the Chinese government remains fully committed to meet its policy targets for steel production capacity cuts, and as such, one may expect that the officials will intensify the enforcement measures for the remaining period of the year.

It was estimated by China Coal Resource ("**CCR**") that the domestic steel consumption decreased by 5.4% on a year-on-year basis to 338.3 Mt in the first half of 2016 from 357.5 Mt recorded in the corresponding period in the previous year.

With shrinking domestic steel consumption, Chinese steel producers continue to focus on exports to international markets and Chinese steel export increased to 57.1 Mt, representing 9.0% increase in the first half of 2016. However, this leads to the elevated tensions with other nations and corresponding anti-dumping allegations and investigations on such practices. Recently the European Union ("**EU**") announced that it will impose anti-dumping custom duties for products imported from multiple Chinese and Russian steel producers.

Following the decrease in the domestic crude steel production, China's coke production decreased by 4.7% on a year-on-year basis in the first half of 2016 to 215.2 Mt according to CCR. Coke exports from China remained at high level of 4.8 Mt in the first half of 2016, representing a 0.1% year-on-year increase.

According to CCR, China's coking coal consumption was 258.9 Mt in the first half of 2016, representing a 2.6% drop from the same period in the previous year. Subsequently, the domestic coking coal production decreased to 210.2 Mt as a result of sluggish demand and coal production capacity cuts.

In order to balance demand and supply from cost competitive sources, Chinese coking coal imports increased by 25.0% on a year-on-year basis to 27.0 Mt in the first half of 2016, which to a certain extent contributed to the stabilization of market prices for coking coal in the international markets.

As such, Australia, the largest coking coal supplier to China, increased its volume supplied by 21.4% on a year-on-year basis to 13.2 Mt in the first half of 2016, followed by Mongolia which increased its volume by 44.7% to 9.0 Mt in the first half of 2016. Australia and Mongolia continue to dominate the coking coal volumes imported to China with combined market share reaching 82.3% by coking coal import volumes compared to 79.1% reported for the first half of 2015.

Note: Due to rounding, discrepancy may exist in year-on-year percentage change.

OPERATING ENVIRONMENT

Legal Framework

On 1 February 2016, the GoM issued Resolution No.81 revising the pricing determinants for mineral products exported by mining license holders from Mongolia used for royalty calculations. For coal exports, two sources are identified: (i) contract price; and (ii) market index source as indicated under http://www.sxcoal.com.

Mining license holders exporting coal are allowed to pay their royalties based on their actual contract pricing, which shall be adjusted with reference to the closest border crossing point used for export from Mongolia. If mining license holders fail to comply with the respective requirements for royalty calculation based on their contractual prices, the royalty payable will be calculated according to the benchmark reference price which will be determined by the relevant authorities, based on the information obtained from the market index source.

On 28 March 2016, the GoM issued Resolution No.179 to adopt a template agreement for community cooperation as stipulated under the Minerals Law, with such agreement to be entered between exploration and mining license holders and aimag (province) governors representing local authorities. This template agreement covers various aspects of community engagement, including matters related to environmental protection, employment creation and infrastructure development. The Company remains committed to a sustainable business model with strong focus on community development by way of implementing various programs. As such the Company will continue to work closely with local authorities by ensuring that its previous community engagement documentation is in line with the latest template.

Political Environment

The parliamentary election of Mongolia was held on 29 June 2016 and the opposition party, Mongolian People's Party ("**MPP**"), clinched landslide victory, gaining 65 seats out of 76 seats in the Parliament. The Democratic Party took 9 seats while the remaining 2 seats went to the Mongolian People's Revolutionary Party and an independent candidate, respectively. Following the election results declared by the General Election Committee and officially presented to the President of Mongolia, Mr. Elbegdorj Tsakhia, the first session of the newly elected Parliament was called. On 5 July 2016, Mr. Enkhbold Miyegombo, the Head of the MPP, was elected as the Speaker of the Parliament. On 8 July 2016, Mr. Erdenebat Jargaltulga was appointed by the Parliament as the Prime Minister to lead the newly formed cabinet, consisting of 16 ministers.

BUSINESS OVERVIEW

Coal Resources and Exploration Activities

Ukhaa Khudag deposit

The Ukhaa Khudag ("**UHG**") deposit sits within Mining License MV-11952 (**"UHG mining license"**), held by the Group for a period of 30 years commencing from 29 August 2006. The UHG mining license covers 2,960 hectares, and is extendable twice by 20-year periods. Since acquiring the UHG mining license, the Group has prepared three JORC compliant Coal Resource estimates.

The most recent JORC compliant Coal Resource estimate with statement date as of 30 November 2015, was made in accordance with the requirements of the JORC Code (2012) including in compliance with the most recent Australian Guidelines for the Estimation and Classification of Coal Resources (2014). Internal peer audit against these requirements was conducted by Mr. Gary Ballantine, who was employed as Executive General Manager of Exploration and Geology within the Group at that time.

Compared to the previous JORC compliant Coal Resource estimate as at 31 December 2014, the recent update did not include any new exploration data, but accounted for the changes in surface topography as a result of mining activity between the statement dates. Information gained from past exploration activities by the Group was used to prepare the structural and coal quality models used for the latest Coal Resource estimate as at 30 November 2015. These past exploration activities included:

- drilling of 1,556 individual boreholes for a total of 191,275 metres (**"m"**), including 104,369m of HQ-3 (63.1 millimetre (**"mm"**) core holes, 96.0mm hole diameter) and 86,906m of 122mm diameter open holes;

- collection and analysis of 37,548 individual analytical samples;

- collection and analysis of 71 kilometres ("**km**") of high resolution 2D seismic survey in-field measurements, collected by Polaris Seismic International Ltd (**"Polaris"**) and analysed by Velseis Processing Pty Ltd (**"Velseis"**); and

- analysis of large-diameter, bulk-sample drilling samples collected conducted at the ALS Group (**"ALS"**) laboratories in Ulaanbaatar.

JORC compliant Coal Resource estimate figures are summarised in Table 1. These figures are reported based upon an in situ density, at an as-received moisture basis. According to official mine survey measurement, production activity between 1 December 2015 and 30 June 2016 has depleted the stated JORC compliant Coal Resource by approximately 1 Mt and thus considered not to have caused any material change. No further exploration activities have been conducted within the UHG mining license area in 2016.

Table 1: UHG mining license JORC compliant Coal Resource estimate, by depth and category, as at 30 November 2015 (Notes):

Total Coal Resource	**Resource Category (Mt)**				
Depth limit from topographic surface	**Measured**	**Indicated**	**Inferred**	**Total (M+I)**	**Total (M+I+I)**
Subcrop to Base Horizon of Weathering Elevation ("**BHWE**")	2	3	5	5	10
BHWE to 100m	73	23	17	97	114
From 100m to 200m	94	48	26	141	168
From 200m to 300m	91	64	21	155	176
From 300m to 400m	57	35	15	92	108
Below 400m	40	44	30	84	114
Sub-Total above 300m	260	138	70	398	468
Sub-Total below 300m	97	79	45	177	222
Total	**357**	**217**	**115**	**575**	**689**
Total (Rounded)	**360**	**220**	**120**	**580**	**690**

Notes:

(i) The UHG deposit Coal Resource estimation was compiled by Mr. Lkhagva-Ochir Said, General Manager of Technical Services, Mongolian Mining Corporation. Mr. Said is a member of the Australasian Institute of Mining and Metallurgy (the ***"AusIMM"****). He has over 8 years of experience relevant to both the style and type of coal deposit under consideration, and to the activity which has been undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves (the* ***"JORC Code (2012)"****). Mr. Said consents to the inclusion in the release of the matters based on this information in the form and context in which it appears. The estimate of the Coal Resource set out in Table 1 is considered to be a true reflection of the UHG deposit Coal Resource as at 30 November 2015, prepared in accordance with the principles and guidelines of the JORC Code (2012).*

(ii) Mr. Gary Ballantine was employed by the Group as Executive General Manager for Exploration and Geology at that time, and is a member of the AusIMM. With over 25 years of experience relevant to the style and type of coal deposit under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the JORC Code (2012).

(iii) Due to rounding, discrepancy may exist between sub-totals and totals. Rounding rules refer to Clause 25 of the JORC Code (2012).

