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MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE AT HK\$0.28 PER RIGHTS SHARE

CLOSURE OF REGISTER OF MEMBERS

AND

POTENTIAL PARTICIPATION IN A BID FOR COAL MINING OPERATION

Joint Underwriters of the Rights Issue (in alphabetical order)



BNP PARIBAS
CORPORATE & INVESTMENT BANKING

J.P.Morgan

Independent Financial Adviser



SOMERLEY CAPITAL LIMITED

PROPOSED RIGHTS ISSUE

The Company proposes to raise not less than approximately HK\$1,556 million and not more than approximately HK\$1,567 million, before estimated expenses, by way of a rights issue of not less than 5,557,554,750 Rights Shares and not more than 5,597,079,750 Rights Shares on the basis of three Rights Shares for every two Shares held by Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.28 per Rights Share payable in full on acceptance. The Company will provisionally allot three Rights Shares in nil-paid form for every two existing Shares held by each Qualifying Shareholder on the Record Date. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of the Company. The Rights Issue is only available to Qualifying Shareholders and will not be available to Non-Qualifying Shareholders.

The Rights Shares (other than the Rights Shares that will be provisionally allotted to the Irrevocable Undertaking Covenantors pursuant to the Irrevocable Undertakings) will be fully underwritten by the Joint Underwriters, on the terms and subject to the conditions of the Underwriting Agreement, details of which are set out in the section headed “Underwriting Agreement” of this announcement.

The estimated net proceeds from the Rights Issue will be not less than approximately HK\$1,516 million and not more than approximately HK\$1,527 million after deduction of all estimated expenses. The Directors currently intend to use the net proceeds of the Rights Issue to improve liquidity and finance its general working capital, details of which are set out in the section headed “Reasons for the Rights Issue and Use of Proceeds” of this announcement.

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

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

IRREVOCABLE UNDERTAKINGS

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

IMPLICATIONS UNDER THE LISTING RULES

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms).

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

The Rights Issue is conditional on, among other things, being approved by the Independent Shareholders at the EGM. An independent board committee comprising all the independent non-executive Directors will be established by the Company to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and as to voting in respect thereof at the EGM. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, (i) further details about the Rights Issue; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in respect of the Rights Issue; and (iv) the notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. Subject to, among other things, the approval of the Rights Issue by the Independent Shareholders at the EGM, the Rights Issue Documents will be despatched to the Qualifying Shareholders and the Prospectus (subject to the advice given in the legal opinions provided by the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable and legally permitted) will be despatched to the Non-Qualifying Shareholders for information purposes only as soon as practicable.

WARNING OF THE RISK OF DEALINGS IN THE SHARES AND RIGHTS SHARES

The Underwriting Agreement contains provisions granting the Joint Underwriters the right to terminate the Underwriting Agreement on the occurrence of certain events. Please refer to the section headed "Termination of the Underwriting Agreement" in this announcement below for further details. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

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

TRADING ARRANGEMENTS

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

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

POTENTIAL PARTICIPATION IN A BID FOR COAL MINING OPERATION

Pursuant to resolution number 268 of the Government of Mongolia (“GoM”) dated 20 August 2014, the GoM is continuing a tender process established in 2010 whereby participants can bid for an opportunity to, among others, engage in coal mining operation and exploration in the licensed area of West and East Tsankhi, Mongolia. It is conditional for the bidder to be not less than 51% owned by a private operator or a consortium of companies that has had at least five years of experience in coal mining, processing, transportation and exportation activities in Mongolia, and the controlling interest of such bidder must be owned by Mongolian citizen for the previous five years. The bid was initially required to be submitted by 31 October 2014 and has been extended to 1 December 2014, and it is expected that the investment and cooperation agreement between the winning bidder and the relevant state-owned company (the “ICA”) will be entered into on or before 15 December 2014.

The Group has been approached by other independent parties to explore and discuss possibilities in connection with participating in the bidding process. As at the date of this announcement, no definitive terms or conditions have been agreed by the Group. The Company will make further announcement(s) as and when required under the Listing Rules.

