
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mongolian Mining Corporation (the “Company”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



SOMERLEY LIMITED

A letter from the Board is set out on pages 6 to 17 of this circular.

A letter of recommendation from the Independent Board Committee is set out on pages 18 to 19 of this circular and a letter of recommendation from Somerley, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 31 of this circular.

A notice convening the EGM to be held at Salon 4 (Level 3), JW Marriot Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 31 August 2011 at 9:00 a.m. is set out on pages 38 to 39 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.mmc.mn).

Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

12 August 2011

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DEFINITIONS

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

“Agreements”	the Service Agreement, the Sale and Purchase Agreement and the Fuel Supply Agreement;
“Assets”	movable assets at the camp sites located at the UHG deposit and TKH including tools, ger, container apartment, air conditioners, heaters, beds, cabinets, tables, television, washing machines, dryers, refrigerators, other kitchen and coffee shop furniture, basketball board, tennis table, treadmill, bodybuilding equipment, other sport hall and gym equipment, trolley garbage truck, containers, water tanks and other equipment which are being used for provision of office and camp supporting services;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Baruun Naran deposit”	the Group’s Baruun Naran coal deposit located in the Khankhongor soum, Umnugobi aimag;
“Board”	the board of directors of the Company;
“Company”	Mongolian Mining Corporation (Stock code: 975), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Agreements and the transactions contemplated thereunder and the Proposed Annual Caps;
“Energy Resources”	Energy Resources LLC, a company incorporated in Mongolia with limited liability, is an indirect wholly-owned subsidiary of the Company;

DEFINITIONS

“Enreotechnology”	Enreotechnology LLC, a company incorporated in Mongolia with limited liability, is an indirect wholly-owned subsidiary of the Company;
“Fuel Supply Agreement”	the Fuel Supply Agreement between NIC and the Group dated 22 July 2011 in relation to the supply of fuel products by NIC to the Group;
“ger”	Mongolian traditional and portable home which is round and cone-shaped;
“Gobi Oil”	Gobi Oil LLC, a company incorporated in Mongolia with limited liability;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors formed to advise the Independent Shareholders as to the fairness and reasonableness of the transactions contemplated under the Agreements and the proposed Annual Caps;
“Independent Financial Adviser” or “Somerley”	Somerley Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the connected and continuing connected transactions contemplated by the Agreements and the Proposed Annual Caps;
“Independent Shareholder(s)”	Shareholder(s) other than MCS Mining Group Limited and its associates relating to the Service Agreement and the Sale and Purchase Agreement, and Shareholder(s) other than Petrovis Resources Inc., Shunkhlai Mining and their respective associates relating to the Fuel Supply Agreement;

DEFINITIONS

“Latest Practicable Date”	8 August 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MCS Holding”	MCS Holding LLC, a company incorporated in Mongolia with limited liability. It is one of the largest and most diversified privately held holding companies in Mongolia and has interests in sectors such as mining, energy and infrastructure, information and communication technology, beverage manufacturing and distribution, wholesale and retail trading, property development and management;
“MCS Mining Group Limited”	MCS Mining Group Limited, a company incorporated in the British Virgin Islands with limited liability, is a substantial Shareholder and an indirect wholly-owned subsidiary of MCS Holding;
“MNT”	togrok or tugrik, the lawful currency of Mongolia;
“Mr. Dulguun Batbold”	son of Dr. Oyungerel Janchiv;
“Mt”	million tonnes;
“NIC”	NIC LLC, a company incorporated in Mongolia with limited liability and a wholly-owned subsidiary of Petrovis;
“Office and Camp Supporting Service Agreement”	the Office and Camp Supporting Service Agreement between Uniservice Solution and Energy Resources dated 23 May 2011;
“Petrovis”	Petrovis LLC, a company incorporated in Mongolia with limited liability;
“Petrovis Resources Inc.”	Petrovis Resources Inc., a company incorporated in Isle of Man with limited liability, is a substantial Shareholder and a wholly-owned subsidiary of Petrovis;

DEFINITIONS

“Proposed Annual Caps”	the proposed annual caps for each of the Service Agreement and Fuel Supply Agreement for the three financial years ending 31 December 2013;
“Prospectus”	prospectus of the Company dated 28 September 2010;
“Purchase of Fuel Agreement”	the Purchase of Fuel Agreement between Gobi Oil and Energy Resources dated 23 May 2011;
“Sale and Purchase Agreement”	the Sale and Purchase Agreement between Energy Resources, Enreotechnology, Transgobi and UHG WS, each a wholly-owned subsidiary of the Company, and Uniservice Solution dated 22 July 2011 in relation to the sale and purchase of the Assets;
“Service Agreement”	the Service Agreement between Uniservice Solution and the Group dated 22 July 2011 in relation to the provision of office and camp supporting services;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the registered holder(s) of the Share(s);
“Shunkhlai”	Shunkhlai Co. Ltd, a company incorporated in Mongolia with limited liability, is a wholly-owned subsidiary of Shunkhlai Group;
“Shunkhlai Group”	Shunkhlai Group LLC, a company incorporated in Mongolia with limited liability;
“Shunkhlai Mining”	Shunkhlai Mining LLC, a company incorporated in Mongolia with limited liability, is a Shareholder and a wholly-owned subsidiary of Shunkhlai Group;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TKH”	the Group’s Tsagaan Khad camp at the Tsagaan Khad port which is located at the Mongolia-China border;

DEFINITIONS

“Transgobi”	Transgobi LLC, a company incorporated in Mongolia with limited liability, is an indirect wholly-owned subsidiary of the Company;
“TT Airport”	“Tavan Tolgoi” airport in Tsogttsetsii soum;
“UHG deposit”	the Group’s Ukhaa Khudag deposit located in the Tavan Tolgoi coalfield;
“UHG WS”	Ukhaa Khudag Water Supply LLC, a company incorporated in Mongolia with limited liability, is an indirect wholly-owned subsidiary of the Company;
“Uniservice Solution”	Uniservice Solution LLC, a company incorporated in Mongolia with limited liability, is a wholly-owned subsidiary of MCS Holding;
“US\$”	United States dollars, the lawful currency of the United States of America;
“VAT”	value added tax; and
“%”	per cent.

For the purpose in this circular, unless otherwise indicated, the exchange rate of US\$1.00 = MNT1,245.65 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

LETTER FROM THE BOARD



MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 975)

Executive Directors:

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

Non-Executive Directors:

Mr. Gantumur Lingov
Ms. Enkhtuvshin Gombo
Mr. Enkh-Amgalan Luvsantseren
Mr. Batsaikhan Purev
Dr. Oyungerel Janchiv
Mr. Philip Hubert ter Woort

Independent Non-Executive Directors:

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

Registered office:

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

Principal place of

business in Hong Kong:
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

12 August 2011

To the Shareholders

Dear Sir/Madam,

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 22 July 2011 whereby it was announced that on 22 July 2011, (i) the Group entered into the Service Agreement with Uniservice Solution pursuant to which Uniservice Solution has conditionally agreed to provide office and camp supporting services to the Group during the term of the Service Agreement; (ii) Energy Resources, Enreotechnology, Transgobi and UHG WS entered into the Sale and Purchase Agreement with Uniservice Solution pursuant to which Energy Resources, Enreotechnology, Transgobi and UHG WS has conditionally agreed to sell and Uniservice Solution has conditionally agreed to purchase the Assets; and (iii) the Group entered into the Fuel Supply Agreement with NIC pursuant to which NIC has conditionally agreed to supply fuel products to the Group during the term of the Fuel Supply Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further information in respect of the Agreements and the Proposed Annual Caps; (ii) a letter from Somerley to the Independent Board Committee and the Independent Shareholders containing its advice on the Agreements and the Proposed Annual Caps; (iii) the recommendation of the Independent Board Committee in respect of the Agreements and the Proposed Annual Caps; and (iv) a notice convening the EGM.

