MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

HIGHLIGHTS

The Group's revenue amounted to approximately USD277.5 million for the year ended 31 December 2010, representing an increase of approximately USD210.5 million, or approximately 314.3% as compared to approximately USD67.0 million for the year ended 31 December 2009.

The profit attributable to the equity shareholders of the Company for the year ended 31 December 2010 was approximately USD60.1 million, representing an increase of approximately USD49.8 million, or approximately 485.6% as compared to approximately USD10.3 million for the year ended 31 December 2009.

Free cash flow generated from operations amounted to approximately USD69.6 million for the year ended 31 December 2010.

The basic earnings per share attributable to the equity shareholders of the Company amounted to approximately US1.91 cents for the year ended 31 December 2010, as compared to approximately US0.34 cents for the year ended 31 December 2009.

In view of the major infrastructure, production and acquisition project committed or being planned by the Company, the Board decided not to pay any dividend for the year ended 31 December 2010 despite MMC's record earnings and large cash balances (dividends in 2009: nil).

The board of directors (the “Board”) of Mongolian Mining Corporation (“MMC” or the “Company”) is pleased to announce the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Note	**2010** **USD**	2009 *USD*
Revenue	*4*	**277,501,594**	66,982,707
Cost of revenue	*5*	**(164,368,042)**	(38,682,328)
Gross profit		**113,133,552**	28,300,379
Other revenue		**511,513**	70,002
Other net expenses		**(187,023)**	(34,813)
Administrative expenses		**(38,685,208)**	(10,427,093)
Profit from operations		**74,772,834**	17,908,475
Finance income	*6(a)*	**12,335,090**	342,318
Finance costs	*6(a)*	**(4,214,161)**	(3,860,204)
Net finance income/(cost)	*6(a)*	**8,120,929**	(3,517,886)
Share of profits/(losses) of associate		**1,761**	(9,702)
Profit before taxation	*6*	**82,895,524**	14,380,887
Income tax	*7*	**(22,756,820)**	(4,110,723)
Profit for the year		**60,138,704**	10,270,164
Other comprehensive income for the year			
Exchange differences on re-translation		**7,601,079**	30,590
Total comprehensive income for the year		**67,739,783**	10,300,754
Profit attributable to the equity shareholders of the Company		**60,138,704**	10,270,164
Total comprehensive income attributable to the equity shareholders of the Company		**67,739,783**	10,300,754
Basic and diluted earnings per share	*8*	**1.91 cents**	0.34 cents

CONSOLIDATED BALANCE SHEET
As at 31 December 2010

	Note	**2010** **USD**	2009 USD
Non-current assets			
Property, plant and equipment, net		**76,645,822**	30,357,991
Construction in progress		**232,784,317**	43,985,016
Lease prepayments		**118,226**	104,816
Interest in associate		**18,567**	14,521
Other non-current assets		**26,889,223**	8,371,548
Deferred tax assets		**1,681,150**	328,038
Total non-current assets		**338,137,305**	83,161,930
Current assets			
Inventories		**7,876,479**	7,661,009
Trade and other receivables	*10*	**32,350,029**	20,036,053
Cash at bank and in hand		**674,906,686**	2,371,030
Total current assets		**715,133,194**	30,068,092
Current liabilities			
Short-term borrowings and current portion of long-term borrowings		**85,909,090**	24,200,000
Trade and other payables	*11*	**40,314,966**	17,106,673
Current taxation		**5,454,952**	794,999
Total current liabilities		**131,679,008**	42,101,672
Net current assets/(liabilities)		**583,454,186**	(12,033,580)
Total assets less current liabilities		**921,591,491**	71,128,350
Non-current liabilities			
Interest-bearing borrowings, less current portion		**165,214,302**	10,000,000
Long-term payables, less current portion		**16,811,435**	15,214,753
Accrued reclamation obligations		**6,904,317**	1,704,998
Deferred tax liabilities		**5,380,525**	367,231
Total non-current liabilities		**194,310,579**	27,286,982
NET ASSETS		**727,280,912**	43,841,368
CAPITAL AND RESERVES			
Share capital		**37,050,365**	–
Reserves		**690,230,547**	43,841,368
TOTAL EQUITY		**727,280,912**	43,841,368

NOTES

1. CORPORATE INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company and of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), promulgated by the International Accounting Standards Board ("IASB"). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations. The financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group adopts the use of a principle similar to that for a reverse acquisition, rather than following its legal form, in the preparation of its financial statements for the years ended 31 December 2010 and 2009. The directors consider that Energy Resources LLC is the accounting parent during the years ended 31 December 2010 and 2009.