Baruun Naran deposit

The Baruun Naran ("**BN**") deposit comprises two distinct yet contiguous mining licenses. Through the acquisition of Baruun Naran Limited, formerly known as QGX Coal Limited on 1 June 2011, Mining License 14493A ("**BN mining license**") of 4,482 hectares area was obtained for 30 years from 1 December 2008. Mining License MV-017336 ("**THG mining license**") of 8,340 hectares area was granted to the Group on 24 June 2013, effective for 30 years. Both licenses are extendable twice, by 20-year periods.

The Group last updated JORC compliant Coal Resource estimates as at 30 June 2015 for the BN and THG mining license areas. This process applied the more stringent requirements of the Australian Guidelines for the Estimation and Classification of Coal Resources (2014), as compared to the previous JORC (2012) Coal Resource estimates prepared by McElroy Bryan Geological Services Pty Ltd. (**"MBGS"**), stated as of 30 June 2012 and 30 April 2013 for the BN mining license and the THG mining licenses respectively.

These most recent updates of the JORC compliant Coal Resources estimate within the BN deposit incorporated new data obtained from exploration work conducted by the Group in 2014, as well as data obtained earlier that was used in preparation of the previous JORC (2012) and JORC (2004) Coal Resource estimates. The following information provided the basis for updating the structural and coal quality geological models underpinning the most recent JORC compliant Coal Resource statement:

- drilling of 92 exploration boreholes at BN, with a total of 28,540m drilled, of which 14,780m were HQ-3 boreholes, 9,640m PQ-3 boreholes (83.0mm core, 122.6mm hole diameter) and 4,120m of 122mm diameter open boreholes;

- drilling of 32 exploration boreholes at Tsaikhar Khudag ("**THG**"), with a total of 9,970m drilled, of which 5,900m were HQ-3 boreholes, 3,610m PQ-3 boreholes and 460m were 122mm open boreholes;

- collection and analysis of 8,720 (BN) and 3,824 (THG) coal samples; and

- collection and analysis of 75km of 2D seismic survey in-field measurements over the BN mining license, captured by Polaris and analysed by Velseis.

Internal peer review was conducted by Mr. Gary Ballantine. External peer review of the structural and coal quality geological models was provided by Mr. Todd Sercombe of GasCoal Pty Ltd, and by Mr. Brett Larkin from Geocheck Pty Ltd with regard to the geostatistical analysis required to be prepared under the Australian Guidelines for the Estimation and Classification of Coal Resources (2014). These reviews confirmed that the Group's work to update the Coal Resource estimates complied with requirements of the JORC Code (2012).

Summary of the updated JORC compliant Coal Resources estimate for BN and THG mining license areas are shown in Table 2 and Table 3 respectively. The figures in these tables represent calculation based upon in situ density, at an assumed 5% moisture basis. With no mining activity having occurred since the latest statement date, there has been no depletion of the stated Coal Resources.

Table 2: BN mining license JORC compliant Coal Resource estimate, by depth and category, as at 30 June 2015 (Notes):

Total Coal Resource	**Resource Category (Mt)**				
Depth limit from topographic surface	**Measured**	**Indicated**	**Inferred**	**Total (M+I)**	**Total (M+I+I)**
Subcrop to BHWE	10	2	1	12	13
BHWE to 100m	42	9	3	51	54
From 100m to 200m	62	11	5	73	78
From 200m to 300m	67	13	7	80	87
From 300m to 400m	70	16	9	86	95
Below 400m	—	—	—	—	—
Sub-Total above 300m	181	35	16	216	232
Sub-Total below 300m	70	16	9	86	95
Total	251	51	25	302	327
Total (Rounded)	250	50	30	300	330

Table 3: THG mining license JORC compliant Coal Resource estimate, by depth and category, as at 30 June 2015 (Note):

Total Coal Resource	**Resource Category (Mt)**				
Depth limit from topographic surface	**Measured**	**Indicated**	**Inferred**	**Total (M+I)**	**Total (M+I+I)**
Subcrop to BHWE	—	—	2	—	2
BHWE to 100m	—	—	14	—	14
From 100m to 200m	—	—	19	—	19
From 200m to 300m	—	—	19	—	19
From 300m to 400m	—	—	18	—	18
Below 400m	—	—	—	—	—
Sub-Total above 300m	—	—	54	—	54
Sub-Total below 300m	—	—	18	—	18
Total	—	—	72	—	72
Total (Rounded)	—	—	70	—	70

Notes:

(i) *The BN deposit Coal Resource estimation was compiled by Mr. Lkhagva-Ochir Said, General Manager of Technical Services, Mongolian Mining Corporation. Mr. Said is a member of the AusIMM. He has over 8 years of experience relevant to both the style and type of coal deposit under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the JORC Code (2012). Mr. Said consents to the inclusion in the release of the matters based on this information in the form and context in which it appears. The estimates of the Coal Resource set out in Table 2 and Table 3 are considered to be a true reflection of the BN deposit Coal Resource as at 30 June 2015, prepared in accordance with the principles and guidelines of the JORC Code (2012).*

(ii) *Mr. Gary Ballantine was employed by the Group as Executive General Manager for Exploration and Geology at that time, and is a member of the AusIMM. With over 25 years of experience relevant to the style and type of coal deposit under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the JORC Code (2012).*

(iii) *Due to rounding, discrepancy may exist between sub-totals and totals. Rounding rules refer to Clause 25 of the JORC Code (2012).*

Coal Reserves

Ukhaa Khudag deposit

The most recent JORC compliant Coal Reserve estimate for the UHG deposit was prepared by RungePincockMinarco Limited (**"RPM"**) in 2015, stated as of 30 November 2015. This estimate was based upon the most recent JORC compliant Coal Resource estimate, of the same statement date. This most recent JORC compliant Coal Reserve estimate represented an update to the work previously completed by RPM in 2013, which produced the previous JORC (2012) compliant Coal Reserve estimate stated as at 31 December 2012. This update focused only on UHG stand-alone operation.

The process used in development of the most recent JORC (2012) Coal Reserve estimate was the same as used in the previous estimate, which was based upon continued execution of open cut, multi seam, truck and excavator mining methods. Pit optimization software was used to generate a series of nested pit shells corresponding to varying revenue factors, simulating incrementally different economic scenarios as impacted by mining cost or coal price variance. The pit algorithms used included for incorporation of:

- geotechnical constraints, including limitation of overall slope angles within the pit by sector, ex-pit dump offset from LOM pit shell crest and maximum pit depth, with updates on basis of research and analyses made since timing of the previous JORC (2012) Coal Reserve estimate, as provided by Mr. John Latilla of AMC Consultants Pty Ltd (**"AMC"**);

- washability curves on seam ply basis, as prepared previously by Mr. John Trygstad of Norwest Corporation ("**Norwest**") for inclusion in the previous JORC (2012) Coal Reserve estimate, to individual coal seams based upon propensity for processing into coking and/or thermal products, with update made to reassign some of Seam 0B from thermal to coking coal production, based upon results observed during production trials in 2015;

- updated assumptions with regard to coal losses and dilution, and manual re-assignment of the proportion of coal mined from coking to thermal product streams, based on the reconciliation of actual production performance at UHG, as well as allowing for unadjusted presentation of Proved and Probable categorisation of Coal Reserves as per JORC Code (2012) specification;

- updated cost input assumptions, derived from recent historical operating performance at UHG mine on the basis of negotiated reduction in cost for mining and blasting contractor services and sustainable cost reductions achieved in response to difficult market conditions; and

- updated revenue input assumptions, derived from an updated market study commissioned from Shanxi Fenwei Energy Consulting Co. Ltd ("**Shanxi Fenwei**") in October 2015, which provided for medium to long term forecasting of expected Free-on-Transport ("**FOT**") pricing at UHG mine for hard coking, semi-soft coking and thermal coal products planned for production.

Following pit optimisation works to determine the economic pit limits, practical pit designs were then created, and mineable in situ coal within the pit shell was converted to run-of-mine ("**ROM**") and product coal quantities. Resulting raw coal tonnages based upon an as-received basis with 5% total moisture are shown in Table 4. Between 1 December 2015 and 30 June 2016, the stated Coal Reserve has been depleted by approximately 1 Mt as result of mining activity, and it is thus considered not to have caused any material change.