TRANSACTIONS WITH UNISERVICE SOLUTION

1. The Service Agreement

Date:

22 July 2011

Parties:

The Group as service purchasers

Uniservice Solution as service provider

Principal terms:

Uniservice Solution agreed to provide the following services to the Group on a day-to-day basis:

- Accommodation and catering services for the camp sites located at the UHG deposit, Baruun Naran deposit and TKH;
- Laundry services for the camp sites located at the UHG deposit, Baruun Naran deposit and TKH;
- Cleaning and janitor services for UB offices and facilities located at the UHG deposit, Baruun Naran deposit and TKH including employees' and contractor's camps, offices, gymnasium, warehouses, custom and dispatcher booths, and TT Airport;
- Security services for UB offices and facilities located at the UHG deposit, Baruun Naran deposit and TKH including employees' and contractor's camps, offices, gymnasium, warehouses, custom and dispatcher booths, and TT Airport;
- Recreation services in the employees' camps and gymnasium located at the UHG deposit, Baruun Naran deposit and TKH; and
- Maintenance and other type of camp management services for UB offices and facilities located at the UHG deposit, Baruun Naran deposit and TKH including employees' and contractor's camps, offices, gymnasium, warehouses, custom and dispatcher booths, and TT Airport.

LETTER FROM THE BOARD

Consideration and payment terms:

Total consideration payable by the Group to Uniservice Solution under the Service Agreement is US\$73,193,551 inclusive of VAT, other applicable taxes and all other costs associated with the services provided by Uniservice Solution. The consideration payable to Uniservice Solution was determined based on the size of the location where services are to be provided and the number of employees utilising the camp site and the temporary ger camp located at the UHG deposit, Baruun Naran deposit and TKH. The terms of the Service Agreement are more favourable than those available from other independent third parties.

Within the first 15 days of each month, the Group will pay up to MNT300,000,000 (equivalent to approximately US\$240,838) as an advance payment of the service fee for that month. On the last day of each month, Uniservice Solution will issue an invoice to the Group which will set out service fee incurred for that month. The Group will settle the invoice within five working days following receipt of the invoice. In the event that the invoiced amount is less than the advance payment amount, adjustment will be made to the following month's payment by the Group.

The consideration was determined on an arm's length basis between the Group and Uniservice Solution based on bid submitted by Uniservice Solution.

Historical amounts and proposed annual caps:

As disclosed in the Prospectus, the Group paid an aggregate of MNT2,090,354,240 (equivalent to approximately US\$1,452,361) to Uniservice Solution (formerly known as Officenet LLC) for office and camp supporting services for the year ended 31 December 2009. For the year ended 31 December 2010, the Group paid an aggregate of MNT5,279,056,587 (equivalent to approximately US\$3,890,126) for office and camp supporting services provided by Uniservice Solution. The following table sets out the proposed annual caps for the Service Agreement for the three financial years ending 31 December 2013:

Financial year ending	Proposed annual caps	Period covered
31 December 2011	US\$17,045,544	12 months from 1 January 2011 to 31 December 2011
31 December 2012	US\$29,172,640	12 months from 1 January 2012 to 31 December 2012
31 December 2013	US\$34,481,572	12 months from 1 January 2013 to 31 December 2013

LETTER FROM THE BOARD

The Group is continuously expanding its operations and anticipates substantial growth in its operations in the coming years. For this reason, the Group anticipates that substantially more office and camp services will be required to accommodate the expansion. The proposed annual caps are determined with reference to the internal projection of the amount of services required having regard to (i) the anticipated respective increase in the number of employees and properties; (ii) the tendering proposal submitted by Uniservice Solution; (iii) the business development plan of the Group; and (iv) inflation. In addition, the Group also took into account various factors leading to the increase in the number of employees utilising camp sites in determining the proposed annual caps. These includes (i) the acquisition of the Baruun Naran deposit; (ii) commencement of operations of coal handling and preparation plant, power plant and water facility in 2011; and (iii) the increase in the number of drivers for the additionally procured transportation fleet.

Term of the services:

The Service Agreement will be effective for a period commencing from the date of the EGM at the earliest to 31 December 2013 conditional upon obtaining the requisite approval from Independent Shareholders at the EGM.

The Office and Camp Supporting Service Agreement will be terminated on the date of the EGM when the Service Agreement becomes effective.

2. The Sale and Purchase Agreement

Date:

22 July 2011

Parties:

Energy Resources, Enreotechnology, Transgobi and UHG WS as sellers

Uniservice Solution as purchaser

Principal terms:

Each of Energy Resources, Enreotechnology, Transgobi and UHG WS has conditionally agreed to sell and Uniservice Solution has conditionally agreed to purchase the Assets. The Sale and Purchase Agreement is conditional upon the Service Agreement becoming unconditional.

Consideration and payment terms:

The selling price for the Assets is MNT4,304,068,677 (equivalent to approximately US\$3,455,279) inclusive of 10% VAT. Uniservice Solution will pay the full amount of the purchase price of the Assets within 45 days from execution of the Sale and Purchase Agreement.

LETTER FROM THE BOARD

The selling price for the Assets was determined on an arm's length basis between the Group and Uniservice Solution based on the book value of the Assets less depreciation and taking into consideration the current conditions of the Assets.

Financial effect of the sale of the Assets on the Group:

With reference to the audited accounts of the Group for the six months ended 30 June 2011, the aggregate book value of the Assets was approximately MNT3,912,789,706 (equivalent to approximately US\$3,141,163) as at 30 June 2011. It is estimated that the sale of the Assets will not result in any book profit or loss for the Group with reference to the aggregated net book value of the Assets as at 30 June 2011.

Use of proceeds:

The estimated net proceeds from the sale of Assets will be approximately MNT3,912,789,706 (equivalent to approximately US\$3,141,163) and the Group intends to use the said net proceeds as general working capital for the daily operation of the Group.

Reasons for the transactions:

Uniservice Solution, formerly named as Officenet LLC, has been selected, through tendering process, as a service provider for the provision of supporting services for the Company's offices located at Ulaanbaatar and camps located at the UHG deposit and it has provided high quality services to the Group during 2009 and 2010. From 1 January 2011 to 31 July 2011, similar services are provided to the Group by Uniservice Solution and the related service fees are settled on a monthly basis.

In view of the increasing demand for offices and camp sites supporting services as a result of the continued expansion of the Group's operation, including the development of the UHG deposit and Baruun Naran deposit, the Group had invited some of the major camp and office supporting services providers in Mongolia for a national competitive bid in order to obtain good proposals for long term cooperation enabling the Group to secure quality professional services at competitive prices. Among the bid proposals, Uniservice Solution's bid was evaluated to be the most favourable bid in terms of consideration and the overall coverage of the services. As Uniservice Solution has been selected, the Group will continue to outsource its camp and office supporting services to Uniservice Solution during the term of the Service Agreement.

