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## **MONGOLIAN MINING CORPORATION**

*(Incorporated in the Cayman Islands with Limited Liability)*

**(Stock Code: 975)**

### **CONTINUING CONNECTED TRANSACTIONS**

In September 2013, NIC, Shunkhlai, USS and MCS Armor have been selected, through competitive tender process, as supplier of fuel products to the Group, service provider of the provision of office and camp supporting services to the Group and service provider of the provision of security services to the Group (as the case may be). On 18 October 2013, the Group entered into the following agreements:

- (i) Fuel Supply Agreement with NIC between NIC and Energy Resources, whereby NIC conditionally agreed to supply fuel products to the Group for the mining activities and site operations at the UHG mine site and BN mine site for a period commencing from 1 January 2014 to 31 December 2016 for a total consideration of up to US\$784,369,936;
- (ii) Fuel Supply Agreement with Shunkhlai between Shunkhlai and Transgobi, whereby Shunkhlai conditionally agreed to supply fuel products to the Group at the UHG mine site and TKH site for the Group's coal transportation and logistics operations for a period commencing from 1 January 2014 to 31 December 2016 for a total consideration of up to US\$169,373,021;
- (iii) Service Agreement between USS and Energy Resources, whereby USS agreed to provide office and camp supporting services to the Group for a period commencing from 1 January 2014 to 31 December 2016 for a total consideration of up to MNT72,957,978,408 (equivalent to approximately US\$43,026,555); and
- (iv) Security Services Agreement between MCS Armor and Energy Resources, whereby MCS Armor agreed to provide security services to the Group for a period commencing from 1 January 2014 to 31 December 2016 for a total consideration of up to MNT12,933,103,680 (equivalent to approximately US\$7,627,225).

## **LISTING RULES IMPLICATIONS**

NIC is an associate of Dr. Oyungerel Janchiv, a non-executive Director. Shunkhlai is an associate of Mr. Batsaikhan Purev, a non-executive Director. As such, each of NIC and Shunkhlai is a connected person of the Company and the transactions contemplated under each of the Fuel Supply Agreements constitute continuing connected transactions of the Company.

As the applicable percentage ratios of the continuing connected transactions under each of the Fuel Supply Agreements are expected to be more than 5%, the transactions contemplated under each of the Fuel Supply Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee will be formed to consider and advise the Independent Shareholders as to whether (i) the terms of each of the Fuel Supply 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 as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other matters, further details of the continuing connected transactions under the Fuel Supply Agreements and a notice convening the EGM, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee to the Independent Shareholders is expected to be despatched to the Shareholders in compliance with the Listing Rules on or before 8 November 2013.

Each of USS and MCS Armor is a wholly-owned subsidiary of MCS Holding. MCS Holding is in turn wholly-owned and controlled by MCS (Mongolia) Limited. MCS (Mongolia) Limited directly owns 100% shareholding interest in MCS Mining Group, which is a substantial Shareholder holding approximately 33.50% of the issued share capital of the Company as at the date of this announcement. As such, USS and MCS Armor are connected persons of the Company within the meaning of the Listing Rules. Accordingly, the transactions contemplated under the Service Agreement and the Security Services Agreement constitute continuing connected transactions of the Company, respectively.

As the applicable percentage ratios for the continuing connected transactions under the Service Agreement and the applicable percentage ratios of the continuing connected transactions under the Security Services Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Service Agreement and the Security Services Agreement are subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **CONTINUING CONNECTED TRANSACTIONS**

### **1. Fuel Supply Agreement with NIC**

***Date:***

18 October 2013

***Parties:***

Energy Resources as purchaser

NIC as supplier

***Principal terms:***

NIC agreed to supply fuel products (diesel fuel and gasoline), lubricants and provide other related services including fueling and storing services for the mining activities and site operations at the UHG mine site and BN mine site.

In broad terms, the supply of fuel products and related services comprises the following:

- Supply diesel (summer and winter grade), A80 and A92 gasoline at UHG mine site and BN mine site for both mining and non-mining use;
- Provide fueling service for mining and non-mining machinery and equipment at mine pit and coal stock piles using own fueling trucks;
- Provide fueling service for trucks and non-mining vehicles at fuel stations; and
- Store a normal and emergency reserve of fuel for the Group at its own storage facilities.