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and the Group and its interest in associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated financial statements are presented in United States Dollar ("USD"), which is the presentation currency of the Group. The functional currency of the Group's Mongolian entities is Mongolian Togrog ("MNT") and of the Group's overseas entities is USD.

3. SEGMENT INFORMATION

The Group had one business segment, the production, transportation and sale of coal in Mongolia. Accordingly, no business and geographical segment information are presented. Additional information about major customers and geographical areas of the Group has been disclosed in note 4.

4. REVENUE

The Group is principally engaged in the production, transportation and sale of coal in Mongolia. Revenue represents the aggregate of the invoiced amount of goods sold.

During the year ended 31 December 2010, the Group had four customers that individually exceeded 10% of the Group's turnover, being USD105,175,119, USD92,741,584, USD33,487,879 and USD27,335,246 respectively. During the year ended 31 December 2009, the Group had four customers that individually exceeded 10% of the Group's turnover, being USD15,438,673, USD15,241,672, USD26,092,134 and USD10,208,672 respectively.

5. COST OF REVENUE

	2010	2009
	USD	*USD*
Mining costs	**78,759,099**	24,500,450
Transportation costs	**60,626,319**	7,999,950
Others	**24,982,624**	6,181,928
	164,368,042	38,682,328

6. PROFIT BEFORE TAXATION

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

(a) Net finance (income)/costs:

	2010	2009
	USD	*USD*
Interest income	**(294,354)**	(342,318)
Foreign exchange gain, net	**(12,040,736)**	–
Finance income	**(12,335,090)**	(342,318)
Interest on bank and other borrowings	**10,578,421**	1,934,686
Transaction costs	**3,654,532**	–
Unwinding interest on		
- other long-term payables	**159,082**	70,585
- accrued reclamation obligations	**332,045**	264,605
Less: Interest expense capitalised	**(10,509,919)**	(1,751,343)
Net interest expense	**4,214,161**	518,533
Foreign exchange loss, net	**–**	3,341,671
Finance costs	**4,214,161**	3,860,204
Net finance (income)/costs	**(8,120,929)**	3,517,886

* Borrowing costs have been capitalised at a rate of 8% and 4% per annum for the years ended 31 December 2010 and 2009 respectively.

(b) Staff costs:

	2010 *USD*	2009 *USD*
Salaries, wages, bonuses and benefits	**9,706,123**	2,849,398
Retirement scheme contributions	**1,038,908**	191,786
	10,745,031	3,041,184

Pursuant to the relevant labour rules and regulations in Mongolia, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the Government of Mongolia whereby the Group is required to make contributions to the Schemes at a rate of 7%-13.5% of the eligible employees' salaries. Contributions to the Schemes vest immediately.

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

(c) Other items:

	2010 *USD*	2009 *USD*
Depreciation and amortisation	**3,204,128**	1,864,804
Operating lease charges:		
minimum lease payments		
– hire of plant and machinery	**1,525,589**	1,135,288
– hire of other assets (including property rentals)	**282,674**	307,760
	1,808,263	1,443,048
Auditors' remuneration		
– audit services	**330,000**	90,323
– tax services	**86,700**	–
	416,700	90,323
Listing expenses allocated to profit or loss	**5,572,432**	–
Cost of inventories#	**164,368,042**	38,682,328

\# Cost of inventories includes USD4,673,898 (2009: USD3,729,971), relating to personnel expenses, depreciation and amortisation and operating lease charges which are also included in the respective amounts disclosed separately above for each of these types of expenses.

