

The following is the text of a letter, summary of values and valuation certificates, prepared for inclusion in this prospectus, received from American Appraisal China Limited, an independent valuer, in connection with their valuations as at June 30, 2010, of the property interests of the Group.

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September 28, 2010
The Board of Directors
Mongolian Mining Corporation

Dear Sirs,

In accordance with your instructions we have valued the property interests of Mongolian Mining Corporation (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) in Mongolia. We confirm that we have conducted investigation for the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as of June 30, 2010 (“the date of valuation”).

This letter that forms part of our valuation report clarifies our assumptions made, title investigation of the properties and the limiting conditions.

PROPERTY APPRAISED

According to the instructions of the Company, our valuation includes real estate properties, comprising land, buildings, and land improvements, belonging to and/or leased by the Group.

The properties are located in Mongolia. They are mostly industrial facilities purpose built and used for mining and transportation of coal. Brief descriptions of the properties are provided in the valuation certificates in *Exhibit B*. The property values are summarized in *Exhibit A* hereto.

Our valuations were limited to the scope described above.

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property which is defined by International Valuation Standards (IVS¹) and the HKIS Valuation Standards on Properties (HKIS²) as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtained in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value³. The value of a property is also estimated without regard to costs of sales and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

The properties are mainly purpose-built industrial facilities located in remote area. They are operated according to their highest and best use with limited if any alternative use. Upon consideration of all relevant facts it was concluded that the properties subject to valuations are specialized properties.

The market approach may not be used to value specialized property due to the fact that active market for it does not exist. As required by IVS, depreciated replacement cost approach is used where there is insufficient market data to arrive at market value by means of market-based evidence³.

Depreciated replacement cost is defined by IVS⁴ as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.”

IVS requires that for a private sector entity with specialized assets, the Valuer reports the result at market value subject to a test of adequate profitability or justified service potential, a test which is the responsibility of the entity⁵. The profitability test has been carried out based on the information provided by the Group.

For a private sector entity with specialized assets, a valuation assessed by depreciated replacement cost must be subject to a test of profitability in relation to the whole of the assets held by the entity or the cash-generating unit.

1 IVS: 8th Edition, 2007. *Concepts Fundamental to Generally Accepted Valuation Principles*, para. 5.2

2 The HKIS Valuation Standards on Properties, 1st Edition 2005

3 IVS: IVG Note #8, para. 4.1

4 IVS: 8th Edition, 2007. 3.0 Definitions. Par. 3.1

5 IVS: IVG Note #8, para. 5.12.1 and IVS: IVG Note #8 Appendix A.4

In testing profitability the impact that current economical conditions may potentially have on the Company's operations, financial performance, expectations of financial performance or financial conditions is considered. Such impact was assessed with the use of financial models which make use projections of operating activities and financial performance of the Company provided by the Management. Profitability test indicated no economic obsolescence for the Group.

We have attributed no commercial value to leased and rented land plots, as these land plots are restricted from transfer to third parties without the approval from local authorities, and substantial profit rent is lacking.

ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the property interests on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation. Unless stated as otherwise, our opinion of value is established on the premise of continued use. It is assumed that the buyer and seller would be contemplating retention of the property at its present location as part of the current operations.

The profitability test for the specialized assets relied on the models and projections prepared by the Group as well as financial reporting in accordance with IFRS.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any of the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have valued property interest on the assumption that it is developed in accordance with the development proposals or building plans given to us. We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the site are held by the owners or permitted to be occupied by the owner.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificates. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificates.

Other special assumptions and qualifications for each property, if any, have been stated in the footnotes of the valuation certificate for the respective property.

TITLE INVESTIGATION

We have been provided with extracts of documents in relation to the title of the property interests for the appraised entities. However, we have not scrutinized the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Company and the opinion provided by Mongolian legal advisor, ELC-Economic & Legal Consultancy LLC (hereafter referred to as “ELC” and the “Mongolian legal opinion”).

All legal documents disclosed in this letter and valuation certificates are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificates.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, construction cost, site and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificates are based on information contained in the documents provided to us and are only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible, the interior of the properties included in the attached valuation certificates. However, no structural survey has been made and we are therefore unable to report as to whether the properties are or are not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the properties, nor have we undertaken archaeological, ecological or environmental surveys. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred.