***Consideration and payment terms:***

The maximum consideration payable by the Group to NIC is US\$784,369,936, including VAT, other applicable taxes and all other costs undertaken by NIC. The payment for the fuel supply and related services is to be made on a monthly basis within 60 days upon receipt of valid invoice from NIC.

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

***Proposed annual caps:***

The following table sets out the proposed annual caps for the Fuel Supply Agreement with NIC for the three financial years ending 31 December 2016:

<b>Financial year ending</b>	<b>Proposed annual caps</b>	<b>Period covered</b>
31 December 2014	US\$202,808,966	12 months from 1 January 2014 to 31 December 2014
31 December 2015	US\$254,580,068	12 months from 1 January 2015 to 31 December 2015
31 December 2016	US\$326,980,902	12 months from 1 January 2016 to 31 December 2016

The proposed annual caps were determined with reference to the internal projection of the amount of fuel required having regard to (i) the mining production plans for the coming three years; (ii) the tender proposal submitted by NIC; (iii) the prevailing market price of fuel; (iv) the business development plan of the Group; (v) the historical transaction amounts in respect of fuel supply transactions; and (vi) buffer to accommodate possible inflation, future fluctuation in exchange rates, possible increases in production volume, fuel price and storage, and other contingent costs.

***Term of the Fuel Supply Agreement with NIC:***

The Fuel Supply Agreement with NIC will be effective for a period commencing from 1 January 2014 to 31 December 2016 conditional on obtaining the requisite approval from the Independent Shareholders at the EGM.

***Reasons for the transaction:***

In order to obtain good proposals for long term cooperation which enables the Group to secure stable supplies of fuel products for the mining activities and site operations at the UHG mine site and BN mine site, the Company had invited the major fuel importers and suppliers in Mongolia for a national competitive bid. The Company identified the three largest fuel importers that hold above 5% of Mongolian fuel market share and invited them to submit bids.

Among the bid proposals, NIC's bid was evaluated as the most favourable bid in terms of commercial proposal, experience and technical capacity (including existing storage facilities, logistics network and reliability of the source) among the other proposals received. NIC will be able to provide reliable supply and related services that meet the Company's operational and safety requirements at the lowest cost to the Company. As NIC has been selected, the Group will purchase fuel products and related services from NIC during the term of the Fuel Supply Agreement with NIC.

## **2. Fuel Supply Agreement with Shunkhlai**

### ***Date:***

18 October 2013

### ***Parties:***

Transgobi as purchaser

Shunkhlai as supplier

### ***Principal terms:***

Shunkhlai agreed to supply fuel products (diesel fuel and gasoline) and provide other related services including fueling and storing services at the UHG mine site and TKH site for the Group's coal transportation and logistics operations.

In broad terms, the supply and related services comprises the following:

- Supply diesel (summer and winter grade), A80 and A92 gasoline at UHG mine site and TKH site;
- Provide fueling service for non-mining machinery and equipment at coal stock piles at TKH site using own fueling trucks;
- Provide fueling service for trucks and non-mining vehicles at fuel stations; and
- Store a normal and emergency reserve of fuel for the Group at its own storage facilities.

### ***Consideration and payment terms:***

The maximum consideration payable by the Group to Shunkhlai is US\$169,373,021, including VAT, other applicable taxes and all other costs undertaken by Shunkhlai. The payment for the fuel supply and related services is to be made on a monthly basis within 60 days upon receipt of valid invoice from Shunkhlai.

The consideration was determined by the tender proposal submitted by Shunkhlai which is based on market rate of fuel products.