7. TAXATION

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

	2010	2009
	USD	*USD*
Current tax		
Provision for the year		
– Mongolian Enterprise Income Tax	**19,371,341**	2,100,023
Deferred tax		
Origination and reversal of temporary difference	**3,385,479**	2,010,700
	22,756,820	4,110,723

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

	2010	2009
	USD	*USD*
Profit before income tax	**82,895,524**	14,380,887
Notional tax on profit before taxation	**19,642,312**	2,990,330
Tax effect of non-deductible items *(Note (iii))*	**1,257,701**	1,134,672
Tax effect of non-taxable items *(Note (iii))*	**(242,420)**	(83,199)
Tax loss not recognised	**2,099,227**	68,920
Actual tax expenses	**22,756,820**	4,110,723

Notes:

(i) Pursuant to the income tax rules and regulations of Mongolia, the Group is liable to Mongolian Enterprise Income Tax at a rate of 10% of first MNT 3 billion taxable income and 25% of the remaining taxable income for the years ended 31 December 2010 and 2009.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The Group is not subject to Hong Kong and Luxembourg profits tax as it has no assessable income arising in or derived from Hong Kong and Luxembourg during the years ended 31 December 2010 and 2009.

(iii) Non-deductible items and non-taxable items mainly represent the unrealised exchange losses and gains during the years ended 31 December 2010 and 2009, respectively.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of USD60,138,704 (2009: USD10,270,164) and the weighted average of 3,152,163,310 ordinary shares (2009: 3,000,000,000 ordinary shares, which is the share capital of the Company immediately after the Reorganisation and assumed to be outstanding throughout the years ended 31 December 2009 and 2010) in issue during the year.

	Weighted average number of ordinary shares 2010
Issued ordinary shares immediately after the Reorganisation	**3,000,000,000**
Effect of issue of new shares pursuant to the global offering of shares of the Company ("Global Offering") and upon the exercise of over-allotment option pursuant to the Global Offering	**152,163,310**
Weighted average number of ordinary shares as at 31 December	**3,152,163,310**

The Company did not have any potential dilutive shares throughout the entire year ended 31 December 2010. Accordingly, diluted earnings per share is the same as basic earnings per share.

9. DIVIDENDS

The board of directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 December 2010 (dividends in 2009: nil).

10. TRADE AND OTHER RECEIVABLES

	2010	2009
	USD	*USD*
Trade receivables *(Note (a))*	**288,136**	8,502,157
Other receivables *(Note (b))*	**32,061,893**	11,533,896
	32,350,029	20,036,053

Notes:

(a) Ageing analysis

Included in trade and other receivables are trade receivables, which represent the amount due from the Group's major customers. Trade receivables are due from the date of billing. As at 31 December 2010, all of the trade receivables are past due but not impaired as there has not been any significant change in credit quality of the trade receivables.

(b) Other receivables

	2010	2009
	USD	*USD*
Amounts due from related parties *(Note (i))*	**346,770**	3,038,127
Security deposit *(Note (ii))*	**–**	1,000,000
Prepayments	**7,014,079**	958,485
Value-added tax ("VAT") receivables *(Note (iii))*	**23,919,662**	5,738,084
Payment on behalf of the customers	**–**	489,038
Others	**781,382**	310,162
	32,061,893	11,533,896

Notes:

(i) As at 31 December 2010, amounts due from related parties mainly represent prepaid road maintenance fee to Coal Road LLC amounting to USD338,068.

(ii) This represents the security deposit paid to the mining contractor.

(iii) VAT receivables include amounts that have been accumulated to date in certain subsidiaries and were due from the General Taxation Authority of Mongolia. Based on current available information, the Group anticipates full recoverability of such amounts.

All other receivables were aged within one year and expected to be recovered or expensed off within one year.

11. TRADE AND OTHER PAYABLES

	2010	2009
	USD	*USD*
Trade payables *(Note (i))*	**4,771,753**	1,622,798
Receipts in advance *(Note (ii))*	**18,842,139**	8,537,178
Amounts due to related parties *(Note (iii))*	**5,329,346**	2,052,326
Payables for purchase of equipment	**3,913,285**	4,162,332
Interest payable	**3,775,577**	19,008
Others *(Note (iv))*	**3,682,866**	713,031
	40,314,966	17,106,673

Notes:

(i) All trade payables are due and payable on presentation or within one month.