The Assets were originally acquired by the Company to assist with the provision of camp supporting services at camps located at the UHG deposit and TKH. Since the Company is now outsourcing the office and camp site supporting services, the Company no longer requires the Assets and the purchase of the Assets at its book value is set as pre-condition for successful bidder to enter into the Service Agreement. The Group considers that the disposal of the Assets is in the interests of the Company and the

LETTER FROM THE BOARD

Shareholders as a whole as the proceeds from the disposal would increase the general working capital of the Company and the transfer of the Assets would enhance Uniservice Solution with its provision of the services under the Service Agreement.

TRANSACTIONS WITH NIC

Fuel Supply Agreement

Date:

22 July 2011

Parties:

The Group as purchasers

NIC as supplier

Principal terms:

NIC agreed to supply fuel products including diesel fuel and other types of fuel which meet to the standard GOST 30582 of Russia or any other similar domestic and international standards to the Group at the UHG deposit, Baruun Naran deposit and TKH coal trans-loading and handling yard and other destinations designated by the Company on an accrual basis through its gas stations and dispenser trucks. It was also agreed that NIC may sub-contract its obligations under the Fuel Supply Agreement to Shunkhlai and Gobi Oil to supply fuel products to the Group in compliance with the terms and conditions of the Fuel Supply Agreement.

Incidental to the supply of fuel products, NIC will construct fuel storage facilities with storage capacity of 6,000m³ in the UHG deposit, and 200m³ in the Baruun Naran deposit at its own expense and handle their operations.

Furthermore, NIC will construct two fuel stations with storage capacity of 50m³ in UHG deposit and TKH coal trans-loading and handling yard respectively at its own expenses in accordance with the applicable regulations and standards. In the event that the Fuel Supply Agreement is terminated prior to the expiry date due to breach of the contractual obligation or wrongful act or omission by NIC, the Company has the right to acquire any of the fuel warehouses and fuel stations at the construction cost with adjustments to the accumulated depreciation.

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Consideration and payment terms:

The total consideration is US\$667,471,067, inclusive of VAT, other applicable taxes and all other costs.

On the 15th day of each month throughout the term of the Fuel Supply Agreement, NIC will issue an invoice to the Group setting out all goods supplied to the Group for the first 15 days period. On the last day of each month, NIC will issue an invoice to the Group setting out all goods supplied to the Group for the remaining period of the month. The Group will settle the invoices within five working days following receipt of the invoices, respectively.

The consideration was determined by tendering proposal submitted by NIC which is based on market rate of fuel products.

Historical amounts and proposed annual caps:

As disclosed in the Prospectus, the Group paid an aggregate of MNT10,651,766,232 (equivalent to approximately US\$7,400,760) to Petrovis and its subsidiaries for the purchase of fuel for the year ended 31 December 2009. For the year ended 31 December 2010, the Group paid an aggregate of MNT33,343,984,543 (equivalent to approximately US\$24,571,114) for the purchase of fuel products from Petrovis and its subsidiaries. The following table sets out the proposed annual caps for the Fuel Supply Agreement for the three financial years ending 31 December 2013:

Financial year ending	Proposed annual caps	Period covered
31 December 2011	US\$88,612,821	12 months from 1 January 2011 to 31 December 2011
31 December 2012	US\$218,595,000	12 months from 1 January 2012 to 31 December 2012
31 December 2013	US\$392,493,750	12 months from 1 January 2013 to 31 December 2013

The proposed annual caps were determined with reference to the internal projection of the amount of fuel required having regard to (i) the anticipated increase in the fuel consumption due to increasing level of mining activities conducted by the Company; (ii) the tendering proposal submitted by NIC; (iii) the prevailing market prices of fuel; (iv) the business development plan of the Group; and (v) inflation. In addition, as a result of the anticipated expansion of the Group's operations, the Group also took into consideration various factors in determining the proposed cap for the Fuel Supply Agreement. These includes (i) increase in production volume to 7Mt in 2011, 10Mt in 2012 and 15Mt in 2013, compared to the past production of 1.9Mt in 2009 and 3.9Mt in 2010; ii) the coal transportation volume by the Group's own fleet is furthermore expected to increase substantially due to the commencement

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of the paved road operations in the second half of 2011 and increase in the transportation capacity by procurement of additional 300 trucks with trailers in 2011, compared to 100 semi-trucks operated in prior years.

Term of the Fuel Supply Agreement:

The Fuel Supply Agreement will be effective for a period commencing from the date of the EGM at the earliest to 31 December 2013 conditional on obtaining the requisite approval from Independent Shareholders at the EGM.

Reasons for the transaction:

In view of the anticipated increase in fuel consumption due to the increasing level of mining activities conducted by the Group at the UHG deposit and Baruun Naran deposit, the Group had invited some of the major fuel importers and suppliers in Mongolia for a national competitive bid in order to obtain good proposals for long term cooperation enabling the Group to secure stable supplies of fuel products. Among the bid proposals, NIC's bid was evaluated to be the most favourable bid in terms of consideration, technical capacity (including existing storage facilities and transportation fleets), capital expenditure for new fuel storage facilities, operational and strategic stocks, financial capacity and resources. As NIC has been selected, the Group will purchase fuel products required for mining activities conducted by the Group from NIC during the term of the Fuel Supply Agreement. Indicative of the sub-contracting arrangement between NIC and Shunkhlai and Gobi Oil in relation to the supply of fuel products to the Group, NIC has undertaken to be solely responsible for all liabilities under the Fuel Supply Agreement.

INFORMATION ON THE GROUP

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

Energy Resources Corporation LLC, an indirect wholly-owned subsidiary of the Company, is principally engaged in foreign and domestic trade in Mongolia.

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

Enrestechology, an indirect wholly-owned subsidiary of the Company, is principally engaged in the construction and operation of the coal handling and preparation plant at the UHG deposit.

United Power LLC, an indirect wholly-owned subsidiary of the Company, is principally engaged in the construction and operation of the power plant at the UHG deposit.

UHG WS, an indirect wholly-owned subsidiary of the Company, is principally engaged in water exploration and supply of water to the UHG deposit.

LETTER FROM THE BOARD

Gobi Road LLC, an indirect wholly-owned subsidiary of the Company, is principally engaged in construction, operation and management of a paved road project of the Company.

Transgobi, an indirect wholly-owned subsidiary of the Company, is principally engaged in the transportation of coal extracted from the UHG deposit.

Public Service LLC, an indirect wholly-owned subsidiary of the Company, is principally engaged in provision of public utility services at the UHG deposit.

Tavan Tolgoi Airport LLC, an indirect wholly-owned subsidiary of the Company, is principally engaged in the operation and management of TT Airport.

Energy Resources Mining LLC, an indirect wholly-owned subsidiary of the Company, is principally engaged in mining and technical operations of the UHG deposit.

Energy Resources Rail LLC, an indirect wholly-owned subsidiary of the Company, is principally engaged in construction of the railway base infrastructure.

Energy Resources Road LLC, an indirect wholly-owned subsidiary of the Company, is principally engaged in the coal transportation and road construction.

Khangad Exploration LLC, an indirect wholly-owned subsidiary of the Company, is principally engaged in the operation of the Baruun Naran deposit.

INFORMATION ON UNISERVICE SOLUTION, NIC, SHUNKHLAI AND GOBI OIL

Uniservice Solution, a wholly-owned subsidiary of MCS Holding, is principally engaged in provision of office supporting services.