***Proposed annual caps:***

The following table sets out the proposed annual caps for the Fuel Supply Agreement with Shunkhlai for the three financial years ending 31 December 2016:

<b>Financial year ending</b>	<b>Proposed annual caps</b>	<b>Period covered</b>
31 December 2014	US\$51,846,268	12 months from 1 January 2014 to 31 December 2014
31 December 2015	US\$56,144,383	12 months from 1 January 2015 to 31 December 2015
31 December 2016	US\$61,382,370	12 months from 1 January 2016 to 31 December 2016

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 volume of coal transportation; (ii) the tender proposal submitted by Shunkhlai; (iii) the prevailing market price of fuel; (iv) the historical transaction amounts in respect of fuel supply transactions; and (v) buffer to accommodate possible inflation, future fluctuation in exchange rates, possible increases in production volume, fuel price and storage, and other contingent costs.

***Term of the Fuel Supply Agreement with Shunkhlai:***

The Fuel Supply Agreement with Shunkhlai will be effective for a period commencing from 1 January 2014 to 31 December 2016 conditional on obtaining the requisite approval from the Independent Shareholders at the EGM.

***Reasons for the transaction:***

The scope of fuel supply tender is divided into two parts and two separate tenders were organized by the Company for the following fuel consumption:

- (1) Supply of fuel for the mining activities and site operations at the UHG mine site and BN mine site; and
- (2) Supply of fuel at the UHG mine site and TKH site for the Group's coal transportation and logistics operations.

The purpose of splitting the fuel supply scope is to engage at least two suppliers of fuel to increase supply source, improve the reliability of fuel supply, reduce risks and increase service quality by having competition among suppliers.

In order to obtain good proposals for long term cooperation which enables the Group to secure stable supplies of fuel products for the coal transportation and logistics operations, the Company had invited some of the fuel importers and suppliers in Mongolia that hold over 5% of Mongolian fuel market share for a competitive tender process.

The Company's policy is to have more than one supplier of fuel and NIC was excluded from the evaluation as it has been selected as the preferred supplier of fuel for mining and site operations covering UHG mine site and BN mine site. Among other bids, Shunkhlai's bid was evaluated as the most favourable bid in terms of commercial proposal, experience and technical capacity. Shunkhlai is selected as the preferred bidder for the supply of fuel and related services at the UHG mine site and TKH site for the Group's coal transportation and logistics operations that meets Company's operational and safety requirements. As Shunkhlai has been selected, the Group will purchase fuel required for its coal transportation and logistics operations from Shunkhlai during the term of the Fuel Supply Agreement with Shunkhlai.

### **3. The Service Agreement**

***Date:***

18 October 2013

***Parties:***

Energy Resources as service purchaser

USS as service provider

***Principal terms:***

In broad terms, USS agreed to provide the following services to the Group on a day-to-day basis:

- Catering, camp management, laundry, cleaning and maintenance services for camps, offices and industrial facilities at UHG mine site and BN mine site; and
- Cleaning, maintenance, cloakroom attendance for Ulaanbaatar office.

***Consideration and payment terms:***

The maximum consideration payable by the Group to USS under the Service Agreement is MNT72,957,978,408 (equivalent to approximately US\$43,026,555) inclusive of VAT, other applicable taxes and costs undertaken by USS. The maximum consideration payable to USS is determined based on the size of the location where services are to be provided and the number of employees utilizing the camp site and the temporary ger camp located at the UHG mine site and BN mine site.

The payment for the services provided by USS will be made on a monthly basis within 60 days upon receipt of valid invoice from USS. No advance payment and no mobilization and demobilization payments are to be made by the Group. The consideration was determined on an arm's length basis between the Company and USS based on the bid submitted by USS.

### ***Annual caps:***

The following table sets out the annual caps for the Service Agreement for the three financial years ending 31 December 2016:

<b>Financial year ending</b>	<b>Annual caps</b>	<b>Period covered</b>
31 December 2014	MNT24,319,326,136 (equivalent to approximately US\$14,342,185)	12 months from 1 January 2014 to 31 December 2014
31 December 2015	MNT24,319,326,136 (equivalent to approximately US\$14,342,185)	12 months from 1 January 2015 to 31 December 2015
31 December 2016	MNT24,319,326,136 (equivalent to approximately US\$14,342,185)	12 months from 1 January 2016 to 31 December 2016

The annual caps are determined with reference to the internal projection of the amount of services required, cost of materials and number of employees having regard to (i) the tender proposal submitted by USS; (ii) the business development plan of the Group; (iii) the historical transaction documents in respect of the office and camp supporting services; and (iv) buffer to accommodate possible business development plans in the future that might lead to increase in the number of employees, inflation, and other contingent costs.