(ii) Receipts in advance represent advances from third party customers, in relation to the terms set out in respective sales agreements.

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

(iv) Others represent accrued expenses, payables for staff related costs, royalty fees, other deposits and other tax payables.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Mine Production

During the period under review, the Group met its target of producing 3.8 million tonnes of coking coal and eventually had an output of approximately 3.9 million tonnes by year-end, representing a production increase of approximately 114% year-on-year. Moreover, for the last eight months of the period under review, the Group's average monthly production rate was approximately 400,000 tonnes, equating to a pro-rated annualized production rate of nearly five million tonnes.

The following table shows MMC's production volume, sales volume and average stripping ratio for the two years ended 31 December 2010 and 2009, respectively:

	Year ended 31 December	
	2010	2009
Coal production (in million tonnes)	**3.9**	1.8
Coal sales (in million tonnes)	**3.9**	1.4
Average stripping ratio (BCM/tonne)	**5.06**	3.42

During the period under review, the Group's production capacity has greatly expanded enabling it to gain significantly in terms of market share of the total coal exports of Mongolia. The Group's market share increased to approximately 24% in 2010 from approximately 19% in 2009. The Group's coal exports volume increased from approximately 1.4 million tonnes to approximately 3.9 million tonnes year-on-year representing an approximate 182% growth; while total volume of coal exports of Mongolia increased by approximately 143% during the year ended 31 December 2010, based on data issued by the General Customs Office of Mongolia.

For the year ended 31 December 2010, the Group's mining costs were approximately USD78.8 million. Of these, approximately 45% were costs incurred directly by the Group and primarily consisting of fuel costs, power generation costs, labour costs, employee-related expenses, and drilling and blasting expenses. The remaining 55% were costs incurred by the Group's mining contractor and primarily related to the depreciation, repair and maintenance of the mining equipment used at the Group's UHG mine (the Group's mine operating at the UHG deposit), as well as costs associated with major repair provisions, insurance and financing-related matters.

During the year under review, the Group's mining cost associated with coals sold was approximately USD20.1 per tonne of coal.

For the year ending 31 December 2011, MMC's annual production target is approximately 7.0 million tonnes of coking coal.

Coal Resources, Reserves and Exploration Activities

Covering an area of approximately 2,960 hectares, the Group's UHG licensed area, as of 31 May 2010, had approximately 499.9 million tonnes and 286.0 million tonnes of JORC-compliant measured and indicated coal resources and proven and probable reserves, respectively. Approximately 2.78 million tonnes of coking coal in total was extracted from the Group's UHG mine between 1 June and 31 December 2010. The remaining non-JORC-compliant estimation of approximately 497.1 million tonnes of measured, indicated and inferred coal resources as of 31 December 2010 is categorised as follows (in million tonnes).

Category	Resources above 300 m			Resources below 300 m			Total Resources		
	Coking Coal	Thermal Coal	Total Coal	Coking Coal	Thermal Coal	Total Coal	Coking Coal	Thermal Coal	Total Coal
Measured	83.0	120.2	203.2	–	–	–	83.0	120.2	203.2
Indicated	153.4	51.9	205.3	50.7	37.9	88.6	204.1	89.8	293.9
Inferred	–	11.7	11.7	42.2	27.1	69.3	42.2	38.8	81.0
Total	236.4	183.8	420.2	92.9	65.0	157.9	329.3	248.8	578.1
Total Measured, Indicated and Inferred	236.4	172.1	408.5	50.7	37.9	88.6	287.1	210.0	497.1

Meanwhile, the remaining non-JORC-compliant estimation of approximately 283.2 million tonnes of proven and probable reserves as of 31 December 2010 is categorised as follows (in million tonnes):

Category	Total Reserves
Proven	188.2
Probable	95.0
Total	283.2

The objective of MMC's planned exploration activities at the UHG deposit for the forthcoming year is to gather relevant data that enables the preparation of a complete geological and coal-quality database, which in turn will enable the updating of MMC's geological model and the preparation of MMC's next JORC-compliant resource and reserve report for the UHG deposit around mid-2012.

No resource acquisitions or divestments were conducted during the period under review.