Shareholders and potential investors should note that the Group may or may not participate in, or submit, a bid, and in the event the Group participates in, or submits, a bid, the bid may or may not be successful and accordingly an ICA may or may not be entered into by the Group. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PROPOSED RIGHTS ISSUE

Issue Statistics

Basis of Rights Issue:	Three Rights Shares for every two existing Shares held on the Record Date
Subscription Price:	HK\$0.28 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	3,705,036,500 Shares
Number of Rights Shares to be issued under the Rights Issue:	Not less than 5,557,554,750 Rights Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 5,597,079,750 Rights Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming (i) no repurchase of Shares; and (ii) the Share Options are fully exercised on or before the Record Date)
Amount to be raised:	Not less than approximately HK\$1,556 million and not more than approximately HK\$1,567 million, before estimated expenses (based on the number of Shares in issue as at the Latest Practicable Date)
Joint Underwriters:	BNP Paribas and J.P. Morgan
Enlarged number of Shares in issue upon completion of the Rights Issue:	Not less than 9,262,591,250 new Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 9,328,466,250 new Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming (i) no repurchase of Shares; and (ii) the Share Options are fully exercised on or before the Record Date)

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

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

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

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

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

Subscription Price

The Subscription Price is HK\$0.28 per Rights Share, which is payable in full upon a Qualifying Shareholder accepting the relevant provisional allotment of the Rights Shares or, where applicable, upon application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 72.8% to the Last Closing Price;
- (ii) a discount of approximately 51.7% to the theoretical ex-rights price of approximately HK\$0.58 per Share, which is calculated based on the Last Closing Price;
- (iii) a discount of approximately 74.1% to the average of the closing prices of approximately HK\$1.08 per Share as quoted on the Stock Exchange for the five consecutive trading days ending on and including the Last Trading Day; and
- (iv) a discount of approximately 74.0% to the average of the closing prices of approximately HK\$1.08 per Share as quoted on the Stock Exchange for the ten consecutive trading days ending on and including the Last Trading Day.

Each Rights Share will have a par value of US\$0.01.

The Subscription Price was determined by the Directors with reference to the market price of the Shares under the prevailing market conditions prior to and including the Last Trading Day. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the Subscription Price in proportion to his/her/its shareholding in the Company held on the Record Date.

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

Basis of provisional allotment

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

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

Qualifying Shareholders

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

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

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

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

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

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

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

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

Rights of Non-Qualifying Shareholders

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

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

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

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to Non-Qualifying Shareholders had they been Qualifying Shareholders, to be provisionally allotted (in nil-paid form) to J.P. Morgan or its nominee/agent, and will be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The aggregate net proceeds of such sale will be distributed by the Company to Non-Qualifying Shareholders (pro-rata to their shareholdings on the Record Date) in Hong Kong dollars, provided that if any of such Non-Qualifying Shareholders would be entitled to a sum not exceeding HK\$100, such sum will be retained by the Company for its own benefit. Any such unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders would otherwise have been entitled will be available for excess application by Qualifying Shareholders under the EAFs.

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

Fractional Entitlement to the Rights Shares

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

Application for excess Rights Shares

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

- (i) any unsold Rights Shares which would have been allotted to Non-Qualifying Shareholders had they been Qualifying Shareholders;
- (ii) any unsold Rights Shares created by adding together fractions of the Rights Shares; and
- (iii) any Rights Shares provisionally allotted but not validly accepted by Qualifying Shareholders or otherwise subscribed for by renounees or transferees of nil-paid Rights Shares.

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

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

Status of the Rights Shares

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

Application for listing of and dealings in the Rights Shares

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

Stamp duty and other applicable fees and charges

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

Rights Shares will be eligible for admission into CCASS

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

Share Certificates for Rights Shares and Refund Cheques for Rights Issue

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

Closure of Register of Members

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

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date: 31 October 2014

Joint Underwriters: BNP Paribas and J.P. Morgan

Number of underwritten Shares: The Rights Issue will be fully underwritten by the Joint Underwriters other than the Rights Shares that each of the Irrevocable Undertaking Covenantors have undertaken to take up by way of its rights entitlement under the Rights Issue pursuant to the Irrevocable Undertakings.

Joint Underwriters' commission: 3% of the aggregate Subscription Price payable in respect of the Underwritten Shares determined on the Record Date.