### ***Term of the services:***

The Service Agreement will be effective for a period starting from 1 January 2014 to 31 December 2016.

### ***Reasons for the transactions:***

Former office and camp supporting services agreement dated 22 July 2011 with USS is due to expire on 31 December 2013. In order to select the office and camp support services contractor for 2014 to 2016, the Company organized and conducted a competitive bid process. The Company had invited five international and locally recognized experienced companies for a national competitive bid in order to obtain good proposals for long term cooperation which enables the Group to secure quality professional services at competitive prices.

USS's bid was evaluated to be the most favourable in terms of commercial proposal and the overall scope of services, experience and proposed management approach among the bidding proposals received. Since USS has been selected amongst other competitive bidders, the Group will continue to outsource its camp and office supporting services to USS during the term of the Service Agreement.



#### **4. The Security Services Agreement**

***Date:***

18 October 2013

***Parties:***

Energy Resources as service purchaser

MCS Armor as service provider

***Principal terms:***

MCS Armor agreed to provide security services, safeguarding and services for prevention of unlawful conducts and violations at the Ulaanbaatar office, UHG mine site, BN mine site, TKH site and other premises of the Group and vehicle inspection and safety assurance services for the Ulaanbaatar office on a day-to-day basis.

***Consideration and payment terms:***

The maximum consideration payable by the Group to MCS Armor under the Security Services Agreement is MNT12,933,103,680 (equivalent to approximately US\$7,627,225) inclusive of VAT, other applicable taxes and all other costs undertaken by MCS Armor. The consideration was determined on an arm's length basis between the Company and MCS Armor based on the bid submitted by MCS Armor.

The payment for the services provided by MCS Armor will be made on a monthly basis within 60 days upon receipt of valid invoice from MCS Armor.

***Annual caps:***

The following table sets out the annual caps for the Security Services Agreement for the three financial years ending 31 December 2016:

<b>Financial year ending</b>	<b>Annual caps</b>	<b>Period covered</b>
31 December 2014	MNT 4,311,034,560 (equivalent to approximately US\$2,542,408)	12 months from 1 January 2014 to 31 December 2014
31 December 2015	MNT4,311,034,560 (equivalent to approximately US\$2,542,408)	12 months from 1 January 2015 to 31 December 2015
31 December 2016	MNT4,311,034,560 (equivalent to approximately US\$2,542,408)	12 months from 1 January 2016 to 31 December 2016

The annual caps are determined with reference to the number of security posts within the premises of the Group and number of security guards and man-month rates having regard to (i) the tender proposal submitted by MCS Armor; (ii) potential special occasions, events and natural disasters; (iii) the historical transaction amounts in respect of the security services and (iv) buffer to accommodate possible inflation, and other contingent costs.

### ***Term of the services:***

The Security Services Agreement will be effective for a period starting from 1 January 2014 to 31 December 2016.

### ***Reasons for the transactions:***

Security services requires special permit, qualifications of staff, as well as special equipment and gear such as handheld radios, body armor, stab vest, gun holsters and duty gear. Therefore, it is necessary for the Group to outsource the security services to a company which has such permits/licenses and capacity. Currently, MCS Armor is providing security services as subcontractor to USS under the contract for office and camp supporting services, which is due to expire on 31 December 2013. In order to ensure better contract management, the Company organized separate bid to select the security services provider for the years of 2014 to 2016. The Company had invited four of the security services providers in Mongolia for a national competitive bid in order to obtain good proposals for long term cooperation which enables the Group to secure quality professional services at competitive prices. Among the bid proposals, MCS Armor's bid was evaluated as the most favourable bid in terms of commercial proposal, experience, technical capacity and soundness of technical offer. As MCS Armor has been selected, the Group will obtain the services aforementioned from MCS Armor during the term of the Security Services Agreement.