Marketing and Sales

For the year ended 31 December 2010, the Group sold approximately 3.9 million tonnes of coking coal to 18 customers. Revenue from the single largest customer represented approximately 38% of the Group's total revenue. During the period, MMC was able to diversify its customer base to include more end-users, and approximately 62% of sales or approximately 2.4 million tonnes were sold to end-users. Sales to end-users represent approximately 63% of MMC's total revenue, while remaining portion of the revenue were from coal traders. For the year ended 31 December 2010, the weighted average selling price per tonne was approximately USD70.8.

With MMC's aim to directly sell its high-quality coking coal to a diversified group of end-users in China, including iron and steel mills and coke and chemical plants, MMC has entered into long-term direct offtake agreements with several new end-users, including Shagang and Risun. In 2010, MMC continued to supply coking coal to Baotou Iron and Steel (Group) Co., Ltd, Qinghua Group, Winsway and others.

MMC was able to achieve price increments through quarterly negotiations during the period under review. This resulted in an increased average selling price from approximately USD48.2 per tonne in 2009 to approximately USD70.8 per tonne in 2010, while Mongolia's average export coal price increased from approximately USD43.1 per tonne in 2009 to approximately USD52.8 per tonne in 2010, according to publicly available sources. From the fourth quarter of 2010, the Group started to recognise revenue at selling point to Ganqimaodu ("GM"), the Chinese side of the border.

Logistics and Transportation

Currently, all coal from MMC's UHG deposit is transported to its customers in China using a combination of self-owned and contracted trucking fleet. The Group's transportation costs for the year ended 31 December 2010 were approximately USD15.5 per tonne coal sold.

Paved Road

To keep pace with the Group's rapid expansion, MMC has commenced construction of a 245-kilometer paved road parallel to the existing gravel road currently used for the transportation of its coal products. As of 31 December 2010, approximately 65% of the work volume of the road has been completed. The road will have the capacity to transport up to 18.0 million tonnes per annum ("Mtpa"), which is sufficient to meet the Group's projected requirement of 11.0-12.0 Mtpa. The paved road is expected to be commissioned in the second half of 2011.

The capital expenditure for this project, including sustaining capital cost for the three year period after the completion, is approximately USD147 million, 34% of which was accounted for during the year under review.

Railway

The proposed single-line, heavy-haul, freight railway will take approximately two years to complete from the construction commencement date, and it will be able to support approximately 15.0 Mtpa upon completion, and is upgradable to 30.0 Mtpa, if required. While the railway will primarily serve MMC's needs, it may offer any excess capacity to other mines.

The total cost of constructing the railway is estimated to be approximately USD698.8 million, of which approximately 2% was accounted for during the period under review. Approximately 50% to 70% of this project is expected to be financed through borrowings and the remainder through the proceeds from the global offering and the Group's operating cash flows. The balance of prepayments relating to this project was approximately USD8.7 million as of 31 December 2010. The Parliament of Mongolia has recently passed a resolution approving a formal policy on railway development in Mongolia. According to the policy, railway development will be conducted in various stages. As a consequence, the timing for the start of the Group's pronounced railway construction project will be determined at a later time.

Infrastructure

Coal Handling and Preparation Plant ("CHPP")

The Group scheduled to commence the first phase of its CHPP operations (5.0 Mtpa) in the second quarter of 2011. The second and third 5.0 Mtpa phases are expected to be operational in the second half 2011 and the end of 2012, respectively.

The Group's planned production for 2011 is approximately 7.0 million tonnes of run-of-mine ("ROM") coal and the Group expects that approximately 5.5 million tonnes of ROM coal will be washed and processed through its CHPP.

As of 31 December 2010, the first phase of the Group's CHPP was approximately 88% complete, and the second phase of the Group's CHPP was approximately 22% complete. The total estimated cost of the total project is approximately USD343.8 million. As of 31 December 2010, the balance of construction-in-progress relating to this project was approximately USD102.2 million.

Power Plant

MMC commenced construction of a 3x6MW on-site power plant in August 2009, which is intended for completion in three phases in the second half of 2011. The on-site power plant will use middlings to generate power to MMC's CHPP and also provide excess power to areas around the mine site.