Table 4: UHG mining license JORC (2012) Coal Reserve estimate, as at 30 November 2015 (Notes):

ROM Coal Reserve	**Reserve Category (Mt)**		
Coal Type	**Proved**	**Probable**	**Total**
Coking	119	52	171
Thermal	52	4	55
Total	**171**	**55**	**226**

Notes:

(i) *The estimate of the UHG deposit Coal Reserve presented in Table 4 has been carried out in accordance with requirements of the JORC Code (2012). The UHG deposit Coal Reserve estimation has been compiled by Mr. Greg Eisenmenger, who is a Member of the AusIMM. Mr. Eisenmenger is a full time employee of RPM and has extensive experience in the mining industry, working for over 30 years with major mining companies, mining contractors and consultants. During this time he has either managed or contributed significantly to numerous mining studies related to the estimation, assessment, evaluation and economic extraction of coal in Australia, New Zealand, Indonesia, Mozambique and Mongolia. He has sufficient experience relevant to the style of mineralization and type of deposit under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the JORC Code (2012). Mr. Eisenmenger consents to the inclusion in the release of the matters based on this information in the form and context in which it appears.*

(ii) *Due to rounding, discrepancy may exist between sub-totals and totals.*

Baruun Naran deposit

The current JORC (2012) Coal Reserve estimate for the BN deposit was prepared in 2013 by RPM (stated 31 December 2012), as part of a LOM study considering integrated operation with the UHG deposit. This estimate was prepared using the previous JORC (2012) Coal Resource estimate, which was prepared by MBGS within the BN mining license area and stated as at 30 June 2012. The JORC (2012) Coal Reserve estimate for the BN deposit has not yet been updated on account of the recent non-operational nature of the deposit, however, the updated BN mining license and THG mining license JORC (2012) compliant Coal Resource estimates stated as at 30 June 2015 provide the basis for future update.

The LOM plan prepared by RPM underpinning the current JORC (2012) Coal Reserve estimate for the BN deposit was based upon open cut, multi seam, truck and excavator mining methods. Pit optimization software was used to generate a series of nested pit shells corresponding to varying revenue factors, simulating incrementally different economic scenarios as impacted by operating cost and coal revenue variance.

The pit optimisation algorithms are used and included for implementation of the following:

- limitation of open pit depth to 350m from surface, and overall slope angle restrictions, based upon geotechnical advice received from Mr. John Latilla from AMC;
- categorisation of coal seams for scheduling purposes based on propensity for coking or thermal coal production, based upon recommendations made by Mr. John Trygstad of Norwest;
- cost input assumptions based upon historical operating performances at both the UHG and BN mines, up until end of 2012; and
- revenue input assumptions derived from a market study of the principal coking and thermal coal markets in China, completed by Shanxi Fenwei in March 2012.

Summary of JORC (2012) Coal Reserve estimate for the BN deposit is shown in Table 5, with tonnages stated on as-received basis at an assumed, standardized 6% total moisture. Production activity between 1 January 2013 and 30 June 2016 depleted the stated JORC (2012) Coal Reserve by less than 1 Mt, according to mine survey measurement, and is considered to cause no material change.

Table 5: BN mining license JORC (2012) Coal Reserve estimate, as at 30 June 2012 (Notes):

ROM Coal Reserve		**Reserve Category (Mt)**	
Coal Type	**Proved**	**Probable**	**Total**
Coking	118	22	140
Thermal	23	2	25
Total	**141**	**24**	**165**

Notes:

(i) The estimate of the BN deposit Coal Reserve presented in Table 5 has been carried out in accordance with requirements of the JORC Code (2012). The BN deposit Coal Reserve estimation has been compiled by Mr. Greg Eisenmenger, who is a Member of the AusIMM. Mr. Eisenmenger is a full time employee of RPM and has extensive experience in the mining industry, working for over 30 years with major mining companies, mining contractors and consultants. During this time he has either managed or contributed significantly to numerous mining studies related to the estimation, assessment, evaluation and economic extraction of coal in Australia, New Zealand, Indonesia, Mozambique and Mongolia. He has sufficient experience relevant to the style of mineralization and type of deposit under consideration, and to the activity which has been udnertaken to qualify as a Competent Person as defined by the JORC Code (2012). Mr. Eisenmenger consents to the inclusion in and the release of the matters based on this information in the form and context in which it appears.

(ii) Due to rounding, discrepancy may exist between sub-totals and totals.

Production and Transportation

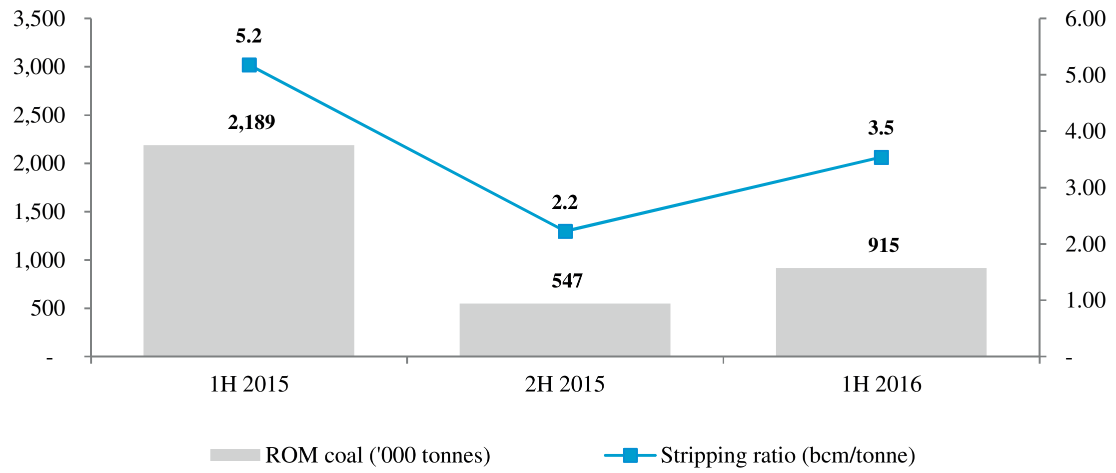
Coal Mining

In the first half of 2016, mine production increased as compared to the second half of 2015 with semi-annual ROM coal mining output achieving 0.9 Mt. To access coal, approximately 3.2 million bank cubic metres ("**bcm**") of prime overburden was also mined, resulting in an actual stripping ratio of 3.5 bcm per ROM tonne for the period. Recent semi-annual mine production can be seen in Figure 1, all of which has been extracted from UHG mine whilst mine operation at BN remains suspended.

The continuation of a low stripping ratio in the ROM coal production has been possible due to both strategic scheduling to delay overburden movement as much as possible, and the continued success in utilising Seam 0B in ROM feed blend delivered to the coal handling and preparation plant ("**CHPP**") in the production of HCC meeting customers' specifications. Significant quantities of Seam 0B exist largely uncovered in the current pit floor, and utilising this Seam 0B instead of the usual Seam 0C allows for coal mining to occur without further need to strip overburden to uncover more coal from Seam 0C.

Mine production and technical services personnel continued to focus on the scheduling and utilisation of equipment with the lowest unit cost production during the period, as well as to exploit the identified short haulage overburden dumping locations as much as possible, following the revision of geotechnical recommendations in the second half of 2015. In collaboration with the mining contractor, some of its surplus fleet was identified for relocation to other projects, which will assist in reducing mining contractor fixed costs payable in the second half of 2016.

Figure 1. The Group's 2015-2016 semi-annual ROM coal production volumes (in thousand tonnes) and actual stripping ratios (in bcm per ROM tonne of coal):

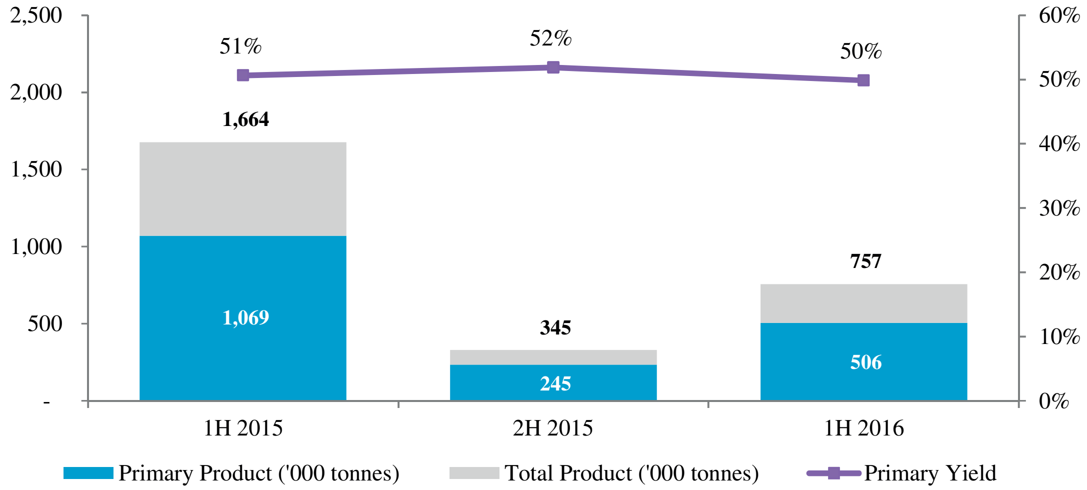


Coal Processing

In parallel with the increased mine production compared with the second half of 2015, the volume of ROM coal processed at the Group's CHPP also increased in the first half of 2016. Total ROM feed of 1.0 Mt was processed, resulting in the production of 0.5 Mt of HCC primary product at 50% yield, and 0.25 Mt of thermal middlings secondary product at 25% yield. All ROM coal processed in the first half of 2016 was sourced from the UHG deposit, and the recent semi-annual washed coal production for the Group is shown in Figure 2.