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

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

Conditions of the Rights Issue

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

- (i) approval of the Rights Issue by the Shareholders at the EGM having been obtained;
- (ii) the issue of this announcement within one Business Day (or such longer period as the Company and the Joint Underwriters may agree) from the date of the Underwriting Agreement;

- (iii) the registration by and filing with the Registrar of Companies in Hong Kong of the Rights Issue Documents on or before the Despatch Date;
- (iv) the lodging of a duly certified copy of the Prospectus with the Registrar of Companies in Hong Kong on or before the Despatch Date;
- (v) the posting of the Rights Issue Documents to the Qualifying Shareholders and (subject to the restrictions, if any, under the relevant overseas laws and regulations) the posting of the Prospectus stamped “For Information Only” to the Non-Qualifying Shareholders, in each case, on the Despatch Date;
- (vi) the Joint Underwriters receiving from the Company all conditions precedent documents under the Underwriting Agreement in accordance with the time specified therein;
- (vii) in respect of the relevant warranties and undertakings made by the Company in the Underwriting Agreement, by the Latest Termination Date, no breach of any of the warranties or the undertakings having come to the knowledge of any of the Joint Underwriters;
- (viii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and such listings and permission to deal not having been withdrawn or revoked prior to the Latest Termination Date;
- (ix) all relevant approvals being obtained from all relevant governmental and regulatory authorities, including the Stock Exchange and the Securities and Futures Commission of Hong Kong, as the case may require in connection with the Rights Issue by the relevant time that each approval is required by the Company, and such approvals not being withdrawn or revoked prior to the Latest Termination Date;
- (x) delivery of an original and duly executed Irrevocable Undertakings within seven business days from the date of the Underwriting Agreement (or such longer period as the Company and the Joint Underwriters may agree) by each of the Irrevocable Undertaking Covenantors;
- (xi) fulfilment by each of the Irrevocable Undertaking Covenantors with all of its obligations under the Irrevocable Undertakings and each of the Irrevocable Undertakings not having been terminated;
- (xii) the obligations of the Joint Underwriters under this agreement not being terminated by the Joint Underwriters in accordance with the terms of the Underwriting Agreement;
- (xiii) each condition to enable the Rights Shares (in both nil-paid and fully-paid forms) to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied not later than the business day prior to the first day of dealings in the nil-paid Rights Shares as set out in the Prospectus and no notification having been received by the Company from HKSCC by such date that such admission or facility for holding and settlement has been or is to be refused; and
- (xiv) the Shares remaining listed on the Stock Exchange at all times up to and including the Latest Termination Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a period of more than two (or such longer period as the Company and the Joint Underwriters may agree) consecutive business days (other than any suspension pending clearance of the Announcement) and no indication being received before the Latest Termination Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of this agreement or for any other reason.

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

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

Termination of the Underwriting Agreement

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

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

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

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

which, in the sole opinion of the Joint Underwriters:

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

- (vii) permission to deal in and listing of all the Rights Shares (in their nil-paid and fully-paid forms) has been withdrawn by the Stock Exchange; or
- (c) any matter or circumstance arises as a result of which any of the conditions set out in the Underwriting Agreement has become incapable of satisfaction as at the required time.

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

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

Lock-up

The Company has undertaken to the Joint Underwriters that, except with the prior written consent of each of the Joint Underwriters, the Company shall not (except for the offer, allotment and issue of the Rights Shares pursuant to the Rights Issue and the Shares converted from the Share Options), at any time during the period commencing on the date of the Underwriting Agreement and ending on, and including, the date that is 90 days after the first day of trading of the Rights Shares in fully-paid form on the Stock Exchange (the “**Lock-up Period**”): (i) allot, issue, sell, accept subscription for, offer to allot or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares); (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares); (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any such transaction specified in (i), (ii) or (iii) above.

MCS Mining Group has also undertaken in its Irrevocable Undertaking to the Joint Underwriters that, except with the prior written consent of each of the Joint Underwriters, MCS Mining Group will not (save for the performance of its Irrevocable Undertaking) at any time during the Lock-up Period: (a) sell, offer to sell, contract, mortgage, charge, pledge, hypothecate or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of the Company), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or

(b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether the transaction is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not the allotment, issue, sale, granting of options or warrant, disposal of or creation of encumbrance over, either directly or indirectly, conditionally or unconditionally, of Shares or such other securities of the Company will be completed within the Lock-up Period) provided that MCS Mining Group has pledged Shares, and in the future may pledge or charge Shares in favour of the syndicate lenders of the Loan Facility to comply with the covenants of the Loan Facility, and this undertaking shall not be applicable to any subsequent disposal of the Shares by such pledgee or chargee. "Loan Facility" means the credit facility obtained by MCS Holding LLC, an affiliate of MCS Mining Group, from a syndicate of lenders including an affiliate of BNP Paribas in 2012 secured by a charge of a portion of the Shares held by MCS Mining Group.