As of 31 December 2010, approximately 85% of this project had been completed, and the first and the second of the three 6MW generators are expected to go into operations in the second quarter of 2011. The total cost of constructing this project is expected to be approximately USD47.2 million. As of 31 December 2010, the balance of construction-in-progress relating to this project was approximately USD46.4 million.

Water Supply Facility

To support the operations of the Group's CHPP and production capacity expansion, MMC commenced construction of a water supply facility in early 2010 with a timeline for completion by early 2011.

As of 31 December 2010, approximately 95% of the initial stage of the project to supply up to 117 l/sec had been completed, and the total construction cost for this facility is estimated to be approximately USD48.7 million. As of 31 December 2010, the balance of construction-in-progress relating to this project was approximately USD35.8 million.

OUTLOOK AND BUSINESS STRATEGIES IN 2011

MMC's growth strategy is to expand its coal mine production and boost its sales of washed hard coking coal. With its average monthly production of approximately 400,000 tonnes of coking coal for the last eight months of the period under review resulting in a pro-rated annualised production rate reaching almost 5.0 million tonnes by the end of the period under review, MMC is confident of achieving its target of 7.0 million tonnes of production by the end of 2011. The operations of its CHPP, the first phase of which will commence in the second quarter of 2011, will not only accelerate MMC's growth but also contribute to the expanding profit margin of MMC's business in 2011 and beyond. The completion of the paved road in the second half of 2011 will bring cost-saving advantages and improve MMC's transportation capability between its UHG deposit and the GS-GM border crossing.

The outlook for coking coal prices remains positive. Recent heavy flooding in certain major coking coal supply regions has resulted in higher prices for seaborne coking coal trades, which in turn is expected to further influence coking coal prices in China. Chinese coking coal prices are expected to increase as a result of increasing demand for this commodity and due to their potential constraints in supply from Australia, which accounted for nearly 37% of China's coking coal imports in 2010.

Looking ahead, MMC will continue to ramp up its coal mine production as planned and, at the same time, optimise its existing resources and reserves. Upon completion of its CHPP, MMC will be able to produce washed coal with a consistent high quality. MMC believes that these efforts will significantly increase its market recognition and competitiveness. MMC plans to sell its high-quality coking coal in China pursuant to long-term agreements with a diversified group of end-users, including iron and steel mills and coke and chemical plants. MMC will also strive to supply its coal to the international seaborne markets as part of its long-term diversification strategy. Finally, to support its business expansion, MMC will continue the construction of transport and logistics infrastructure.

MMC has been in the midst of a phase of rapid growth ever since mining operations commenced at the UHG deposit in April 2009. MMC is confident to benefit from increasing economies of scale in its operations as it moves forward in implementing its strategy to increase annual production volume.

MMC will explore opportunities to acquire additional resources, primarily coking coal and iron ore assets.

NO SUBSEQUENT EVENTS

There have been no events subsequent to 31 December 2010 which require adjustment to or disclosure in the annual results announcement.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2010, turnover of the Group reached approximately USD277.5 million, representing an increase of approximately 314%, as compared with approximately USD67.0 million for the year ended 31 December 2009. The increase was primarily attributable to higher sales volume and average selling price. The sales volume recorded during the year under review amounted to approximately 3.9 million tonnes as compared to 1.4 million tonnes for the previous year, representing a year-on-year increase of approximately 182%. The average selling price also rose significantly from USD48.2 per tonne in 2009 to USD70.8 per tonne for the year under review, representing a 46% year-on-year increase.

Cost of Sales

Cost of sales consists of mining, transportation and logistics costs, royalty and customs fees and road maintenance expenditures. Approximately USD164.4 million of cost of sales were incurred for the year ended 31 December 2010, representing an increase of approximately 325% from USD38.7 million for the year ended 31 December 2009. The increase in total cost of sales was mainly due to increases in mining and transportation volume during the year under review.

In 2010, 3.9 million tonnes of coal were produced with a strip ratio of 5.06 and per bank cubic meter ("BCM") total movement cost of USD4.00 compared to 1.8 million tonnes produced in 2009 with a strip ratio of 3.42 and per BCM total movement cost of USD4.01.