Following successful production trials in 2015 incorporating Seam 0B into the normal ROM feed blend in the production of HCC, full scale operation incorporating this concept was executed in the first half of 2016. Primary and secondary yields have not been affected by this, and the slight dip in semi-annual yield was caused by other influences related to mine production sequencing. It is expected that Seam 0B shall remain included in the ROM feed blend, with product coal unit costs reduced on account of the lower stripping ratio and correspondingly the mining cost incurred to access this coal.

Figure 2. The Group's 2015-2016 semi-annual total and primary processed coal production volumes (in thousand tonnes):



Transportation and Logistics

To meet the output of the CHPP, the Group's transportation and logistics operations within Mongolia responded by increasing total production and by further improving on productivity improvements realised in 2015.

Within the period, approximately 0.6 Mt of HCC primary product was hauled from the UHG CHPP to the Tsagaan Khad (**"TKH"**) coal stockpile and trans loading facility adjacent to the Mongolia — China border. As per normal practice in recent years, this was achieved by solely utilizing the Company's fleet of double trailer heavy haulage trucks without any assistance from third party haulage contractors.

In addition, approximately 0.3 Mt of thermal middlings secondary product produced by the CHPP was rehandled onsite at UHG to satellite stockpiles near the CHPP stacker to reduce the short term cost of operation.

Productivity gains realised in 2015 as a result of systematic improvements to remove system bottlenecks were maintained in the first half of 2016, with the utilisation of double trailer heavy haulage trucks approaching 45 round trips per month. Further improvements were made where average truck payload was increased by approximately 2 tonnes per trip, or approximately 1.5%, and via sharing of equipment resources with the mine production team, some third party fleet of wheel loaders used for loading trucks were able to be off-hired.

Occupational Health, Safety and Environment

In the first half of 2016, approximately 1.1 million man-hours were recorded by employees, contractors and sub-contractors of the Group. During this period, no occurrence of Lost Time Injury ("**LTI**") was recorded, resulting in a Lost Time Injury Frequency Rate ("**LTIFR**") of 0.0 LTIs per million man-hours worked equivalent being recorded for the period. This represents the first semi-annual period of zero LTIs being recorded by the Group since the commencement of the Company's public reporting, and results in a very low 12-month rolling average LTIFR of 0.5 LTIs per million man-hours worked equivalent being realised.

Although no LTIs were recorded in the reporting period, 1 Medical Treatment Injury ("**MTI**") and 2 First Aid Injury ("**FAI**") cases were recorded. These represent injuries of lower severity that do not result in an absence from work by the injured persons, however, recording and reporting do emphasize the importance that the Group places on achieving its goal of Zero Harm to employees. The Total Recordable Injury Frequency Rate ("**TRIFR**") for the period was at 0.88 Total Recordable Injuries ("**TRI**") per million man-hours worked equivalent.

During the reporting period, only 3 low level environmental incidents were recorded; 2 Level 1 incidents, and 1 Level 2 incident. Within the MMC system of categorisation, Level 1 represents the lowest possible level, whereas Level 5 would represent an incident of highest severity.

The continued reduction in number of incidents and related frequency rates is testament to the commitment of the Group's management to the concept of Zero Harm in terms of health, safety and environment. This was again demonstrated by the frequency and quantity of related trainings provided to employees, contractors, subcontractors and visitors, with 5,168 individual training sessions delivered for 7,512 man-hours of training in the first half of 2016.

Sales and Marketing

Affected by the reduced pace of economic growth in China and subsequent reduction in steel consumption, the prolonged market slowdown continued in the first half of the year resulting in coking coal prices remaining stagnant at low levels. Amid this continued challenging market environment, the Group strove to maintain its relationship with its existing customer base of key end-users with long term strategic value, while continuing to maintain focused on liquidity and credit risk management through prepaid arrangements in its sales operation.

The Group's existing customers mostly comprise of steel mills and coke plants located in Inner Mongolia and Hebei areas, including Baotou Iron and Steel Co. Ltd, Jianlong Janeboat Steel Co., Ltd, Qiananshi Jiujiang Wire Co., Ltd and Tangshan Dafeng Coking Co., Ltd.

Besides maintaining sales through its already existing sales channels, the Group continued to seek new end-user customers in the first half of 2016 and has subsequently started supplying HCC to new customers such as Chifeng Jiu Lian Coal Chemical Co., Ltd and Chifeng Defeng Coking Co. Ltd in Inner Mongolia province, Jiuquan Iron and Steel in Gansu province, Hebei Iron and Steel Group Company, Tangshan Dongfang Gas and Coking Coal Co., Ltd, Tangshan Lanhai Industrial Co. Ltd, and Tangshan Yongshun Gas and Coking Co. Ltd, in Hebei province.

With the above mentioned developments in the first half of 2016, the Group is focused to overcome the ongoing downtrend of the market with the prudent practice of maintaining existing market share whilst laying foundations for long term sustainable operations.

The Group sold a total of 0.6 Mt of HCC in the first half of 2016, of which 0.1 Mt, 0.4 Mt and 0.1 Mt were sold under Delivery-at-Place ("**DAP**") at Ganqimaodu ("**GM**"), FOT, and Cost-and-Freight ("**C&F**") terms respectively. This represents a decrease by 20.5% year-on-year compared to 0.7 Mt HCC sold in the first half of 2015. However, HCC sales volume in the first half of 2016 increased by 32.8% compared to 0.45 Mt of HCC sold in the second half of 2015.

Note: Due to rounding, discrepancy may exist between sub-totals, totals, volume of market shares and year-on-year change.

OUTLOOK AND BUSINESS STRATEGIES IN 2016

The Company intends to pursue the following key strategies in order to maintain and enhance its competitive position as a major washed coking coal producer in Mongolia: (i) adjusting the capital structure and its debt to adequate and sustainable levels; (ii) maximizing assets utilization to drive unit fixed costs down; (iii) supporting initiatives to improve logistics infrastructure providing access to Chinese railway network to reach its customers in the PRC and beyond; (iv) exploring opportunities for expanding and diversifying its business operations through potential strategic cooperation and joint ventures agreements; and (v) continuing its strong commitment to safe, environmentally and socially responsible operations.

In light of the adverse market conditions, and to better protect the interests of all the stakeholders of the Company, the Company is engaged in ongoing discussions with its creditors about a possible restructuring arrangement in relation to its indebtedness. The Company is committed to transparent communication with broader investment community with the ultimate goal to achieve outcomes acceptable and in the long term beneficial to all its stakeholders.

THERE CAN BE NO ASSURANCE THAT ANY DISCUSSIONS WITH ANY CREDITOR WILL LEAD TO A PROPOSAL ACCEPTABLE TO THE CREDITOR MORE GENERALLY OR THAT DISCUSSIONS WITH THE CREDITOR CAN BE PROGRESSED TO ANY POSITIVE CONCLUSION. ACCORDINGLY, THE COMPANY OFFERS NO ASSURANCE THAT THE PROPOSED RESTRUCTURING WILL BE SUCCESSFULLY CONCLUDED. SHAREHOLDERS OF THE COMPANY, HOLDERS OF OTHER SECURITIES OF THE COMPANY AND POTENTIAL INVESTORS IN THE SECURITIES OF THE COMPANY ARE ADVISED TO EXERCISE EXTREME CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

The Company will continue to pursue its long term development objectives, including the opportunity to engage in coal mining, processing, and transportation and exploration activities at Tavan Tolgoi coalfield in Mongolia. The ultimate benefit to Mongolia is seen from significant improvements of the competitive position of Mongolian coal at international markets by way of consolidating commercial operations within Tavan Tolgoi coalfield under the public private partnership model. However, the final outcome of this transaction remains highly uncertain given the complex nature of negotiations, involving multiple parties, including regulators.

SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD NOTE THAT THE COMPANY MAY OR MAY NOT ENTER INTO ANY DEFINITIVE AGREEMENTS WITH ITS CONSORTIUM PARTNERS, THE GOM AND/OR ITS DESIGNATED ENTITIES. EVEN IF DEFINITIVE AGREEMENTS ARE ENTERED INTO, COMPLETION AND FULFILLMENT OF SUCH AGREEMENTS WILL BE SUBJECT TO SATISFACTION OF THE CONDITIONS PRECEDENT SET OUT THEREIN. ACCORDINGLY, THE COMPANY MAY OR MAY NOT BENEFIT FROM THE TAVAN TOLGOI COALFIELD DEVELOPMENT. SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

FINANCIAL REVIEW

Revenue

Coking coal prices momentarily rebounded from its prolonged decline during the first half of 2016. However, severe excess supply of coal products still exist in the market, and the brief rebound in prices had no material impact on the Group's financial performance during the period. The Chinese economy continued to cool down with weak steel consumption and excess supply of coal products made up for a challenging environment during the first half of 2016.

The Group's total sales volume for the six months ended 30 June 2016 reached approximately 0.6 Mt of coal products generating total revenue of USD31.1 million, whilst for the six months ended 30 June 2015 total sales volume was 1.0 Mt of coal products with a total revenue of USD71.8 million. For the six months ended 30 June 2016, approximately 86.4 thousand tonnes of HCC was sold at DAP GM terms, representing 14.5% of total sales volume which generated USD4.3 million in revenue. Approximately 0.5 Mt of HCC was sold at FOT and C&F terms under inland China sales generating USD26.8 million in revenue. There were no sales of coal products procured from Chinese third party sources during the first half of 2016 compared to 0.3 Mt in the first half of 2015.

The Group's pricing reflected the current challenging price environment for all coking coal products in the global market. The ASP of HCC achieved on a combined basis at all selling points was USD63.2 per tonne for the six months ended 30 June 2016 compared to USD64.1 per tonne for the same period in 2015. The ASP of HCC under FOT and C&F term sales were USD47.3 per tonne and USD76.8 per tonne, respectively during the first half of 2016, compared to USD77.0 and USD110.4 in the first half of 2015 respectively. It is worth noting that the ASP of sales under C&F terms is an average price of sold quantity across different locations in China, therefore year-on-year comparison may not depict the true trend as selling quantity and locations may differ each year. The ASP of sales of HCC under DAP GM terms was USD49.6 per tonne in the first half of 2016 which was approximately 8.5% lower compared to USD54.2 per tonne in the first half of 2015.

For the six months ended 30 June 2016, the Group derived individually more than 10.0% of its revenue from five customers, with purchase amounts of approximately USD5.3 million, USD4.9 million, USD4.5 million, USD4.3 and USD3.3 million, respectively. In the first half of 2015, the Group derived individually more than 10.0% of its revenue from four customers, with the purchase amounts of approximately USD26.1 million, USD15.4 million, USD10.7 million and USD7.5 million, respectively.

Cost of Revenue

The Group's cost of revenue consists primarily of mining costs, processing and handling costs, transportation and logistics costs, and costs related to site administration, stockpile and transportation loss, and governmental royalties and fees.

During the first half of 2016, the total cost of revenue of USD64.6 million was solely associated with self-produced coal, compared to USD97.1 million during the first half of 2015 which included costs relating to both self-produced and procured coal from Chinese third parties.

There was no cost of revenue associated with procured coal in the first half of 2016 compared with USD23.4 million incurred in first half of 2015 relating to trading of coal procured from Chinese third party sources.

The total cost of revenue of USD64.6 million, is inclusive of USD11.8 million inventory provision booked due to continuous weakening prices of coal products. The provision was made based on the assessment of the net realizable value of coal inventories.

Table 6: Total and individual costs of revenue and unit costs of revenue of self-produced coal:

	Six months ended 30 June	
	2016	2015
	(USD'000)	*(USD'000)*
Cost of revenue	**52,791**	64,253
Idling costs	**17,859**	19,057
Cost of revenue excluding idling costs	**34,932**	45,196
Mining cost	**11,224**	20,169
Variable cost	**6,105**	9,242
Fixed cost	**4,596**	9,688
Depreciation and amortization	**523**	1,239
Processing cost	**6,994**	7,783
Variable cost	**3,292**	3,097
Fixed cost	**574**	1,815
Depreciation and amortization	**3,128**	2,871
Handling cost	**625**	697
Transportation cost	**8,155**	8,748
Logistic cost	**1,942**	1,598
Variable cost	**1,162**	908
Fixed cost	**712**	640
Depreciation and amortization	**68**	50
Site administration cost	**3,551**	3,552
Transportation and stockpile loss/(gain)	**(235)**	(733)
Royalties and fees	**2,676**	3,382
Royalty	**1,620**	2,168
Air pollution fee	**590**	675
Customs fee	**466**	539

In accordance with the Group's policy to conserve cash outflow when confronted with an ASP which is trending lower, it made tactical sense for the Group to temporarily suspend operations at certain times during the period under review for conservation and efficiency purposes. In relation to this, idling costs arose during certain periods when production was held at a limited level and incurred associated costs were USD17.9 million, including depreciation and amortization of USD7.7 million.

The mining cost consists of costs associated with overburden and topsoil removal and ROM coal extraction, including the costs related to mining staff and equipment, together with base and performance fees paid to the mining contractor, blasting contractor fees, and costs paid to fuel suppliers. For the six months ended 30 June 2016, the Group's mining costs were approximately USD11.2 million (first half of 2015: USD20.2 million). Mining unit cost was USD9.4 per ROM tonne for the six months ended 30 June 2016, compared to USD14.7 in the first half of 2015, representing a decrease of 36.1% which was due to the successful negotiation and revision of the agreement with the Company's mining contractor. Major amendments include adjustment in the mining fleet rate, indexing project base fee to market coal prices and reducing plant rates which, in aggregate, helped the Group to reduce mining unit costs.

Table 7. Total unit mining cost per ROM tonne:

	Six months ended 30 June	
	2016	2015
	(USD/ROM tonne)	*(USD/ROM tonne)*
Mining cost	**9.4**	14.7
Blasting	**1.0**	1.3
Plant cost	**2.1**	3.3
Fuel	**2.0**	2.1
National staff cost	**0.7**	1.4
Expatriate staff cost	**0.3**	0.6
Contractor fee	**2.8**	5.0
Ancillary and support cost	**0.1**	0.1
Depreciation and amortization	**0.4**	0.9

Note: The above mining cost does not include idling cost

The Group identified components of the mine in accordance with the mine plan. Accounting of mining unit costs is based on the stripping ratio applicable to each component of the mine. Average accounting stripping ratio for components mined during the six months ended 30 June 2016 was 2.4 bcm per tonne, compared to 2.6 bcm per tonne for the six months ended 30 June 2015. The mining cost together with the costs of pre-stripped overburden, which is associated with the coal to be mined, processed, transported and sold in the future, are all recorded in the Consolidated Statement of Comprehensive Income.

The processing cost primarily includes the costs associated with operations of the CHPP including power and water costs. During the six months ended 30 June 2016, the Group's processing cost was approximately USD7.0 million (first half of 2015: USD7.8 million), of which approximately USD3.1 million is related to the depreciation and amortization of the CHPP, USD2.0 million was incurred in the UHG Power Plant for power generation and distribution, and USD0.8 million was incurred in the UHG Water Supply Facility for water extraction and distribution related to the washed coal sold during the period.

Unit processing cost calculated per ROM coal in-feed tonne increased from USD5.7 per ROM tonne in the first half of 2015 to USD5.9 per ROM tonne in the first half of 2016, representing an increase of 3.5%. The increase was mainly attributable to the lower utilisation of CHPP capacity.