NIC, a wholly-owned subsidiary of Petrovis, is principally engaged in import, marketing and distribution of petroleum products in Mongolia.

Shunkhlai, a wholly-owned subsidiary of Shunkhlai Group, is principally engaged in import and supply of petroleum products in Mongolia.

Gobi Oil, a company which is owned as to 5% by Petrovis, 5% by Shunkhlai Group, 15% by Mr. Dulguun Batbold and remaining by third parties independent of the Company and its connected persons, is principally engaged in distribution of petroleum products in Mongolia. Gobi Oil is not a connected person of the Company.

LISTING RULES IMPLICATIONS

Uniservice Solution is a wholly-owned subsidiary of MCS Holding (the ultimate beneficial owner of Uniservice Solution) which indirectly owns a 100% shareholding interest in MCS Mining Group Limited, a substantial Shareholder interested in approximately 43.99%

LETTER FROM THE BOARD

of the issued share capital of the Company as at the Latest Practicable Date. None of MCS Mining Group Limited's associates has any interests in the Shares. As such, Uniservice Solution is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the transactions contemplated under the Service Agreement and the Sale and Purchase Agreement constitute continuing connected transactions and connected transaction of the Company, respectively.

As the annual amount of the continuing connected transactions under the Service Agreement, when aggregated with the services acquired from Uniservice Solution during 1 January 2011 to 31 July 2011 is expected to be more than 5% under the revenue ratio, the transactions contemplated under the Service Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The connected transaction under the Sale and Purchase Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders approval requirements under Chapter 14A of the Listing Rules as each of the applicable percentage ratios is more than 0.1% but less than 5%. However, when aggregated with the Service Agreement, the connected transaction under the Sale and Purchase Agreement is also subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

MCS Mining Group Limited and its associates will abstain from voting on the resolution to approve the Service Agreement, the Sale and Purchase Agreement and the relevant proposed annual caps to be proposed at the EGM. Each of Mr. Odjargal Jambaljamts, Mr. Gantumur Lingov, Mr. Enkh-Amgalan Luvsantseren and Ms. Enkhtuvshin Gombo, being a Director and a director of MCS Holding, has abstained from voting on the relevant resolutions of the Board in relation to the approval of the Service Agreement and the Sale and Purchase Agreement.

The Board (including the independent non-executive Directors whose views have been set out in this circular after taking into account the advice from the Independent Financial Adviser) is of the view that the transactions contemplated under the Service Agreement and the Sale and Purchase Agreement are in the ordinary and usual course of business of the Company and on normal commercial terms and the terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

NIC is a wholly-owned subsidiary of Petrovis, hence an associate of each of Petrovis Resources Inc., a substantial Shareholder interested in approximately 11.42% of the issued share capital of the Company as at the Latest Practicable Date and Dr. Oyungerel Janchiv, a non-executive Director and the chairperson of Petrovis, which is the sole shareholder of Petrovis Resources Inc. None of Petrovis Resources Inc.'s associates has any interests in the Shares. Shunkhlai, a sub-contractor of NIC, is a wholly-owned subsidiary of Shunkhlai Group, hence an associate of Mr. Batsaikhan Purev, a non-executive Director and a director of Shunkhlai Mining and Shunkhlai Group. Shunkhlai Mining is a Shareholder interested in approximately 4.9% of the issued share capital of the Company as at the Latest Practicable Date. None of Shunkhlai Mining's associates has any interests in the Shares. Gobi Oil, a

LETTER FROM THE BOARD

sub-contractor of NIC, is no longer a connected person of the Company from 21 June 2011. As such, each of NIC and Shunkhlai is a connected person of the Company and the transactions contemplated under the Fuel Supply Agreement also constitute continuing connected transactions of the Company.

As the annual amount of the continuing connected transactions under the Fuel Supply Agreement, when aggregated with the Purchase of Fuel Agreement as announced in the announcement issued by the Company dated 23 May 2011, is expected to be more than 5% under the revenue ratio, the transactions contemplated under Fuel Supply Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Petrovis Resources Inc., Shunkhlai Mining and their respective associates will abstain from voting on the resolution to approve the Fuel Supply Agreement and the relevant proposed annual caps to be proposed at the EGM. Dr. Oyungerel Janchiv and Mr. Batsaikhan Purev, each being a Director and a director of Petrovis and Shunkhlai Group, respectively, has abstained from voting on the relevant resolutions of the Board in relation to the approval of the Fuel Supply Agreement.

The Board (including the independent non-executive Directors whose views have been set out in this circular after taking into account the advice from the Independent Financial Adviser) is of the view that the transactions contemplated under the Fuel Supply Agreement are in the ordinary and usual course of business of the Company and on normal commercial terms and the terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether (i) the terms of the Agreements; and (ii) the Proposed Annual Caps are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. The Company has appointed Somerley to advise the Independent Board Committee and the Independent Shareholders in this respect.

EGM

A notice convening the EGM is set out on pages 38 to 39 of this circular.

A form of proxy for use at the EGM is enclosed with this circular and published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.mmc.mn). Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the connected and continuing connected transactions contemplated by the Agreements respectively have been conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors recommend all the Independent Shareholders to vote in favour of the ordinary resolutions set out in the notice of the EGM.

The Independent Board Committee comprising all the independent non-executive Directors was formed to advise the Independent Shareholders on the terms of the connected and continuing connected transactions contemplated by the Agreements respectively and the Proposed Annual Caps. Having considered the information contained in this letter and the advice of the Independent Financial Adviser set out on pages 20 to 31 of this circular, the Independent Board Committee considers that the terms of the connected and continuing connected transactions contemplated by the Agreements respectively are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Proposed Annual Caps are fair and reasonable. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

RESPONSIBILITY STATEMENT

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

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular, the letter of advice from Somerley set out on pages 20 to 31 of this circular and the additional information set out in the Appendix to this circular.

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



MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

12 August 2011

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 12 August 2011 (“Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context requires otherwise.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Agreements and the Proposed Annual Caps are fair and reasonable so far as the interests of the Shareholders are concerned. Accordingly, we have appointed Somerley as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board on pages 6 to 17 of the Circular, which sets out information in connection with the Agreements and the Proposed Annual Caps. We also wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders which contains its advice to us in respect of the Agreements and the Proposed Annual Caps as set out on pages 20 to 31 of the Circular.