In 2010, 2.8 million tonnes of coal were sold at TKH and GM compared to 0.6 million tonnes coal sold in 2009 at TKH. Due to the increase of sales volume at the Mongolia-China border, transport cost increased from approximately USD8.0 million for the year ended 31 December 2009 to USD60.6 million for the year ended 31 December 2010.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 December 2010 was approximately USD113.1 million, representing an increase of approximately USD84.8 million from the gross profit of approximately USD28.3 million recorded for the year ended 31 December 2009. During the year under review, the gross profit margin achieved was approximately 41%, compared with approximately 42% in 2009. This slight decrease was due to the increased transportation and mining costs during the year under review.

General and Administrative Expenses

During the year under review, administrative expenses were approximately USD38.7 million, representing an increase of approximately USD28.3 million as compared with approximately USD10.4 million in 2009. The higher administrative expenses were mainly due to the following factors: the extensive expansion of operations, the hiring of additional staff, the costs related to the initial public offering of the Company on the Main Board of The Stock Exchange of Hong Kong Limited in October 2010 ("IPO"), social and environmental expenses, country inflation as well as local currency appreciation versus reporting currency.

Net Finance Income/Costs

Net finance income for the year ended 31 December 2010 amounted to approximately USD8.1 million, representing an increase of approximately USD11.6 million, as compared to a net finance cost of approximately USD3.5 million in 2009. The increase in net finance income was primarily due to foreign exchange gains.

Income Tax Expenses

Income tax expenses for the year under review amounted to approximately USD22.8 million, representing an increase of approximately 454%, as compared with approximately USD4.1 million in 2009. The substantial increase in income tax expenses for the year ended 31 December 2010 was due to the increase of taxable income.

Profit for the Year

As a result of the foregoing, the profit attributable to equity shareholders of the Company for the year under review was approximately USD60.1 million, representing an increase of approximately USD49.8 million or approximately 486%, as compared with approximately USD10.3 million in 2009. The net profit margin was 22% for the year, as compared with approximately 15% in 2009.

Liquidity, Financial Resources and Capital Structure

The Group generated approximately USD69.6 million cash from its operation during the year under review, as compared with approximately USD4.0 million used for the year ended 31 December 2009.

The Group invested approximately USD220.2 million during the year under review in its mining and infrastructure development, including, among others, CHPP, power plant, water supply facility and 245-km paved road.

The Group financed its mining and infrastructure development with cash generated from its operations, as well as short and long-term bank borrowings. Long-term bank loans amounted to USD255 million and were borrowed from the European Bank for Reconstruction and Development, Standard Bank, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. and DEG – Deutsche Investitions – und Entwicklungsgesellschaft mbH.

As at 31 December 2010, the total bank and other borrowings of the Group were approximately USD251.1 million. Of this total sum, approximately USD85.9 million are repayable within one year while the remaining borrowings are repayable by May 2016, with effective weighted average interest rates ranging approximately from 5% to 8%.

The gearing ratio (calculated as total bank and other borrowings divided by total assets) of the Group as at 31 December 2010 was 24%.

Foreign Exchange Risk

The Group's principal place of operation is in Mongolia and its functional currency is MNT, and therefore, the Group is subject to the risk of loss or profit due to changes in the USD and RMB. The Group's sales revenue has been and is expected to be priced and settled in USD and RMB. Although majority assets and major portion of operational expenses are denominated in MNT, large portion of those costs including fuel and capital expenditure are import costs and thus linked to USD and RMB prices. Therefore the Group believes that there is natural hedge that partially offsets foreign exchange risk. The Group's long term liabilities are denominated in USD and RMB. For the year ended 31 December 2010, foreign exchange fluctuations were favorable to the Group, and the Group had approximately USD12.0 million in realised and unrealised exchange gains. We will continue to monitor exposure to foreign exchange risk and consider hedging instruments, provided that such hedging instrument for MNT becomes available and not overly expensive compared to the underlying exposure.