Table 8. Total processing cost and unit processing cost per ROM tonne:

	Six months ended 30 June			
	2016	2015	**2016**	2015
	(USD'000)	*(USD'000)*	***(USD/ ROM tonne)***	*(USD/ ROM tonne)*
Total	**6,994**	7,783	**5.9**	5.7
Consumables	**281**	386	**0.2**	0.3
Maintenance and spares	**209**	587	**0.2**	0.4
Power	**1,994**	1,631	**1.7**	1.2
Water	**808**	493	**0.7**	0.4
Staff	**288**	1,190	**0.2**	0.8
Ancillary and support	**286**	625	**0.3**	0.5
Depreciation and amortisation	**3,128**	2,871	**2.6**	2.1

Note: The above processing cost does not include idling cost

The handling cost is related to feeding ROM coal from ROM coal stockpiles to the CHPP, and also the removal of course reject (primarily rock and sediment separated from coal) after coal processing. During the six months ended 30 June 2016, the Group's handling cost was approximately USD0.6 million (first half of 2015: USD0.7 million). Unit handling cost was USD1.0 per tonne for the first half of 2016, which was the same as that in the first half of 2015.

Transportation costs include costs related to the transportation of coal products from UHG to TKH, and the transportation of coal products from TKH to GM, including fees paid to third party transportation contractors. During the six months ended 30 June 2016, the Group's transportation costs, excluding idling cost, were USD8.2 million (first half of 2015: USD8.7 million). On a unit cost basis, the Group's overall transportation costs in the UHG-GM section increased by USD1.1 per tonne or 8.7% from USD12.6 per tonne in the first half of 2015 to USD13.7 per tonne in the first half of 2016. The transportation cost in the long haul section (UHG-TKH) increased from USD6.6 per tonne in the first half of 2015 to USD8.0 per tonne in the first half of 2016 due to lower transportation volume. In the short-haul (TKH-GM) section, where the Group utilised fleet from third party contractors, the costs slightly decreased to USD5.7 per tonne in the first half of 2016 from USD6.0 per tonne as recorded in the same period in 2015.

The logistics cost is mainly related to costs associated with operating product stockpiles at UHG and TKH. For the six months ended 30 June 2016, the Group's logistics cost was approximately USD1.9 million (first half of 2015: USD1.6 million).

The site administration cost is primarily related to the site support facilities such as the airstrip operations, and also overall supervision and joint management of the Group's mining, processing, transportation and logistics operations. For the six months ended 30 June 2016, the Group's site administration cost was approximately USD3.6 million, which was the same as that in the first half of 2015.

For the six months ended 30 June 2016, the Group recorded a total transportation loss of around USD83,000 compared to a gain of around USD4,000 in the first half of 2015. For the six months ended 30 June 2016, the Group recorded unrealized inventory gain of USD0.3 million for ROM coal and washed coal product stockpiles compared to unrealised gain of USD0.7 million as recorded in the first half of 2015. The inventory losses or gains are assessed based on periodic survey measurements of the Group's ROM coal stockpile inventories at the UHG and BN mines, and product coal stockpile inventories at UHG and TKH. Survey of coal quantity is a measurement of volume, and as for every bulk commodity, the conversion to tonnage requires the application of density assumption, which involves natural variance. Subsequently, the measurement of stockpile quantities is an estimation in which errors are inherent. Therefore, variations within 5% are tolerated, and any tonnages above/below this limit are recorded as stockpile gain/loss. The management expects that by maintaining lower levels of inventory and improving overall inventory management, the Company will be in a position to keep inventory losses under control.

Governmental royalties and fees are related to royalties, air pollution fees and custom fees paid according to the applicable laws and regulations in Mongolia. The progressive royalty rate is applied in the range of 5-8% for processed coal products and 5-10% for raw coal products based on monthly reference price determined by the Ministry of Mining of Mongolia. The Group's effective royalty rate for the six months ended 30 June 2016 was approximately 5.0% for coal exported from Mongolia based on customs clearance documentation (first half of 2015: 5.5%).

Gross Loss

The Group's gross loss for the six months ended 30 June 2016 was approximately USD33.6 million, compared to the gross loss of approximately USD25.3 million recorded for the six months ended 30 June 2015. The gross loss position was largely driven by further downward pressure on ASP of coking coal products due to the oversupplied state of the market, lower sales volume, idling costs incurred during the periods of limited production and inventory provision.

Selling and Distribution Costs

The Group's selling and distribution costs of USD5.7 million for the six months ended 30 June 2016 (30 June 2015: USD5.5 million) in an aggregate amount were associated with inland China sales activities and include expenses relating to fees and charges incurred for importing coal into China, logistics, transportation, governmental fees and charges and fixed agent fees. The selling and distribution costs were higher compared to the same period in 2015 due to higher sales volume realized under inland China sales activities.

General and Administration Expenses

The Group's general and administrative expenses relate primarily to head office staff costs, share option expenses, allowance for doubtful debts, consultancy and professional fees, depreciation and amortisation of office equipment and other expenses. For the six months ended 30 June 2016, the Group's general and administrative expenses decreased by approximately USD6.7 million or 55.9% from USD12.0 million for the six months ended 30 June 2015 to approximately USD5.3 million for the six months ended 30 June 2016.

Net Finance Costs

Net finance costs for the six months ended 30 June 2016 was approximately USD19.9 million (30 June 2015: USD42.9 million). Net finance costs for the six months ended 30 June 2016 comprised of interest expense and other credit facilities related expenses, and approximately USD17.4 million foreign exchange net gain, which is mainly attributable to the gain arising from exchange rate differences realized between the receivables recognition and settlement dates.

The Group has triggered the event of default under the BNP and ICBC Facility Agreement as disclosed in the announcements of the Company dated since 23 March 2016, which also constituted an event of default under certain of the Group's other indebtedness that contain cross-default provisions, including the Senior Notes. Accrued interest expenses in respect of the BNP and ICBC Facility totalled USD3.7 million for the first half of 2016, which is inclusive of 2% per annum default interest calculated starting from 22 March 2016, in addition to accumulated interest payables of USD0.3 million for the prior period. Accrued interest in respect of the Senior Notes was USD26.6 million for the first half of 2016, in addition to accumulated interest payables of USD13.6 million for the prior period.

Income Tax Expenses

The Group did not have income tax expense for the six months ended 30 June 2016 due to the loss incurred during the period, but had income tax credit of approximately USD1.8 million. The Group had income tax credit of USD6.7 million due to the recognition of deferred tax asset for the six months ended 30 June 2015.

Loss for the Period

As a result of the costs listed above, losses attributable to equity shareholders of the Company for the six months ended 30 June 2016 amounted to approximately USD61.7 million (30 June 2015: loss of USD79.1 million). The major contributing factor of the Group's net loss position is the continuing depressed ASP and lower sales volume of coking coal products due to prolonged tough market conditions in China as coking coal price continues to be negatively impacted by global supply and demand imbalances.

Liquidity and Capital Resources

For the six months ended 30 June 2016, the Company's cash needs had been primarily related to working capital requirements.

The Company's cash resources were mainly funded by revenue generated from sales of coal products.

Table 9. Combined cash flows:

	For the six months ended 30 June	
	2016	2015
	USD'000	*USD'000*
Net cash generated from/(used in) operating activities	**8,650**	(55,170)
Net cash generated from/(used in) investing activities	**53,237**	(39,230)
Net cash used in financing activities	**(59,694)**	(98,500)
Net increase/(decrease) in cash and cash equivalents	**2,193**	(192,900)
Cash and cash equivalents at beginning of the period	**702**	202,856
Effect of foreign exchange rate changes	**87**	(43)
Time deposits with original maturity over three months	**—**	60,000
Cash and cash equivalents at end of the period	**2,982**	69,913

Note: USD53.2 million generated from investing activities comprises of USD 53.5 million generated from the release of time deposits and its interest income, which were utilised to offset against the obligations under the credit facilities from Mongolian domestic banks, and USD0.2 million incurred for payments for deferred stripping activity and USD0.1 million incurred for payments for property, plant and equipment. The settlement of the credit facilities from Mongolian domestic banks is reflected under the net cash used in financing activities section of the combined cash flows.

The gearing ratio (calculated as total bank and other borrowings divided by total assets) of the Company as at 30 June 2016 was 54.8% (31 December 2015: 57.0%). All borrowings are denominated in USD. Cash and cash equivalents are held in MNT, USD, RMB, Euro ("**EUR**") and Hong Kong Dollars ("**HKD**"). The Company's policy is to regularly monitor current and expected liquidity requirements and compliance with debt covenants to ensure that the Company maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

Indebtedness

As of 30 June 2016, the Group had USD746.1 million in outstanding short-term and long-term borrowings, including indebtedness incurred under (i) USD600 million Senior Notes, (ii) USD150 million BNP and ICBC Facility, (iii) USD180 million facility agreements with the Parallel Lenders (the "**EBRD, FMO and DEG Loans**"), and (iv) USD40 million revolving credit line from Trade and Development Bank of Mongolia.