Irrevocable Undertakings

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

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

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

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

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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

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

The expenses in relation to the Rights Issue (including financial, legal advisory and other professional expenses) are estimated to be approximately HK\$40 million and will be borne by the Company. The estimated net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK\$0.27.

The estimated net proceeds of the Rights Issue will be not less than approximately HK\$1,516 million and not more than approximately HK\$1,527 million after the deduction of all estimated expenses of HK\$40 million. The Directors currently intend to use the net proceeds of the Rights Issue for the following purposes:

- strengthening the capital base of and providing greater financial flexibility for the Group to support the continuing development and growth of the Group's business and funding its future expansion needs including, but not limited to, expanding the Group's product load out facility for railways, modifications to the run-of-mine coal feed facility to increase feed volume and blending ability and modifications to the coal handling and preparation plant to optimize and increase product yield, which is in-line with the Group's overall business strategy;
- repayment of some of the existing indebtedness of the Group in order to further improve the Group's net gearing ratio, cash position and availability of working capital; and
- general working capital for development of the Group's existing and future business and investment opportunities as may be identified from time to time.

EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING OF THE COMPANY

Set out below is the shareholding structure of the Company as at the date of this announcement and immediately after the completion of the Rights Issue under various scenarios.

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

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

Notes:

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

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

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

Notes:

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

EXPECTED TIMETABLE OF THE RIGHTS ISSUE

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

2014

Expected date of despatch of the Circular and instrument of proxy of the EGM	Friday, 7 November
Latest time for lodging transfer of Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 17 November
Closure of register of members for determining entitlement to attend and vote at the EGM (both days inclusive)	Tuesday, 18 November to Monday, 24 November
Latest time for return of instrument of proxy for the EGM (not less than 48 hours before the EGM)	10:00 a.m., Saturday, 22 November
Record date for attendance and voting at the EGM	Monday, 24 November
Expected date of the EGM	10:00 a.m., Monday, 24 November
Announcement of results of the EGM	Monday, 24 November
Last day of dealings in Shares on a cum-rights basis	Tuesday, 25 November
First day of dealings in Shares on an ex-rights basis	Wednesday, 26 November
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 27 November
Closure of the register of members for determining entitlements under the Rights Issue (both days inclusive)	Friday, 28 November to Tuesday, 2 December
Record Date	Tuesday, 2 December
Reopening of register of members	Wednesday, 3 December
Rights Issue Documents expected to be despatched on	Wednesday, 3 December
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Friday, 5 December
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Tuesday, 9 December
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Friday, 12 December
Latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 17 December

Rights Issue expected to become unconditional on or before	4:00 p.m. on Monday, 22 December
Publication of announcement of results of the Rights Issue and excess applications	Wednesday, 24 December
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be despatched on or before	Monday, 29 December
Share Certificates for fully-paid Rights Shares expected to be despatched on or before	Monday, 29 December
First day of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 30 December

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

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

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

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

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

PREVIOUS EQUITY FUND RAISING BY THE COMPANY

The Company has not undertaken any equity fund raising exercise in the 12-month period immediately preceding the date of this announcement.

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS

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

BUSINESS REVIEW OF THE GROUP AND PROSPECTS

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

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

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

As disclosed in the annual report of the Company for the year ended 31 December 2013 and the interim report of the Company for the six months ended 30 June 2014, the global coking coal market had experienced significant downward pressure on selling prices due to the imbalance of supply and demand, and the recovery trajectory for the pricing of coking coal in China and globally remains uncertain in the second half of 2014. Sizeable reduction in forecast coal output for the second half of 2014 was announced in August 2014 by one of the largest coal producers in China, signaling that other Chinese coal producers may follow suit. Such measures follow production cuts announced in the first half of this year by various global coal producers in North America and Australia. In parallel with significant reduction to the investment made in support of increasing coal production capacity, according to the published reports, this may provide the required support to improve the equilibrium which is expected to serve as a base for supporting both domestic and seaborne coking coal pricing towards the end of 2014. The management maintains a positive outlook over the long term as the fundamentals of demographics associated with increasing industrialisation will continue to create demand for steel across Asia and other emerging markets.