## **INFORMATION ON THE GROUP**

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

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

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

## **INFORMATION ON NIC, SHUNKHLAI, MCS HOLDING, USS AND MCS ARMOR**

NIC, an associate of Dr. Oyungerel Janchiv, a non-executive Director, is principally engaged in import, marketing and distribution of petroleum products in Mongolia.

Shunkhlai, an associate of Mr. Batsaikhan Purev, a non-executive Director, is principally engaged in import and supply of petroleum products in Mongolia.

MCS Holding is an investment holding company. It is currently wholly-owned and controlled by MCS (Mongolia) Limited which directly owns the entire issued share capital of MCS Mining Group, a substantial Shareholder.

USS, a wholly-owned subsidiary of MCS Holding, is principally engaged in provision of office and camp supporting services.

MCS Armor, a wholly-owned subsidiary of MCS Holding, is principally engaged in provision of security services.

## LISTING RULES IMPLICATIONS

NIC is an associate of Dr. Oyungerel Janchiv, a non-executive Director. Shunkhlai is an associate of Mr. Batsaikhan Purev, a non-executive Director. As such, each of NIC and Shunkhlai is a connected person of the Company and the transactions contemplated under each of the Fuel Supply Agreements constitute continuing connected transactions of the Company.

As the applicable percentage ratios of the continuing connected transactions under each of the Fuel Supply Agreements is expected to be more than 5%, the transactions contemplated under each of the Fuel Supply Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Dr. Oyungerel Janchiv and Mr. Batsaikhan Purev, being a Director, has abstained from voting on the relevant resolutions of the Board in relation to the approval of each of the Fuel Supply Agreements and the relevant Proposed Annual Caps to be proposed at the EGM.

At the EGM, Lotus Amsa, Shunkhlai Mining and their respective associates will be required to abstain from voting on the resolutions in connection with the continuing connected transactions under each of the Fuel Supply Agreements and the Proposed Annual Caps.

The Board (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) is of the view that the transactions contemplated under each of the Fuel Supply Agreements are to be entered into in the ordinary and usual course of business of the Company and on normal commercial terms and on terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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

A circular containing, among other matters, further details of the continuing connected transactions under the Fuel Supply Agreements and a notice convening the EGM, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee to the Independent Shareholders is expected to be despatched to the Shareholders in compliance with the Listing Rules on or before 8 November 2013.

Each of USS and MCS Armor is a wholly-owned subsidiary of MCS Holding. MCS Holding is in turn wholly-owned and controlled by MCS (Mongolia) Limited. MCS (Mongolia) Limited directly owns 100% shareholding interest in MCS Mining Group, which is a substantial Shareholder holding approximately 33.50% of the issued share capital of the Company as at the date of this announcement. As such, USS and MCS Armor are connected persons of the Company within the meaning of the Listing Rules. Accordingly, the transactions contemplated under the Service Agreement and the Security Services Agreement constitute continuing connected transactions of the Company, respectively.

As the applicable percentage ratios for the continuing connected transactions under the Service Agreement and the applicable percentage ratios of the continuing connected transactions under the Security Services Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Service Agreement and the Security Services Agreement are subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Mr. Odjargal Jambaljamts, Mr. Od Jambaljamts and Ms. Enkhtuvshin Gombo, being a Director and a director of MCS Holding, has abstained from voting on the relevant resolutions of the Board in relation to the approval of the Service Agreement, the Security Services Agreement and the respective proposed annual caps.

The Board (including the independent non-executive Directors) is of the view that the transactions contemplated under the Service Agreement and the Security Services Agreement are entered into in the ordinary and usual course of business of the Company and on normal commercial terms and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **DEFINITIONS**

“associate(s)”	has the same meaning ascribed to it under the Listing Rules;
“BN mine site”	the Group’s Baruun Naran coal deposit located in the Khankhongor soum, Umnugobi aimag;
“Board”	the board of Directors;
“Company”	Mongolian Mining Corporation (Stock code: 975), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“connected person”	has the same 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 convened and held for the purpose of considering and, if thought fit, approving the Fuel Supply 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;
“Fuel Supply Agreement with NIC”	the Fuel Supply Agreement entered into between NIC and Energy Resources dated 18 October 2013 in relation to the supply of fuel products and other related services by NIC to the Group;