Under the EBRD, FMO and DEG Loans, the outstanding principal amount was USD51.8 million as at 30 June 2016. On 11 March 2016, the Group entered into the DTR with the Parallel Lenders regarding the repayment of the EBRD, FMO and DEG Loans. Pursuant to the DTR, the Group endorsed to the Parallel Lenders certain promissory notes issued by the MOF with a total amount of approximately MNT105.6 billion, and in return the obligations under the borrowings will be discharged in their entirety and the relevant security thereunder will be released after 121 calendar days plus 2 business days from the signing of the DTR.

Subsequent to the balance sheet date, on 25 July 2016, all conditions precedent as set forth in the DTR have been fulfilled. Therefore, the EBRD, FMO and DEG Loans have been discharged in its entirety and the relevant security thereunder has been released.

The Senior Notes bear a fixed interest rate of 8.875% per annum payable semi-annually. The Senior Notes will mature in March 2017, unless earlier redeemed. As of 30 June 2016, the outstanding principal amount was USD600 million. The Group published an announcement on 14 March 2016 in relation to a formation of the Steering Committee for potential restructuring of the Senior Notes and announced that the Group will likely not be able to pay the interest due on 29 March 2016.

On 5 March 2014, the Company as a borrower entered into the BNP and ICBC Facility Agreement for a coal pre-export loan facility of USD150 million. The loan bears an interest rate of LIBOR plus 6.00% per annum, and is repayable in 10 quarterly installments starting from September 2014 and ending in December 2016. As of 30 June 2016, the outstanding principal amount of the BNP and ICBC Facility was USD93.0 million. Under the BNP and ICBC Facility, the Company shall not issue any shares if such issue results in (i) the creation of a new share class of the issued share capital of the Company, and (ii) a change of control by controlling shareholder of the Company ceases to beneficially hold (directly or indirectly) at least 30% of the total issued share capital of the Company.

On 23 March 2016, the Group published an announcement stating an event of default had occurred under the BNP and ICBC Facility Agreement and cross-default under the Senior Notes due to failure to make certain repayment of principal installments and interests and replenish certain collection account. On 26 April 2016, the Group received a notice from the agent under the BNP and ICBC Facility Agreement (the "**Agent**") on acceleration and demand of the BNP and ICBC Facility Agreement ("**Acceleration Notice**") and a notice from the Shared Security Agent on enforcement under the Intercreditors Agreement entered into between the Company, certain of its subsidiaries, the original lenders under the BNP and ICBC Facility Agreement, the trustee of the Senior Notes and the Shared Security Agent thereunder as referenced to in the Group's announcement dated 23 March 2012. Under the Acceleration Notice, the Agent makes demand for immediate payment of all amounts accrued or outstanding under the BNP and ICBC Facility of USD95,433,943.90. As such, all such amounts are immediately due and payable. On 29 April 2016, the Group published an announcement stating that a default of interest payment of the Senior Notes had continued for a period of 30 consecutive calendar days and, as such, an event of default under the Senior Notes had been triggered. As at the date of this announcement, the Group received no acceleration or demand request under the Senior Notes. Subsequent to the balance sheet date, the Group proposed the Debt Restructuring Proposal to the Steering Committee and the Lenders as stated in its announcement dated 8 July 2016. The Steering Committee supports the Debt Restructuring. Further developments regarding the Debt Restructuring Proposal can be found in the paragraph headed "Other and Subsequent Events" under the Management Discussion and Analysis section on pages 47 and 48 of this interim results announcement.

In addition to the Senior Notes and the BNP and ICBC Facility, the Debt Restructuring also includes the Company's promissory notes issued to QGX which are booked under other payables of the Company. For further details, please see Note 15 on pages 17 and 18.

The loan granted by Trade and Development Bank of Mongolia is a revolving credit facility with the outstanding principal amount of USD1.3 million as of 30 June 2016. The facility bears 11.2% per annum interest, the latest extension of the maturity date was granted until 29 July 2016. The Company continues to maintain regular and constructive discussions with the lender regarding the extension and settlement arrangements.

Credit Risk

The Group closely monitors its credit exposure. Credit risk is primarily attributable to trade and other receivables.

As at 30 June 2016, the Group had approximately USD2.9 million in trade receivables, USD104.2 million in other receivables and USD0.4 million for allowance of doubtful debts. As at 31 December 2015, the Group had approximately USD2.0 million in trade receivables and USD92.3 million in other receivables, as well as USD0.4 million for allowance of doubtful debts.

As of 30 June 2016, in accordance with the internal credit policy of the Group (the "**Credit Policy**"), there was no addition to or reversal of allowance for doubtful debts, in line with the overall aging analysis of trade receivables balance as at 30 June 2016. The management continues to monitor, on an ongoing basis, the exposure, including but not limited to the current ability to pay, and takes into account information specific to the customer and pertaining to the economic environment in which the customer operates on an ongoing basis.

The major components of the other receivables of USD104.2 million comprise of USD17.3 million VAT and other tax receivables, USD30.4 million of other deposits and prepayments and USD53.8 million receivables in relation to certain promissory notes which were endorsed to the Parallel Lenders during the period where the related obligations and securities under the EBRD, FMO and DEG Loan Agreements have not been yet released as of 30 June 2016. For the VAT receivables, based on the Tax Authority inspection and approval of the VAT tax refund, the Group offset USD6.6 million against its other tax payments and payables to certain suppliers. The remaining amounts are deposits, advances, prepayments and other receivables in the ordinary course of business. Management believes that there is no issue in the collectability of such receivables.

Substantially all of the Group's cash at bank are deposited with reputable banks, which the management assessed the credit risk to be insignificant.

Foreign Exchange Risk

Cash and cash equivalents denominated in the currency other than the functional currency of the entity to which they relate as at 30 June 2016 and 31 December 2015 amounted to USD1.5 million and USD50.2 million, respectively. Total borrowings denominated in the currency other than the functional currency of the entity to which they relate as at 30 June 2016 and 31 December 2015 amounted to USD53.1 million and USD101.8 million, respectively.

The majority of the Group's assets and operating expenses are denominated in MNT. However, a large portion of expenses, including fuel and capital expenditures, are import costs and are thus linked to USD and RMB prices. Also, the majority of the Group's finance costs are denominated in USD. Therefore, the Group believes that there is a natural hedge that partially offsets foreign exchange risk.

The Group has not entered into any derivative instruments to manage foreign exchange fluctuations. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of Assets of the Group

As at 30 June 2016, the Company pledged ER's current accounts held with Trade and Development Bank of Mongolia, Khan Bank of Mongolia, Golomt Bank of Mongolia and XacBank of Mongolia, its Debt Reserve Account held with BNP Paribas London; cooperation contract with Inner Mongolia Qinghua Group of China, coal mining agreement with Thiess Mongolia LLC (formerly known as Leighton LLC); engineering, procurement and construction management contract for the CHPP constructed at the UHG site with Sedgman LLC; CHPP modules 1 and 2; UHG Power Plant; and water facilities for EBRD, FMO and DEG Loan Agreements. Such pledges in relation to the EBRD, FMO and DEG Loan Agreements were released of security by the Parallel Lenders on 25 July 2016, subsequent to the balance sheet date.

The Company also pledged Collection and Cash Collateral accounts with BNP Paribas Hong Kong and certain coal stockpiles under the BNP and ICBC Facility Agreement as at 30 June 2016.

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 Senior Notes.

The total amount of indebtedness covered with the above pledges is USD744.8 million as at 30 June 2016.

ER pledged its 4,207,500 common shares, being 16.46% common shares held by it in International Medical Centre LLC ("**IMC**"), to secure loan repayment obligation of IMC in proportion to its equity interest in IMC.

Contingent Liabilities

As at 30 June 2016, the Company has contingent liability in respect of the consideration adjustments for the acquisition of BN mine pursuant to the share purchase agreement (the "**Share Purchase Agreement**") entered into by the Company and its subsidiary Mongolian Coal Corporation Limited with Quincunx (BVI) Ltd and Kerry Mining (Mongolia) Limited ("**KMM**") on 31 May 2011 in relation to the acquisition of the entire share capital of Baruun Naran Limited (formerly known as QGX Coal Ltd.) (the "**Acquisition**"), which may arise from the royalty provision. Under the royalty provision, an additional LOM payment of USD6 per tonne may be payable in the event that the actual amount of coal extracted from the BN mine exceeds a specified semi-annual production target fixed on the date of the determination of the total reserves in each semi-annual period after 1 June 2011 commencing on 1 January and ending on 30 June and commencing on 1 July and ending on 31 December.