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

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

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

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

The Group's coal price, production volume and sales revenue may vary from estimates due to a variety of factors including seasonality, prices of coal, supply-demand dynamics, and economic activities in China or Mongolia. In the first half of 2014, the Group sold approximately 1.9Mt of hard coking coal and approximately 1.2Mt of middlings. In the third quarter of 2014, while the Mongolian coking coal exports declined by 26% compared to the same period last year according to Mongolian Statistical Information Service, coinciding with a decline in coking coal imports in China during the period, the Group exported approximately 1.0Mt of hard coking coal and approximately 0.2Mt of middlings. Despite the challenging environment in the Chinese coal market which continued to put coal prices under pressure in the third quarter, there are a number of factors which could contribute to the stabilization of coal prices in the fourth quarter, including the winter restocking, and the price increases and production cuts already announced or may be announced by major Chinese domestic coal suppliers. The Company will (i) continue to monitor the development of the coal market in the fourth quarter and (ii) seek to implement measures to neutralize the impacts of potential adverse changes in the market including adjusting its production plan to take advantage of the new coal distribution channel under the cost-and-freight sales model.

IMPLICATIONS UNDER THE LISTING RULES

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

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

An independent board committee comprising all the independent non-executive Directors will be established by the Company to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and as to voting in respect thereof at the EGM. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, (i) further details about the Rights Issue; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in respect of the Rights Issue; and (iv) the notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

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

TAXATION

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

WARNING OF THE RISKS OF DEALINGS IN SHARES AND RIGHTS SHARES

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

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

POTENTIAL PARTICIPATION IN A BID FOR COAL MINING OPERATION

Pursuant to resolution number 268 of the GoM dated 20 August 2014, the GoM is continuing a tender process established in 2010 whereby participants can bid for an opportunity to, among others, engage in coal mining operation and exploration in the licensed area of West and East Tsankhi, Mongolia. It is conditional for the bidder to be not less than 51% owned by a private operator or a consortium of companies that has had at least five years of experience in coal mining, processing, transportation and exportation activities in Mongolia, and the controlling interest of such bidder must be owned by Mongolian citizen for the previous five years. The bid was initially required to be submitted by 31 October 2014 and has been extended to 1 December 2014, and it is expected that the ICA between the winning bidder and the relevant state-owned company will be entered into on or before 15 December 2014.

The Group has been approached by other independent parties to explore and discuss possibilities in connection with participating in the bidding process. As at the date of this announcement, no definitive terms or conditions have been agreed by the Group. The Company will make further announcement(s) as and when required under the Listing Rules.

Shareholders and potential investors should note that the Group may or may not participate in, or submit, a bid, and in the event the Group participates in, or submits, a bid, the bid may or may not be successful and accordingly an ICA may or may not be entered into by the Group. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beneficial Owner(s)”	any beneficial owner(s) of Shares whose Shares are registered in the name of a registered Shareholder
“BNP Paribas”	BNP Paribas Securities (Asia) Limited
“Board”	the board of Directors
“business day”	any day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Committed Shares”	the aggregate of 3,659,139,288 Rights Shares which the Irrevocable Undertaking Covenantors have undertaken to subscribe

