MONGOLIAN MINING CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 975)

SUPPLEMENTARY INFORMATION TO THE ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2014

Reference is made to the annual results announcement of Mongolian Mining Corporation (the "**Company**") dated 23 March 2015 for the year ended 31 December 2014 (the "**Results Announcement**"). Terms used in this announcement shall have the same meaning as those defined in the Results Announcement unless the context otherwise defines.

According to the Results Announcement, the Company recognized an impairment loss in the amount of USD190 million for the year ended 31 December 2014 in relation to the mining rights of the Baruun Naran Coking Coal Mine (the "**BN Mine**") to reflect significant downward pressure on coking coal prices due to persisting oversupply situation in the coal industry. In view of the amount of impairment loss recognized, the board of directors (the "**Board**") of the Company would like to provide the following supplementary information in relation to the impairment loss which is in the opinion of the Board necessary for the shareholders of the Company and potential investors to have a reasonable appreciation of the annual results of the Company for the year ended 31 December 2014:

BN Mine

The BN Mine was acquired by the Company on 31 May 2011 when the Group entered into a share purchase agreement (the "**Share Purchase Agreement**") with Quincunx (BVI) Ltd. and its parent, Kerry Mining (Mongolia) Limited, collectively as seller in relation to the acquisition of the entire issued share capital of Baruun Naran Limited (formerly known as QGX Coal Ltd.) (the "**Acquisition**"). Baruun Naran Limited ultimately owns the BN Mine. The Acquisition was completed on 1 June 2011. Subsequently, Mongolian Coal Corporation Limited, a wholly-owned subsidiary of the Company which acted as the buyer of the Acquisition, decided to wind up Baruun Naran Limited voluntarily on 21 June 2012. Accordingly, Baruun Naran Limited was liquidated and all of its assets were transferred to Mongolian Coal Corporation Limited on 16 July 2012.

Amount of intangible assets relevant to the mining right of the BN Mine

The relevant amount of intangible assets relevant to the mining right of the BN Mine as at the time of Acquisition was USD596,557,000 of cost. The relevant amount of intangible assets relevant to the mining right of the BN Mine as at 31 December 2014 was USD701,557,000 of cost (comprising an initial amount of approximately USD596,557,000 and an additional amount of USD105,000,000 due to reserve adjustment payment as set out in the Share Purchase Agreement); USD5,203,000 of accumulated amortization; and USD190,000,000 of impairment loss.

Coking coal prices in 2013 and 2014 and reasons leading to the impairment loss

Coking coal products from the BN Mine are mainly SSCC. The ASP of SSCC under DAP GM terms for 31 December 2013 was USD71.2 per tonne; and that for 31 December 2014 was USD37.9 per tonne. As already disclosed in the Results Announcement, the underlying reason and circumstance leading to the decrease in the coking coal prices is that the coking coal market experienced continuing price decline in 2014 amid the oversupply situation faced by the global industry and also the China market.

Apart from the decrease in the coking coal prices, another major reason or change in circumstances during the financial year ended 31 December 2014 leading to the impairment loss is that there was no mining activity at the BN Mine areas throughout the financial year ended 31 December 2014 because mining activity within the BN Mine areas has been halted as the management refocused on the UHG Mine operation as part of the Group's strategic response to the declining coal market situation.

The management of the Company currently does not have a timetable set for any possible resumption of mining operations at the BN Mine as it will be subject to market conditions, but the management will monitor market situation and make relevant decisions in connection with the Company's overall strategy to minimize operating and capital expenses and focus on liquidity management.

Calculation basis of the impairment loss

Same as the financial year ended 31 December 2013, the recoverable amount for the year ended 31 December 2014 was based on value-in-use, determined by discounting the future cash flows to be generated from the continuing use of mine assets. The estimation represented the management's best estimation as at the date of the impairment test, specifically:

- economically recoverable reserves and resources represent the management's expectations at the time of completing the impairment testing, which are based on reserves and resources statements and exploration and evaluation works undertaken by appropriately qualified persons;

- instead of using a steady growth rate over the estimation period longer than five years, the cash flow projection made at the year end of 2014 and year end of 2013 followed the same mechanism as coal product price multiplied by sales quantity, which was consistent throughout the whole life-of-mine time;

- the coal price assumptions are the management's best estimate of the future prices of coal in China. The coal price assumptions are building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriately consistent price assumptions for the different qualities and type of coal. Coal price for the next five years estimated at the year end of 2014 declined by approximately 30% than that at the year end of 2013, which was updated with reference to the BN Mine product price in 2014 and the latest market forecast. The coal price estimation over a period longer than five years contains no growth rate, except for annual inflation rate. The treatment was consistent among estimations made at the year end of 2013 and year end of 2014;

- sales quantity is in line with production profile. Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines agreed by the management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as the recoverable quantities, the production profile, the cost of the development of the infrastructure necessary to extract the reserves, the production costs, the contractual duration of mining rights and the selling prices of the coal extracted. The production profiles used were consistent with the reserves and resources volumes approved as part of the Group's process for the estimation of proved and probable reserves. Compared with the estimated production volumes at the year end of 2013, changes were made between years in 2014 assumption, to reflect the latest production plan standing as at 31 December 2014. Nonetheless, total production volume for the whole life-of-mine time remained the same between 2013 and 2014 assumptions as the mining activity would resume based on the market conditions. The management will make decision in due course on the resumption of mining activities and operation of the BN Mine;

- operating cost assumptions are based on the management's best estimation of the costs to be incurred at the date of impairment testing. Costs are determined after considering current operating costs, future cost expectations, as well as the nature and location of the operation. The estimation also takes future mining contractor arrangements into consideration; the Directors are of the opinion that such mining contractor arrangements are in line with the Group's business plan;

- future capital expenditure is based on the management's best estimate of required future capital requirements. It has been determined by taking into account all committed and anticipated capital expenditures adjusted for future cost estimates; and

- the discount rate is derived from the Group's weighted average cost of capital, with appropriate adjustments made to reflect specific risks. The weighted average cost of capital takes into account both debt and equity, weighted based on the Group's and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of the Group that reflects the credit rating of the Group. With reference to the independent valuation report, the post-tax discount rate of 20% was applied to the future cash flows projection at the year end of 2014, and 21.5% at the year end of 2013. Such change was a combined result of the updates on target capital structure of debt-to-equity ratio, risk-free rate and other risk premium factors. Further, the updates were made to match with the latest cash flow projection modeling.

By Order of the Board
Mongolian Mining Corporation
Odjargal Jambaljamts
Chairman

Hong Kong, 14 April 2015

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