COMPLIANCE

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, International Valuation Standards (8th Edition 2007) published by International Valuation Standards Committee and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

REMARKS

Unless otherwise stated, all monetary amounts stated in this report are in United States Dollar (USD). The exchange rate adopted in our valuations as of June 30, 2010 being 1 USD = 1,368.65 MNT.

We enclose herewith the summary of values and the valuation certificates.

Yours Faithfully,
For and on behalf of

American Appraisal China Limited

Eric M. H. Poon
MRICS, MHKIS
Assistant Vice President

Alexander N. Lopatnikov
MRICS, RSA
Managing Director

Note: Mr. Eric Poon, who is a Chartered Valuation Surveyor, has over 10 years experience in valuation of properties in Hong Kong, the PRC and overseas including Mongolia.

Mr. Alexander Lopatnikov, who is a Chartered Valuation Surveyor, has over 9 years experience in valuation of properties in Mongolia and over 10 years experience in valuation of properties in Russia and overseas.

Our valuation of the property interests in Mongolia is supported by American Appraisal (AAR), Inc.

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Group in Mongolia

<u>No.</u>	<u>Property</u>	Capital value in existing state as at June 30, 2010
		<i>(USD)</i>
1.	Land, various buildings and structures located in Nomgon bag of Khanbogd soum/ Tsogttsetsii soum/Dalanzadgad soum/ 6 kilometers from the center of the soum behind the Tsagaan Ovoo mountain on the territory of Tsogttsetsii soum, Umnugobi province, Mongolia, held by ER LLC and its subsidiaries	32,807,000
2.	An apartment located at Sukhbaatar District, 7th Housing Committee, 11th Microdistrict, Apartment #7, Door No. 196, Ulaanbaatar, Mongolia, held by ER LLC	68,000
	Sub-total:	32,875,000

Group II – Property interests rented and occupied by the Group in Mongolia

3.	Office premises on the 8th & 14th-16th Floors of Central Tower, 2 Sukhbaatar Square, SBD-8 Ulaanbaatar, Mongolia, held by MCS Holding LLC	No commercial value
4.	Office premises, located at 3 Khoroo, MCS Anun Centre, Khan-Uul District, Ulaanbaatar, Mongolia, held by United Power LLC	No commercial value
	Sub-total:	<u>No commercial value</u>
	Grand-Total:	<u>32,875,000</u>

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in Mongolia

No.	Property	Description	Particulars of occupancy	Capital value in existing state as at June 30, 2010 (USD)																						
1.	Land, various buildings and structures located in Nomgon bag of Khanbogd soum/ Tsogttsetsii soum/ Dalanzadgad soum/ 6 kilometers from the center of the soum behind the Tsagaan Ovoo mountain on the territory of Tsogttsetsii soum, Umnugobi province, Mongolia, held by ER LLC and its subsidiaries	<p>The property comprises 11 parcels of land with a total site area of approximately 13,399.5 hectares, together with industrial buildings, structures and auxiliary facilities with a total gross floor area (GFA) of approximately 15,162.13 sq.m. The buildings were mainly completed between 2008 and 2010 (the “Completed Buildings”).</p> <p>The property also comprises buildings and structures under construction. As at the date of valuation, there were 2 buildings, with a total gross floor area of approximately 14,229.46 sq.m. and a 10kV electrical transmission line under construction (the “CIP Buildings”). As advised by the Company, a total construction cost of Tugrug 67,397,011,953 has been incurred as at the date of valuation. They are scheduled to be completed within 2010.</p> <p>The property floor areas are summarized as follows:</p>	The property was occupied by the Group as office, workshop, warehouse and other auxiliary facilities.	32,807,000																						
		<p>Completed Buildings:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right;">GFA (sq.m.)</th> </tr> </thead> <tbody> <tr><td>2-storey main camp building</td><td style="text-align: right;">9,040.00</td></tr> <tr><td>1-storey garage</td><td style="text-align: right;">836.20</td></tr> <tr><td>1-storey boiler house</td><td style="text-align: right;">588.00</td></tr> <tr><td>1-storey sewage treatment plant</td><td style="text-align: right;">180.20</td></tr> <tr><td>1-storey generator house</td><td style="text-align: right;">78.00</td></tr> <tr><td>1-storey Workshop for Heavy Truck</td><td style="text-align: right;">2,577.60</td></tr> <tr><td>2-storey airport terminal building</td><td style="text-align: right;">324.00</td></tr> <tr><td>Mine Temporary Office</td><td style="text-align: right;">733.80</td></tr> <tr><td>1-storey Workshop for Coal Track</td><td style="text-align: right;">804.33</td></tr> <tr><td>Total:</td><td style="text-align: right;">15,162.13</td></tr> </tbody> </table>		GFA (sq.m.)	2-storey main camp building	9,040.00	1-storey garage	836.20	1-storey boiler house	588.00	1-storey sewage treatment plant	180.20	1-storey generator house	78.00	1-storey Workshop for Heavy Truck	2,577.60	2-storey airport terminal building	324.00	Mine Temporary Office	733.80	1-storey Workshop for Coal Track	804.33	Total:	15,162.13		
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		<p>Completed Structures:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right;">Bounded Area (sq.m.)</th> </tr> </thead> <tbody> <tr><td>Customs Bonded Yard</td><td style="text-align: right;">99,975.00</td></tr> <tr><td>Air strip</td><td style="text-align: right;">81,029.76</td></tr> <tr><td>Total:</td><td style="text-align: right;">181,004.76</td></tr> </tbody> </table>		Bounded Area (sq.m.)	Customs Bonded Yard	99,975.00	Air strip	81,029.76	Total:	181,004.76																
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5-storey coal handling preparation plant (wash plant)	8,580.00																									
4-storey Power Plant – 12MW	5,649.46																									
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Notes:

1. Pursuant to 11 Certificates of Title of Land Possession by Business Entity and Organizations Nos. #0203104, #0203103, #0203102, #0173666, #0203101, #0173540, #0173536, #0173591, #0173625, #0203112 and #0173628, 11 land parcels with a total site area of approximately 13,399.5 hectares were leased from the municipality with lease terms range from 10 to 60 years at an earliest expiry date on March 2020 at a total annual rent of MNT 190,203,445.

The salient details of the land parcels are as follows:

Land Parcels No.	Land Use	Site Area (hectares)	Land Use Term (years)	Certificate No. of title of business entity to land tenure
1.	Mining facilities	811.20	60	#0203104
2.	Mining site	834.70	60	#0203103
3.	Mining site reserve	1,510.60	60	#0203102
4.	Customs control area for loading and unloading exported coal	10.00	15	#0173666
5.	Site construction	600.00	10	#0203101
6.	Miners camp	10.00	60	#0173540
7.	Airport	115.00	40	#0173536
8.	Railway	6,740.00	60	#0173591
9.	Building a water supply pipeline and a water reservoir	134.00	60	#0173625
10.	Power line for water supply facilities	184.00	40	#0203112
11.	Construction and maintenance of hard paved road from Ukhaa Khudag mine to inland border port of Gashuun Sukhait	2,450.00	10	#0173628
Total:		13,399.50		

2. We have attributed no commercial value to the above leased land parcels with a total site area of approximately 13,399.5 hectares as the land possession rights of these land parcels can only be transferred and mortgaged upon the approval by the local authorities who issued the Land Possession Certificate.
3. According to 7 Certificates of State Registration of Immovable Property Ownership Rights Nos. #94576, #94579, #94575, #94577, #94580, #94578 and #876145, 7 buildings, including sewage treatment plant, boiler house, main camp building, garage, generator house, workshop for heavy truck, and airport terminal building, with total gross floor area of about 13,624.0 sq.m. and a land improvement (air strip) with bounded area of 81,029.76 sq.m. ("Completed Buildings" and "Completed Structures") are held by the Group.
4. Pursuant to two Certificates of State Registration of Immovable Property Ownership Rights Nos. #94230 and #94231, the buildings of a coal handling preparation plant and a power plant buildings ("CIP Buildings") with a total gross floor area of approximately 14,229.46 sq.m. are held by the Group.
5. We have attributed no commercial value to 1 temporary mine office building with a gross floor area of approximately 733.8 sq.m. and to a 1-storey workshop and coal track with a gross floor area of approximately 804.3 sq.m. under (the "Completed Buildings") due to insufficient title proof to these buildings and auxiliary facilities. We are of the opinion that the depreciated replacement cost of these buildings and auxiliary facilities as at the valuation date would be USD1,077,000 assuming all relevant title certificates have been obtained and registered by the Group and the Group has legal rights to occupy, lease, mortgage and transfer these buildings.
6. We were informed that the Group also operates 300 container huts. According to Mongolian legislation they are not registered as real estate properties and therefore were excluded from valuation.