Having considered the information contained in the letter from the Board and taking into account the advice and recommendation of Somerley, we consider that the terms of the Agreements are on normal commercial terms, and together with the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Agreements and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Ochirbat Punsalmaa,
*Independent non-executive
Director*

Unenbat Jigjid,
*Independent non-executive
Director*

Chan Tze Ching, Ignatius,
*Independent non-executive
Director*

LETTER FROM SOMERLEY

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



SOMERLEY LIMITED
10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

12 August 2011

To: *the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the provision of office and camp supporting services by Uniservice Solution to the Group pursuant to the Service Agreement, (ii) the disposal of various movable assets at the Group's camp sites to Uniservice Solution in accordance to the Sale and Purchase Agreement; and (iii) the supply of fuel products by NIC to the Group under the Fuel Supply Agreement which NIC may sub-contract such contractual obligations to Shunkhlai and Gobi Oil. Details of the Agreements and the transactions contemplated thereunder are contained in the circular to Shareholders dated 12 August 2011 (the "Circular"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

Uniservice Solution is a wholly-owned subsidiary of MCS Holding which indirectly owns a 100% shareholding interest in MCS Mining Group Limited, a substantial Shareholder interested in approximately 43.99% of the issued share capital of the Company as at the Latest Practicable Date. None of MCS Mining Group Limited's associates has any interests in the Shares. NIC is a wholly-owned subsidiary of Petrovis, hence an associate of each of Petrovis Resources Inc., a substantial Shareholder interested in approximately 11.42% of the issued share capital of the Company as at the Latest Practicable Date and Dr. Oyungerel Janchiv, a non-executive director of the Company and the chairperson of Petrovis, which is the sole shareholder of Petrovis Resources Inc. None of Petrovis Resources Inc.'s associates has any interests in the Shares. Shunkhlai, a sub-contractor of NIC, is a wholly-owned subsidiary of Shunkhlai Group and is therefore an associate of Mr. Batsaikhan Purev, a non-executive Director and a director of Shunkhlai Mining and Shunkhlai Group. Shunkhlai Mining is a Shareholder interested in approximately 4.9% of the issued share capital of the Company as at the Latest Practicable Date. None of Shunkhlai Mining's associates has any interests in the

LETTER FROM SOMERLEY

Shares. As such, each of Uniservice Solution, NIC and Shunkhlai is a connected person of the Company. The transactions contemplated under the Service Agreement and the Fuel Supply Agreement constitute continuing connected transactions and the entering into of the Sale and Purchase Agreement constitutes a connected transaction for the Company.

MCS Mining Group Limited and its associates shall abstain from voting on resolutions to be proposed at the EGM to approve the Service Agreement (including the relevant annual caps) and the Sale and Purchase Agreement. Each of Mr. Odjargal Jambaljamts, Mr. Gantumur Lingov, Mr. Enkh-Amgalan Luvsantseren and Ms. Enkhtuvshin Gombo, being a Director and a director of MCS Holding, has abstained from voting on the relevant resolutions of the Board approving the Service Agreement and the Sale and Purchase Agreement.

Petrovis Resources Inc., Shunkhlai Mining and their respective associates shall abstain from voting on the resolution to be proposed at the EGM to approve the Fuel Supply Agreement (including the relevant annual caps). Each of Dr. Oyungerel Janchiv and Mr. Batsaikhan Purev, being a Director and a director of Petrovis and Shunkhlai Group, respectively, has abstained from voting on the relevant resolutions of the Board approving the Fuel Supply Agreement.

The applicable percentage ratio in respect of each of the relevant aggregate value of (i) the transactions under the Service Agreement and the services acquired from Uniservice Solution during 1 January 2011 to 31 July 2011; (ii) the Sale and Purchase Agreement and Service Agreement; and (iii) the Fuel Supply Agreement and the Purchase of Fuel Agreement; is expected to be more than 5%. Accordingly, each of the Service Agreement, the Sale and Purchase Agreement and the Fuel Supply Agreement (including the relevant annual caps) are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Messrs. Ochirbat Punsalma, Unenbat Jigjid and Chan Tze Ching, Ignatius, has been established to advise the Independent Shareholders whether the terms of the Service Agreement, the Sale and Purchase Agreement and Fuel Supply Agreement (including the relevant annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information, facts and opinions are true, accurate and complete and will remain so up to the date of the EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or to doubt the truth, accuracy or completeness of the information provided. We have not conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Agreements (including the Proposed Annual Caps), we have taken into consideration the following principal factors and reasons:

1. Background to and reasons for the Agreements

The Group is principally engaged in the mining, transportation and sale of coking coal in Mongolia. It operates an open-pit coking coal mine at the UHG deposit since April 2009 and is the largest producer and exporter of high-quality hard coking coal accounting for almost a quarter of total coal exports of Mongolia in 2010. The escalating demand of coking coal in the PRC elevated its selling price which pulled the revenue of the Group in 2010 up by approximately three times when compared to 2009.

(a) Service Agreement

The Group has outsourced part of the supporting services for its offices and camp sites in various locations in Mongolia to Uniservice Solution (formerly named as Officenet LLC) since 2009 after a tender. The Stock Exchange granted a waiver to the Group from strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules in respect of such services at the time of its listing on the Stock Exchange in September 2010 and such waiver has expired on 31 December 2010.

As disclosed in the Company's announcement dated 23 May 2011, similar services were provided to the Group by Uniservice Solution during the period from 1 January 2011 to 22 May 2011 on a monthly basis. In view of the increasing demand for offices and camp sites supporting services under the continued expansion of the Group's operation, including the development of the UHG deposit and the acquisition of Baruun Naran deposit in June 2011, the Group aims to secure long-term quality professional services at competitive prices by inviting several major camp and office supporting services providers in Mongolia for a national bid in June 2011. It was anticipated that the selection process would be completed by August 2011, the Group therefore entered into the Office and Camp Supporting Service Agreement on 23 May 2011 to govern the interim servicing arrangement with Uniservice Solution till end of August 2011. The tendering process was eventually completed in July 2011. The Directors confirm that Uniservice Solution's bid was evaluated to be the most favourable in terms of consideration and the overall coverage of the services among the bidding proposals received. Uniservice Solution was chosen after the Group's bid-evaluation process. In light of the Group's past co-operation with Uniservice Solution, the management is confident with the quality of services to be provided by Uniservice Solution in the coming years.

LETTER FROM SOMERLEY

(b) Sale and Purchase Agreement

The Group has originally acquired various movable assets including tools, ger, container apartment, air conditioners, heaters, beds, cabinets, tables, television, washing machines, dryers, refrigerators, other kitchen and coffee shop furniture, basketball board, tennis table, treadmill, bodybuilding equipment, other sport hall and gym equipment, trolley garbage truck, containers, water tanks and other equipment which are used for provision of office and camp supporting services. As the management now decides to outsource all its properties and facilities to be managed by Uniservice Solution which will provide the Group all the relevant camp and office supporting services, the Group no longer requires such assets and the purchase of the Assets at its book value is therefore set as a pre-condition for successful bidder to enter into the Service Agreement. The Group considers disposal of the Assets will be in the interests of the Group and its shareholders as a whole since the proceeds from the disposal would increase the general working capital of the Group. We concur with the Directors that such disposal would streamline the Group's overall operation and enable the Group to realise its investment in the Assets whose retention is no longer necessary.

(c) Fuel Supply Agreement

The Group owns and operates the largest coking coal mine in Mongolia in terms of production and sales volume. It requires large scale mining equipments in its mining activities which needs a substantial amount of fuel to operate. Gobi Oil, the then 50:50 joint venture between Petrovis and Shunkhlai Group has been providing fuel products to Energy Resources in the past and such contractual agreement between Energy Resources and Gobi Oil has expired on 7 June 2011. The Stock Exchange granted a waiver to the Group from strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules in respect of such agreement at the time of its listing on the Stock Exchange in September 2010 and such waiver has expired on 7 June 2011. Petrovis and Shunkhlai Group disposed their interests in Gobi Oil and ceased to be its substantial shareholders in June 2011.

The Group anticipates increase in fuel consumption due to the increasing level of mining activities conducted by the Group at the UHG deposit and Baruun Naran deposit. In order to obtain good proposals for long term stable supplies of fuel products, the Group initiated a tendering process in June 2011 which was expected to be completed by July 2011. The Group therefore entered into the Purchase of Fuel Agreement for a period to govern the continuing supply of fuel products up to 15 July 2011. The tendering process was eventually completed in July 2011 and NIC being the wholly-owned subsidiary of Petrovis was chosen as its bid was evaluated to be the most favourable in terms of consideration, technical capacity (including existing storage facilities and transportation fleets), capital expenditure for new fuel storage facilities, operational and strategic stocks, financial capacity and resources.