Pledge of Assets of the Group

As at 31 December 2010, the Group pledged accounts held with the Trade and Development Bank of Mongolia, Khan Bank of Mongolia, Golomt Bank of Mongolia, Debt Service Reserve Account with Standard Bank for EBRD loan repayment, offtake contract with Inner Mongolia Qinghua Group of China, coal mining agreement with Leighton, offtake contract with Color Future International Limited, offtake contract with Bayannaoer Puxing Mineral Co., Ltd, offtake contract with Pu Sheng Energy Co., Ltd, engineering, procurement, construction and management ("EPCM") agreement for the CHPP constructed at the UHG deposit with Sedgman, UHG Mining License, power plant and wash plant and coal stockpile to banks for credit facilities in the aggregate amount of USD255 million granted to the Group.

Contingent Liabilities

As at 31 December 2010, the Group did not have significant contingent liabilities.

Use of Net proceeds from the Company's IPO

The Company was listed on the Main Board of the Stock Exchange on 13 October 2010. The net proceeds from the Company's issue of new shares (after deducting expenses relating specifically to the issue of new shares in the IPO and expenses relating generally to the listing of all the shares of the Company, whether existing or new) amounted to approximately HK$4,778.0 million in total, which is more than the estimate of HK$4,017.9 million as announced in the announcement of the IPO allotment results dated October 12, 2010 due to exercise of the over-allotment option. From the listing date to 31 December 2010, the Group has not used any IPO proceeds.

Operating Lease Commitments

As at 31 December 2010, we had contracted obligations consisting of operating leases which totaled to approximately USD2.2 million with approximately USD1.3 million due within one year and approximately USD0.9 million due between two to five years. Lease terms are ranged from 1 to 3 years with fixed rentals.

Capital Commitment

As at 31 December 2010, we had capital commitment of capital expenditure for an amount of approximately USD182.7 million, out of which approximately USD80.1 million is contracted for and approximately USD102.6 million is authorised but not contracted for.

Financial Instruments

The Company did not have any hedging contracts or financial derivatives outstanding for the years ended 31 December 2010 and 2009.

Dividend

In view of the major infrastructure, production and acquisition project committed or being planned by the Company, the Board decided not to pay any dividend for the year ended 31 December 2010 despite MMC's record earnings and large cash balances (dividends in 2009: nil).

Employees

As at 31 December 2010, the number of employees of the Group reached 1,161 compared with 704 employees as at 31 December 2009. Total employee remuneration for 2009 and 2010 were approximately USD3.0 million and USD10.7 million, respectively.

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

Closure of the Register of Members

The register of members of the Company will be closed from Thursday, 16 June 2011 to Tuesday, 21 June 2011, both days inclusive. During such period, no transfer of shares of the Company will be registered. For the purpose of ascertaining the members' entitlement to the attendance of the forthcoming annual general meeting of the Company to be held on Tuesday, 21 June 2011, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 15 June 2011.

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

The listing of the Company's shares commenced on 13 October 2010 (the "Listing Date"). Since the Listing Date and up to 31 December 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of conduct for dealing in securities of the Company by the directors. Having made specific enquiry to all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the period from the Listing Date up to the date of this annual results announcement.

Code of Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all the applicable code provisions as set out in the Code throughout the period from the Listing Date and up to the date of this annual results announcement.

Audit Committee

The Company has established an audit committee which is responsible for ensuring the existence of an effective internal control framework within the Group. The audit committee currently consists of one non-executive director and three independent non-executive directors of the Company. The audit committee has reviewed the annual results of the Group for the year ended 31 December 2010.

Publication of Information on the Hong Kong Stock Exchange's Website and the Company's Website

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mmc.mn), and the annual report of the Company for the year ended 31 December 2010 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Mongolian Mining Corporation
Odjargal Jambaljamts
Chairman

Hong Kong, 22 March 2011

As at the date of this announcement, the Board consists of Mr. Odjargal Jambaljamts, Dr. Battsengel Gotov and Ms. Badamtsetseg Dash-Ulzii, being the executive directors, Mr. Gantumur Lingov, Ms. Enkhtuvshin Gombo, Mr. Enkh-Amgalan Luvsantseren, Dr. Oyungerel Janchiv, Mr. Philip Hubert ter Woort and Mr. Batsaikhan Purev, being the non-executive directors, and Mr. Ochirbat Punsalmaa, Mr. Unenbat Jigjid and Mr. Chan Tze Ching, Ignatius, being the independent non-executive directors.