“Fuel Supply Agreement with Shunkhlai”	the Fuel Supply Agreement entered into between Shunkhlai and Transgobi dated 18 October 2013 in relation to the supply of fuel products and other related services by Shunkhlai to the Group;
“Fuel Supply Agreements”	the Fuel Supply Agreement with NIC and the Fuel Supply Agreement with Shunkhlai;
“Group”	the Company and its subsidiaries;
“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 each of the Fuel Supply 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 continuing connected transactions contemplated under the Fuel Supply Agreements and the Proposed Annual Caps;
“Independent Shareholder(s)”	Shareholder(s) other than Lotus Amsa and its associates relating to the Fuel Supply Agreement with NIC; and Shareholder(s) other than Shunkhlai Mining and its associates relating to the Fuel Supply Agreement with Shunkhlai;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Lotus Amsa”	Lotus Amsa Limited, a company incorporated in Jersey, is wholly-owned by Dr. Oyungerel Janchiv, a non-executive Director, and is interested in approximately 3.05% of the issued share capital of the Company as at the date of this announcement;
“MCS Armor”	MCS Armor LLC, a company incorporated in Mongolia with limited liability, is a wholly-owned subsidiary of MCS Holding;
“MCS Holding”	MCS Holding LLC, a company incorporated in Mongolia with limited liability;

“MCS Mining Group”	MCS Mining Group Limited, a company incorporated in the British Virgin Islands with limited liability, is a substantial Shareholder and a wholly-owned subsidiary of MCS (Mongolia) Limited;
“MNT”	togrok or tugrik, the lawful currency of Mongolia;
“NIC”	NIC LLC, a company incorporated in Mongolia with limited liability, is an associate of Dr. Oyungerel Janchiv, a non-executive Director;
“Proposed Annual Caps”	the proposed annual caps for each of the Fuel Supply Agreements for the three financial years ending 31 December 2016;
“Security Services Agreement”	Security Services Agreement between MCS Armor and Energy Resources dated 18 October 2013 in relation to the provision of security services to the Group;
“Service Agreement”	Services Agreement between USS and Energy Resources dated 18 October 2013 in relation to the provision of office and camp supporting services by USS to the Group;
“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 LLC, a company incorporated in Mongolia with limited liability, is a wholly-owned subsidiary of Shunkhlai Group. Therefore, Shunkhlai is an associate of Mr. Batsaikhan Purev, a non-executive Director;
“Shunkhlai Group”	Shunkhlai Group LLC, a company incorporated in Mongolia with limited liability. Mr. Batsaikhan Purev, a non-executive Director, is interested in 50% of Shunkhlai Group, which in turn holds the entire interests of Shunkhlai and Shunkhlai Mining, respectively;
“Shunkhlai Mining”	Shunkhlai Mining, a company incorporated in the Cayman Islands with limited liability, which is interested in approximately 4.94% of the issued share capital of the Company as at the date of this announcement;
“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;

“Transgobi”	Transgobi LLC, a company incorporated in Mongolia with limited liability, is an indirect wholly-owned subsidiary of the Company;
“UHG mine site”	the Group’s Ukhaa Khudag deposit located in the Tavan Tolgoi coalfield;
“USS”	Uniservice Solution LLC, a company incorporated in Mongolia with limited liability, is a wholly-owned subsidiary of MCS Holding;
“US\$”	United States Dollar, the lawful currency of the United States of America;
“VAT”	value added tax;
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of US\$1.00=MNT1,695.65, 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.

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

Hong Kong, 18 October 2013

*As at the date of this announcement, the Board consists of Mr. Odjargal Jambaljamts and Dr. Battengel Gotov, being the executive Directors, Dr. Oyungerel Janchiv, Mr. Batsaikhan Purev, Mr. Od Jambaljamts and Ms. Enkhtuvshin Gombo, being the non-executive Directors, and Mr. Ochirbat Punsalma, Mr. Unenbat Jigjid and Mr. Chan Tze Ching, Ignatius, being the independent non-executive Directors.*