LETTER FROM SOMERLEY

We are confirmed by the Directors that Petrovis is an oligopoly in the fuel market in Mongolia and there are few alternative suppliers of fuel with comparable pricing at market rate. The gas stations owned by Petrovis are distributed conveniently within the close proximity of the UHG deposit and along the road to the Mongolia-China border. When compared to other alternatives available, the Directors consider that it is efficient and cost-effective to continue to purchase fuel from the gas stations operated by the Petrovis Group. NIC is the largest oil import and distribution company in Mongolia. We are confirmed by the Directors that NIC is the only company with a national distribution network of storage terminals and distribution facilities, including 19 major regional storage depots and 400 retail outlets (filling stations). NIC has a presence in each of the country's 21 provinces (known as aimags) and more than 300 sub-regions (known as soums). In addition, three petroleum supply depots, which are fully operational, are currently under conservation.

2. Principal terms of the Agreements

(a) Service Agreement

Pursuant to the Service Agreement, Uniservice Solution agrees to provide, and the Group agrees to purchase the following services on a day to day basis:

- Accommodation and catering services for the camp sites located at the UHG deposit, Baruun Naran deposit and TKH;
- Laundry services for the camp sites located at the UHG deposit, Baruun Naran deposit and TKH;
- Cleaning and janitor services for UB offices and facilities located at the UHG deposit, Baruun Naran deposit and TKH including employees' and contractor's camps, offices, gymnasium, warehouses, custom and dispatcher booths, and TT Airport;
- Security services for UB offices and facilities located at the UHG deposit, Baruun Naran deposit and TKH including employees' and contractor's camps, offices, gymnasium, warehouses, custom and dispatcher booths, and TT Airport;
- Recreation services in the employees' camps and gymnasium located at the UHG deposit, Baruun Naran deposit and TKH; and
- Maintenance and other type of camp management services for UB offices and facilities located at the UHG deposit, Baruun Naran deposit and TKH including employees' and contractor's camps, offices, gymnasium, warehouses, custom and dispatcher booths, and TT Airport.

LETTER FROM SOMERLEY

The total consideration payable to Uniservice Solution inclusive of VAT, other applicable taxes and all other costs associated with the services provided by Uniservice Solution is US\$73,193,551 under the Service Agreement. Such consideration is determined based on the size of the location where services are to be provided and the number of employees utilising the camp sites and the temporary ger camp located at the UHG deposit, Baruun Naran deposit and TKH. The consideration was determined on an arm's length basis between the Group and Uniservice Solution based on bid submitted by Uniservice Solution and the terms of the Service Agreement are more favourable than those available from other independent third parties.

Within the first 15 days of each month, the Group will pay up to MNT300,000,000 (equivalent to approximately US\$240,838) as an advance payment of the service fee for that month. On the last day of each month, Uniservice Solution will issue an invoice to the Group setting out service fee incurred for that month. The service fees will then be settled by the Group following the receipt of invoice within five working days. Adjustment will be made in the following month should the invoiced amount be less than the advance payment amount.

(b) Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, each of Energy Resources, Enrestechnology, Transgobi and UHG WS agrees to sell and Uniservice Solution agrees to purchase the movable assets at the Group's camp sites located at the UHG deposit and TKH which are used for the provision of office and camp supporting service to the Group.

The selling price for the Assets of MNT4,304,068,677 (equivalent to approximately US\$3,455,279) inclusive of 10% VAT was determined on an arm's length basis between the parties. We consider the basis of pricing which is principally the book value of the Assets less depreciation fair as the Assets mainly are fitting and fixtures for the Group's own use. The full amount of the consideration for the disposal has to be settled within 45 days from the execution of the Sale and Purchase Agreement.

(c) Fuel Supply Agreement

Pursuant to the Fuel Supply Agreement, NIC agrees to supply fuel products including diesel fuel and other types of fuel which meet the standard of GOST 30582 of Russia or other similar domestic and international standards to the Group at the UHG deposit, Baruun Naran deposit and TKH coal trans-loading and handling yard and other destinations designated by the Company on an accrual basis through its gas stations and dispenser trucks. The parties agree that NIC may sub-contract its obligations under the Fuel Supply Agreement to Shunkhlai and Gobi Oil to supply fuel products to the Group in compliance with the terms and conditions of the Fuel Supply Agreement, for which NIC has undertaken to be solely responsible for all liabilities under the Fuel Supply Agreement. Incidental to the supply of fuel products, NIC will construct fuel storage facilities in UHG deposit and Baruun Naran Deposit with storage capacity of 6,000 m³

LETTER FROM SOMERLEY

and 200 m³ respectively. NIC will also build two additional fuel stations with storage capacity of 50 m³ in UHG deposit and TKH coal trans-loading and handling yard respectively in accordance with the applicable regulations and standards. All the above construction shall be at NIC's own expense who will also handle their own operations. Should the Fuel Supply Agreement be terminated prior to the expiry date due to breach of contractual obligation or wrongful act or omission by NIC, the Company has the right to acquire any of the fuel warehouses and fuel stations at the construction cost with adjustments to the accumulated depreciation.

On the 15th day of each month, an invoice will be issued to the Group by NIC setting out all goods supplied during the first 15 day period. On the last period of each month, another invoice will then be issued to the Group setting out all goods supplied during the remaining period of the month. The Group was required to settle the invoices within five working days following receipt of invoices. The total consideration is US\$667,471,067 inclusive of VAT, other applicable taxes and all other costs. The consideration was determined by tendering proposal submitted by NIC which is based on market rate of fuel products.

Each of the Agreements is subject to the Independent Shareholders' approval at the EGM. The Sale and Purchase Agreement is conditional upon the Service Agreement becoming unconditional.

3. Proposed Annual Caps and comparison of terms with independent third parties

The transactions contemplated under the Service Agreement and Fuel Supply Agreement are subject to the Proposed Annual Caps and also to the Listing Rules' requirements and conditions as more particularly discussed under the section headed "Reporting requirements and conditions of the continuing connected transactions" below.

(i) Review of historical figures

Office and Camp Supporting Service Agreement

Driven by the enlarging labour force catered for the Group's increasing mining activities in 2010, the actual service fees paid to Uniservice Solution for the provision of office and camp supporting services for the year ended 31 December 2010 increased by almost 1.7 times to MNT5,279,056,587 (equivalent to approximately US\$3,890,126) when compared to MNT2,090,354,240 (equivalent to approximately US\$1,452,361) for the year ended 31 December 2009. We are advised by the Directors that transaction amount of similar services for the first six months ended 30 June 2011 already reached US\$4,390,610 contributed by the continued expansion in business operation throughout the year.

LETTER FROM SOMERLEY

Purchase of Fuel Agreement

The Group made a total purchase of fuel products from Petrovis and its subsidiaries of MNT33,343,984,543 (equivalent to approximately US\$24,571,114) for the year ended 31 December 2010, representing a growth of approximately 2.3 times from MNT10,651,766,232 (equivalent to approximately US\$7,400,760) for the year ended 31 December 2009. Other than the expansion in the Group's mining activities, such increase was partly attributable to the nine months operation in 2009 which would have consumed smaller amount of fuel when compared to the full year operation in 2010. Actual fuel consumption for the first six months ended 30 June 2011 amounted to US\$31,649,311.