Under the royalty provisions for excessive coal production at the BN mine pursuant to the Share Purchase Agreement and the Settlement Agreement, the specified semi-annual ROM coal production has to exceed approximately 5.0 Mt. Therefore, the probability of royalty provision is considered to be very low.

Financial Instruments

The Company has a share option scheme, adopted on 17 September 2010 ("**Share Option Scheme**"), in which the Board is authorised, at its discretion, to grant to eligible participants options to subscribe for shares ("**Share Options**" or "**Options**") subject to the terms and conditions stipulated therein as incentives or rewards for their contributions to the Company.

Under the Share Option Scheme, the Company granted three batches of Share Options to its director and employees. On 12 October 2011, the Company granted 3,000,000 and 32,200,000 Share Options to a director and employees respectively, at the exercise price of HKD6.66 (which was adjusted to HKD4.53 due to rights issue in December 2014). On 28 November 2012, the Company granted another 5,000,000 and 17,750,000 Share Options to a director and employees respectively, at the exercise price of HKD3.92 (which was adjusted to HKD2.67 due to rights issue in December 2014). On 10 June 2015, the Company granted another 60,000,000 and 94,750,000 Share Options to a director and employees respectively, at the exercise price of HKD0.445.

The fair value of services received in return for Share Options granted is measured with reference to the fair value of Share Options granted. For the six months ended 30 June 2016, USD0.8 million was recognised in administrative expenses and capital reserves in relation to the equity-settled share-based transactions.

The Senior Notes have been accounted for as a hybrid financial instrument containing both a derivative component and a liability component. The derivative component was initially recognised at its fair value of USD4.9 million, and the attributable transactions costs of USD0.1 million were charged to the profit or loss for the year ended 31 December 2012.

The fair value of the derivative component of the Senior Notes as at 30 June 2016 was nil. The liability component was initially recognised at an amortised cost of USD591.7 million after taking into account USD13.2 million as attributable costs.

Capital Commitments and Capital Expenditures

As at 30 June 2016, the Group had USD0.5 million of contracted capital commitments (as at 31 December 2015: USD0.5 million).

Table 10. The Group's historical capital expenditure for the periods indicated:

	For the six months ended 30 June	
	2016	2015
	USD'000	*USD'000*
Water supply facility	**—**	6
Others	**59**	—
Total	**59**	6

Operating Lease Commitments

As at 30 June 2016, the Company had contracted obligations consisting of operating leases which totalled approximately USD0.5 million due within one year. Lease terms range from one to five years, with fixed rentals.

Significant Investments Held

As at 30 June 2016, the Company did not hold any significant investments. Save as disclosed in this announcement, the Company has no future plans for material investment or capital assets in the coming period.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

For the six months ended 30 June 2016, the Company did not have any material acquisitions and disposals of subsidiaries and associated companies.

Dividend

The Board does not recommend the payment of dividend in respect of the six months ended 30 June 2016 (dividend for the six months ended 30 June 2015: nil).

Other and Subsequent Events

(a) The Company had a meeting with the Steering Committee to finalise the Debt Restructuring term sheet. Following subsequent negotiations, the Company and the Steering Committee have agreed on the form of a term sheet that is available as Appendix A to the announcement of the Company dated 8 July 2016.

(b) On 7 July 2016 (Cayman Islands time), the Company filed (i) the Application to assist in the process of negotiations with its creditors and to facilitate recognition of the Debt Restructuring in different jurisdictions (as appropriate), as well as (ii) the Petition which is a necessary pre-cursor to facilitate the Application, with the Cayman Court. The Application was heard by the Cayman Court on 19 July 2016 and the Cayman Court granted the order (the "**Court Order**") sought in the Application to appoint the JPLs who are authorized to develop and propose the Debt Restructuring in accordance with their powers conferred by the Court Order, which are limited to the Company itself rather than the Company's subsidiaries. Under the Court Order, experienced restructuring professionals, Mr. Simon Conway of PwC Corporate Finance Recovery (Cayman) Limited and Mr. Christopher So Man Chun of PricewaterhouseCoopers Ltd., are appointed as the JPLs of the Company. The JPLs submitted their first report to the Cayman Court on 25 August 2016 (Cayman Islands time). Court hearing of the Petition is scheduled to be heard on 1 September 2016. Relevant announcements were posted on the websites of Hong Kong Exchange and Clearing Limited and the Company on 21 July 2016 and 26 August 2016.

(c) As the Company was informed by counsel to the lenders (including the Lenders to the Company under the BNP and ICBC Facility, as amended from time to time, dated 5 March 2014) on 8 July 2016, BNP Paribas Singapore Branch filed the BNP Petition with the Cayman Court immediately after the Company submitted the Application and the Petition to the Cayman Court on 7 July 2016 (Cayman Islands time). This information on the submission of the BNP Petition is available in the announcement of the Company dated 11 July 2016. All future events and announcements relating to the JPLs and the Cayman Court will be duly announced by the Company in due course.

(d) On 25 July 2016, the Group has fulfilled all conditions set forth in the DTR entered into by and between with the Parallel Lenders on 11 March 2016. Under the DTR, the Group's obligations under the borrowings taken from the Parallel Lenders have been discharged in their entirety and the relevant security thereunder have been fully released.

(e) The Group agreed to transfer its entire investment in Tavan Tolgoi Power Plant Water Supply LLC (the "**TTPPWS**"), a wholly-owned subsidiary of the Group, to a third party for consideration of MNT12.5 billion as a part of settlement of its certain overdue obligations. The transaction was completed and share transfer was registered on 8 July 2016. The book value of investment in TTPPWS was MNT6.6 billion and as such the Group realized a gain of MNT5.9 billion from this transaction.

Employees

As at 30 June 2016, the number of employees of the Group was 1,494, compared with 1,897 employees as at 30 June 2015. The Group's total staff costs for the six months ended 30 June 2016 was USD6.0 million, compared to USD17.3 million for the six months ended 30 June 2015 (see Note 7(b)).

The Group's employees are remunerated with reference to the individual performance, experience, qualification and the prevailing salary trends in the local market, which is subject to review from time to time. With reference to the Group's financial and operational performance, employees may also enjoy other benefits such as discretionary bonus and Share Options pursuant to the Company's Share Option scheme.

In the six months ended 30 June 2016, the Company focused on internally sourced trainings rather than trainings provided by external parties. As at 30 June 2016, a total of 256 employees attended professional trainings, out of which 10 employees attended mining heavy equipment operator training, 194 employees attended mine maintenance training and 52 employees attended professional development training.

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

For the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2016.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by relevant employees (the "**Employees Written Guidelines**") who are likely to possess inside information of the Company. No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company during the reporting period.

Corporate Governance

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its code of corporate governance. The Company has complied with all the applicable code provisions as set out in the CG Code for the six months ended 30 June 2016.

Review by Audit Committee

The Audit Committee of the Company currently comprises of one non-executive Director, Mr. Gankhuyag Adilbish, and three independent non-executive Directors, namely Mr. Chan Tze Ching, Ignatius, Mr. Unenbat Jigjid, and Dr. Khaschuluun Chuluundorj. Mr. Chan Tze Ching, Ignatius is the chairman of the Audit Committee.

The Audit Committee of the Company, together with the management, have reviewed the accounting principles and practice adopted by the Group, and also discussed issues related to financial reporting, including the review of the Group's unaudited interim results for the period under review. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

Publication of the 2016 Unaudited Consolidated Interim Results and 2016 Interim Report

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.mmc.mn), and the 2016 Interim Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites in due course.

For and on behalf of
Mongolian Mining Corporation
(In Provisional Liquidation)
Simon Conway
Joint Provisional Liquidator
who acts without personal liability

Hong Kong, 26 August 2016

As at the date of this announcement, the Board consists of Mr. Odjargal Jambaljamts and Dr. Battsengel Gotov, being the executive Directors, Mr. Od Jambaljamts, Mr. Gankhuyag Adilbish and Dr. Oyungerel Janchiv being the non-executive Directors, and Dr. Khashchuluun Chuluundorj, Mr. Unenbat Jigjid and Mr. Chan Tze Ching, Ignatius, being the independent non-executive Directors.