“Company”	Mongolian Mining Corporation (stock code: 975), a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange
“Despatch Date”	3 December 2014 or such later date as may be agreed between the Company and the Joint Underwriters for the despatch of the Rights Issue Documents
“Director(s)”	the director(s) of the Company
“EAF(s)”	the application form(s) for excess Rights Shares to be issued to Qualifying Shareholders in respect of application for excess Rights Shares
“EGM”	the extraordinary general meeting to be convened by the Company for the purpose of approving, among other things, the Rights Issue
“Final Acceptance Date”	the last date for acceptance and payment in respect of provisional allotments under the Rights Issue and for application and payment for excess Rights Shares, which is currently expected to be 17 December 2014 or such later date as the Company and the Joint Underwriters may agree in writing
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than MCS Mining Group and its associates
“Independent Third Party”	any entity or person who is not a connected person within the meaning ascribed under the Listing Rules
“Irrevocable Undertaking Covenantors”	MCS Mining Group, Novel Holdings Group Limited, Trimunkh Limited, Sumberu Limited, Eco Mogul Limited, Inter Group Mongolia Limited, Gera Investments Limited, Benu Investment Limited, Crystalline Investment Limited, Tamirana Limited, Tugs Investment Limited, Shunkhlai Mining, Kerry Mining (UHG) Limited, Lotus Amsa Limited, Highline Holdings Limited, True Kind Limited, Anand & Co. Holding Limited and Botgo Limited
“Irrevocable Undertakings”	each of the irrevocable undertakings dated 31 October 2014 given by each of the Irrevocable Undertaking Covenantors respectively in favour of the Company and the Joint Underwriters, collectively the “Irrevocable Undertakings”
“Joint Underwriters”	BNP Paribas and J.P. Morgan

“J.P. Morgan”	J.P. Morgan Securities (Asia Pacific) Limited
“Last Closing Price”	the closing price of HK\$1.03 per Share as quoted on the Stock Exchange on the Last Trading Day
“Last Day for Transfer”	27 November 2014, being the last date for lodging transfer of Shares prior to the closure of register of members of the Company
“Last Trading Day”	30 October 2014, being the last full trading day of the Shares on the Stock Exchange immediately before the issue of this announcement
“Latest Practicable Date”	30 October 2014, being the last full trading day of the Shares on the Stock Exchange immediately before the issue of this announcement
“Latest Termination Date”	4:00 p.m. on the third business day after the Final Acceptance Date or such later date as the Company and the Joint Underwriters may agree in writing
“Latest Time for Acceptance”	a time which is currently expected to be 4:00 p.m. on the Final Acceptance Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MCS Mining Group”	MCS Mining Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is a controlling Shareholder
“Mt”	million tonnes
“Non-Qualifying Shareholders”	the Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary or expedient to exclude from the Rights Issue, on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	(i) the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on the register of members of the Company is/are outside Hong Kong and (ii) Beneficial Owners whose address(es) is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Shares, to be issued to Qualifying Shareholders in respect of their entitlements under the Rights Issue

“PRC” or “China”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Qualifying Shareholder(s)”	the Shareholder(s), other than Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	such date as the Company may specify as the record date for determining entitlements to participate in the Rights Issue, which is currently expected to be 2 December 2014
“Registered Nominee”	a nominee (including HKSCC Nominees Limited) whose name appears on the register of members of the Company
“Registrar”	the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue by the Company of the Rights Shares at the Subscription Price by way of rights on the basis of three Rights Shares for every two existing Shares held on the Record Date
“Rights Issue Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Rights Shares”	not less than 5,557,554,750 Rights Shares and not more than 5,597,079,750 Rights Shares to be issued and allotted by the Company under the Rights Issue
“Share(s)”	ordinary share(s) of the Company with a par value of US\$0.01 each
“Shareholder(s)”	holder(s) of Shares
“Share Options”	the outstanding share options as at the Latest Practicable Date granted pursuant to the Share Option Scheme which are validly vested and exercisable by the holders
“Share Option Scheme”	the share option scheme adopted by the Company on 17 September 2010 which are exercisable to subscribe for an aggregate of 26,350,000 new Shares with exercise period commencing on or before the Record Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.28 per Rights Share

“Underwriting Agreement”	the underwriting agreement dated 31 October 2014 entered into between the Company and the Joint Underwriters in relation to the Rights Issue
“Underwritten Shares”	the Rights Shares other than the Committed Shares
“US” or “United States”	the United States of America
“US\$” or “USD”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 31 October 2014

As at the date of this announcement, the board of directors of the Company consists of Mr. Odjargal Jambaljamts and Dr. Battengel Gotov, being the executive directors of the Company, Mr. Batsaikhan Purev, Dr. Oyungerel Janchiv, Mr. Od Jambaljamts and Mr. Gankhuyag Adilbish, being the non-executive directors of the Company, and Mr. Ochirbat Punsalmaa, Mr. Unenbat Jigjid and Mr. Chan Tze Ching, Ignatius, being the independent non-executive directors of the Company.