(ii) Assessment of the Proposed Annual Caps

	Financial years ending 31		
	December		
	2011	2012	2013
	(US\$)	(US\$)	(US\$)
Proposed annual caps under			
Service Agreement	17,045,544	29,172,640	34,481,572
Proposed annual caps under			
Fuel Supply Agreement	88,612,821	218,595,000	392,493,750

In assessing the reasonableness of the Proposed Annual Caps for the Service Agreement and Fuel Supply Agreement, we have discussed with the Directors the basis and assumptions underlying the projections of the Proposed Annual Caps.

Service Agreement

In determining the proposed annual caps for the three years ending 31 December 2013, the Directors have considered the expected utilisation of the various categories of services to be provided under the Service Agreement consisting of (i) catering, laundry and cleaning (including maintenance and recreation services) at UHG deposit, Baruun Naran deposit and TKH, (ii) cleaning and maintenance services for office building and facilities located at UHG deposit, Baruun Naran deposit, TKH and TT Airport and (iii) security services at UHG deposit, Baruun Naran deposit and TKH. The Proposed Annual Caps are arrived at by adopting (i) projected average number of the Group's employees utilising office building and different camp sites multiplied by a daily fee charged per head; (ii) existing gross floor areas of office and camp sites multiplied by monthly service fee charged per square metre; and (iii) projected number of security posts required multiplied by monthly service fee paid for such services, after taking into account the anticipated increase in the number of employees and properties, the business development plan of the Group and inflation.

LETTER FROM SOMERLEY

We are advised by the Directors that the Group has an expansion plan which would enhance its production capacity of coal at UHG deposit from 3.9 Mt in 2010 to 7Mt in 2011, 10Mt in 2012 and 15Mt in 2013. Following the acquisition of Baruun Naran deposit in June 2011 which is expected to commence production in the second half of 2011, the Group estimates there will be a significant increase in the number of workers which would in turn increase the demand for office and camp supporting service.

Amid the continued expansion in business operation of the Group and having made reference to the historical data, the Directors estimate there will be a year on year growth of approximately 25% and 17% in the average number of its employees in 2012 and 2013, respectively. On the other hand, only part of the Group's properties and facilities were managed by Uniservice Solution under the Office and Camp Supporting Service Agreement. It is now intended that all the Group's facilities and sites including the newly acquired Baruun Naran deposit, the coal handling and processing plant which commenced operations in June 2011, and the on-site power plant which is expected to be operational in the second half of 2011, would be covered under the Service Agreement. In deriving the Proposed Annual Caps, the Directors also build in buffer for possible inflation and fluctuation in exchange rates in the future.

Fuel Supply Agreement

The proposed annual caps for the three years ending 31 December 2013 is determined based on the projected increasing volume of fuel consumption to cope with the escalating mining and transportation activities under the business development plan of the Group multiplied by the projected average fuel price.

We are advised by the Directors that the Group intends to expand the scale of its fleet of self-owned trucks for coal transportation by approximately three times in the second half of 2011, with the transportation capacity per unit truck increased by two times. To keep pace with its rapid expansion, the Group has commenced construction of an approximately 245-kilometer paved road parallel to the existing gravel road currently used for the transportation of its coal products. This road will be the Group's primary transportation link to China and is expected to be commissioned in the second half of 2011. The Group also undertook key infrastructure expansion, including a coal handling and processing plant, a coal-fired power plant and a water supply facility. Having considered the above, the Group believes there would be significant increase in fuel consumption. Furthermore, the Directors estimate that there will be an increase of 40% of unit fuel price in 2011 when compared to 2010. According to Ministry of Mineral Resources and Energy of Mongolia, fuel price has grown up by approximately 30% to US\$1.32 per litre in June 2011 when compared with the average unit fuel price in 2010 of US\$1.04 per litre, which is partly attributable to the ban on export of fuel from Russia to Mongolia since May 2011.

LETTER FROM SOMERLEY

As disclosed in the Company's 2010 annual report, the management expects there would be a year on year growth on the Group's coking coal production volume of approximately 40%-50% from 2011 to 2013. In deriving the proposed annual caps, the management estimates that there would be a year on year growth of approximately 25%-35% in the fuel price and a buffer is built in to cater for inflation and possible fluctuations in exchange rates from 2011 to 2013.

Having considered the above including the Group's historical growth, business expansion plan and market trend of fuel price, we consider the Proposed Annual Caps fair and reasonable.

(iii) Comparison on terms of the Service Agreement and the Fuel Supply Agreement with independent third parties

We have discussed with the Directors and reviewed the bid evaluation reports prepared by the Group's tendering team and noted that the overall terms offered by Uniservice Solution and NIC are in line with the rates among the bid quotations received by the Group (after balancing the similar type of services to be provided and the pricing quoted by different bidders). We consider the pricing mechanism which is made reference to prevailing market prices fair and reasonable.

4. Financial effects of the Sale and Purchase Agreement

(i) Net Asset and cash flow

As the consideration for the disposal of the Assets is equivalent to the book value less depreciation and taking into account of the current conditions of the Assets, plus the 10% VAT which is to be borne by Uniservice Solution, the Group does not expect to have any significant gain or loss as a result of the disposal. The disposal will not have material effect on the net asset value of the Group.

(ii) Earnings and cash flow

Upon disposal of the Assets, the Group would no longer record the depreciation expenses of the Assets. Besides, there will be an immediate cash inflow of net proceeds from the disposal of the Assets of approximately MNT3,912,789,706 (equivalent to approximately US\$3,141,163) which the Group intends to use for the general working capital purpose for its daily operation.

5. Reporting requirements and conditions of the continuing connected transactions

Pursuant to Listing Rules 14A.37 to 14A.40, the continuing connected transactions contemplated under the Service Agreement and the Fuel Supply Agreement are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the annual report and accounts that the transactions have been entered into:

LETTER FROM SOMERLEY

- (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the continuing connected transactions:
- (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the relevant agreements governing the transactions; and
 - (iv) have not exceeded the Proposed Annual Caps;
- (c) the Company shall allow, and shall procure the relevant counterparties to the continuing connected transactions shall allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (b);
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

In light of the reporting requirements attached to the continuing connected transactions, in particular, (i) the restriction of the value of the continuing connected transactions by way of the Proposed Annual Caps; and (ii) the requirement under the Listing Rules for ongoing review by the independent non-executive Directors and auditors of the Company on the terms of the continuing connected transactions and the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions and assist in safeguarding the interests of the Independent Shareholders.

LETTER FROM SOMERLEY

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Service Agreement, the Sale and Purchase Agreement and the Fuel Supply Agreement, are on normal commercial terms and entered into in the ordinary and usual course of business of the Group. We further consider that the terms of Agreements (including the Proposed Annual Caps) and the transactions contemplated thereunder, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Agreements (including the Proposed Annual Caps) and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Maggie Chan
Director

1. RESPONSIBILITY STATEMENTS

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

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up.

3. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the following Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange:

Long positions in the Shares and underlying Shares

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Odjargal Jambaljamts	Interest in controlled corporation	1,629,699,000	43.99%
Oyungerel Janchiv	Interest in controlled corporation	423,000,000	11.42%
Batsaikhan Purev	Interest in controlled corporation	119,923,500	3.24%

Short positions in the Shares and underlying Shares

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Odjargal Jambaljamts	Interest in controlled corporation	336,650,250	9.09%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in the Shares and underlying Shares

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
MCS Mining Group Limited	Registered owner	1,629,699,000	43.99%
MCS Group Limited	Interest of controlled corporation	1,629,699,000	43.99%

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
MCS Holding LLC	Interest of controlled corporation	1,629,699,000	43.99%
Odjargal Jambaljamts (note 1)	Interest of controlled corporation	1,629,699,000	43.99%
Od Jambaljamts	Interest of controlled corporation	1,629,699,000	43.99%
Petrovis Resources Inc.	Registered owner	423,000,000	11.42%
Petrovis LLC	Interest of controlled corporation	423,000,000	11.42%
Oyungerel Janchiv (note 2)	Interest of controlled corporation	423,000,000	11.42%
Davaanyam Choindon	Interest of controlled corporation	423,000,000	11.42%
Mongol Contract LLC	Interest of controlled corporation	423,000,000	11.42%
Tuya Danzandarjaa	Interest of controlled corporation	423,000,000	11.42%
Kerry Mining (UHG) Limited (note 3)	Registered owner	300,000,000	8.10%
Kerry Mining (Mongolia) Limited (note 3)	Interest of controlled corporation	300,000,000 60,714,285 (note 4)	9.74%
Fexos Limited (note 3)	Interest of controlled corporation	300,014,640 60,714,285 (note 4)	9.74%
Kerry Holdings Limited (note 3)	Interest of controlled corporation	300,014,640 60,714,285 (note 4)	9.74%
Kerry Group Limited (note 3)	Interest of controlled corporation	333,885,391 60,714,285 (note 5)	10.65%

Note:

- (1) Mr. Odjargal Jambaljamts is also a director of MCS Holding, the ultimate controlling Shareholder.
- (2) Dr. Oyungerel Janchiv is also the chairperson of Petrovis, which is the sole shareholder of Petrovis Resources Inc., a substantial Shareholder.
- (3) Kerry Mining (UHG) Limited (“KMUHG”) is a direct wholly-owned subsidiary of Kerry Mining (Mongolia) Limited (“KMM”) which is owned as to approximately 49.38% by Fexos Limited (“Fexos”). Fexos is a direct wholly-owned subsidiary of Kerry Holdings Limited (“KHL”) which in turn is a direct wholly-owned subsidiary of Kerry Group Limited (“KGL”). The Shares in which KMUHG are shown to be interested are also included in the Shares in which KMM, Fexos, KHL and KGL are shown to be interested.
- (4) Each of KMM, Fexos, KHL and KGL was deemed interested in 60,714,285 underlying Shares held by KMM. Such underlying Shares represent the number of Shares that may be issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company to KMM’s subsidiary. Please refer to the announcement of the Company dated 1 June 2011 for further details.
- (5) Out of KGL’s corporate interest in 333,885,391 Shares, 33,870,751 Shares were held through its wholly-owned subsidiaries (other than KHL), 300,014,640 Shares were held through companies in which KGL, through KHL, controls more than one-third of the voting power (other than those wholly owned subsidiaries as aforementioned).

Short positions in the Shares and underlying Shares

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
MCS Mining Group Limited	Registered owner	336,650,250	9.09%
MCS Group Limited	Interest of controlled corporation	336,650,250	9.09%
MCS Holding LLC	Interest of controlled corporation	336,650,250	9.09%
Odjargal Jambaljamts	Interest of controlled corporation	336,650,250	9.09%
Od Jambaljamts	Interest of controlled corporation	336,650,250	9.09%

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

4. DIRECTORS' INTEREST IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or is proposing to enter into a service contract with any member of the Group which may not be terminated by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates was considered by the Company to have interests in business which compete with, or might compete with, either directly or indirectly, with the business of the Group, other than those business in which such directors have been appointed to represent the interests of the Company and/or other members of the Group.

6. EXPERT'S QUALIFICATION AND CONSENT

- (a) Somerley is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.
- (b) As at the Latest Practicable Date, Somerley did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.
- (d) The letter and recommendation given by Somerley are given as of the date of this circular for incorporation herein.
- (e) Somerley has no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up. No contract or arrangement in which a Director was materially interested and which was significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

8. GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the Company's principal place of business in Hong Kong at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong during normal business hours on any weekday (except for public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the Service Agreement;
- (b) the Sale and Purchase Agreement;
- (c) the Fuel Supply Agreement;
- (d) the Office and Camp Supporting Service Agreement;
- (e) the Purchase of Fuel Agreement;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 18 to 19 of this circular;
- (g) the letter from Somerley to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 31 of this circular;
- (h) the letter of consent from Somerley referred to in paragraph 6(c) above; and
- (i) the memorandum and articles of association of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING



MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Mongolian Mining Corporation (the “Company”) will be held at Salon 4 (Level 3), JW Marriot Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 31 August 2011 at 9:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Service Agreement (as defined in the circular of the Company dated 12 August 2011 (the “Circular”) of which this notice forms part) entered into between the Company and its subsidiaries (the “Group”) and Uniservice Solution LLC (“Uniservice Solution”) (a copy of the Service Agreement was tabled at the meeting marked “A” and signed by the Chairman for the purpose of identification) pursuant to which Uniservice Solution provides office and camp supporting services to the Group and the annual caps and the transactions contemplated thereunder be and is hereby approved, ratified and confirmed;
- (b) the Sale and Purchase Agreement (as defined in the Circular of which this notice forms part) entered into between Energy Resources LLC, Enrestechology LLC, Transgobi LLC, Ukhaa Khudag Water Supply LLC and Uniservice Solution (a copy of the Sale and Purchase Agreement was tabled at the meeting marked “B” and signed by the Chairman for the purpose of identification) pursuant to which Energy Resources LLC, Enrestechology LLC, Transgobi LLC, Ukhaa Khudag Water Supply LLC sell and Uniservice Solution purchase the Assets (as defined in the Circular) and the transactions contemplated thereunder be and is hereby approved, ratified and confirmed; and
- (c) any one director of the Company be and is hereby authorised to execute all documents, do all acts and things and take all steps which in his/her opinion he/she may consider necessary, desirable and expedient for the implementation of and giving effect to the Service Agreement and the Sale and Purchase Agreement and the transaction contemplated thereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “**THAT**

- (a) the Fuel Supply Agreement (as defined in the Circular of which this notice forms part) entered into between the Group and NIC LLC (“NIC”) (a copy of the Fuel Supply Agreement was tabled at the meeting marked “C” and signed by the Chairman for the purpose of identification) pursuant to which NIC supply fuel products to the Group and the annual caps and the transactions contemplated thereunder be and is hereby approved, ratified and confirmed; and

- (b) any one director of the Company be and is hereby authorised to execute all documents, do all acts and things and take all steps which in his/her opinion he/she may consider necessary, desirable and expedient for the implementation of and giving effect to the Fuel Supply Agreement and the transaction contemplated thereunder.”

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

Hong Kong, 12 August 2011

Notes:

- (a) A member of the Company entitled to attend and vote at the EGM may appoint a proxy or, if holding two or more shares, more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

- (b) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy thereof must be deposited with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or adjournment thereof.

- (c) Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment thereof should they so wish, and in such event, the form of proxy will be deemed to be revoked.

- (d) Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share of the Company as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.