7. *The Mongolian legal opinion states, inter alia, that:*
 - a. *The Group leases 11 land plots with a site area of 13,399.5 hectares.*
 - b. *7 Completed Buildings including sewage treatment plant, boiler house, main camp building, garage, generator house, workshop for heavy truck, and airport terminal building with a gross floor area of 13,624.0 sq.m. an airstrip and customs bonded yard as mentioned in Note No. 3 and 2 CIP Buildings with a total gross floor area of 14,229.46 sq.m. as mentioned in Note No. 4 are legally vested in the ER LLC. All buildings and structures erected on the land parcels can be freely transferred to any third parties separately with the land parcels in the open market.*
 - c. *No Certificate of State registration of Immovable Property Ownership Rights issued for 1 Completed mine temporary office Building with a total floor area of 733.8 sq.m. and to 1 Completed 1-storey workshop and coal track with a gross floor area of 804.3 sq.m. as mentioned in Note No. 5.*
 - d. *The property is not subject to any type of encumbrances as at the date of the opinion, e.g. bank mortgage, etc.*
 - e. *All titles related to the property are clear and in good condition. No disputes found on the property. The current use of the property is legally valid and complies with all relevant laws and regulations of Mongolia.*
 - f. *We are of opinion that ER LLC has the right to occupy and use all the land parcels and buildings and structures. The land possession rights of the property can be transferred and mortgaged upon the approval by the local authorities who issued the Land Possession Certificates. All buildings and/or structures erected on the land parcels can be freely transferred to any third parties separately with the land parcels in the open market.*
 - g. *The property is genuine, while the land parcels are used in full conformity with local related laws and regulations obtaining all necessary licences and permits to conduct activities specified in the Certificate of Title of Land Possession by Business Entity and Organization issued by Head of the Land Division, Umnugobi province, Mongolia.*
 - h. *The construction of mining site process is being conducted in full conformity with the Law on Minerals, Law on Environment Protection of Mongolia and its compliance is controlled by Minerals Authority of Mongolia, State Specialized Inspection Agency and the Ministry of Trade and Industry. Based on monitoring results by these state organizations, United Power LLC, an ER LLC Resources LLC – Branch Company obtained a permit to commence earth works for construction of foundation of the power plant building from Professional Monitoring Agency of Mongolia on November 2, 2009. Moreover, on December 22, 2009, the Energy Regulatory Authority issued the license to construct the 12 MW Power Plant to the United Power LLC by the Regulators Council Resolution #59;*
 - i. *Buildings and structures are erected on Land Parcels Nos. 1, 4, 6 and 7. The Company has the legal right to freely transfer these buildings and structures separately with the land parcels according to the Article 5.1 of the Agreement on Land Lease to Individuals and Legal Entities made on March 10, 2010 as follows “5.1. Article 110.1 of the Civil Code of Mongolia will be applied if the property ownership rights of an immoveable property built on the land leased to the Lessee are transferred to other parties”.*
 - j. *ER LLC holds Mining License #11952A. The Mining License #11952A was issued to ER LLC on January 23, 2007 by the Mineral Resource, Petroleum Authority of Mongolia for a duration of 30 years. On May 28, 2008 the coordinates of the mining area have been changed and the total area increased from 1010 hectares to 2962 hectares which was recorded on the same day in the Mining License #11952A.*

VALUATION CERTIFICATE

No.	Property	Description	Particulars of occupancy	Capital value in existing state as at June 30, 2010 (USD)
2.	An Apartment located at Sukhbaatar District, 7th Housing Committee, 11th Microdistrict, Apartment #7, Door No. 196, Ulaanbaatar, Mongolia held by ER LLC	The property comprises an apartment with a gross floor area of approximately 40 sq.m. located at Ulaanbaatar. It was completed in about 1980s.	The property is occupied by the Group as an apartment.	68,000

Notes:

1. Pursuant to the Certificate of State Registration of Immovable Property Ownership Rights No. #000061463 dated September 16, 2008, the property with a gross floor area of 40 sq.m. is owned by ER LLC.
2. The Mongolian legal opinion states, inter alia, that:
 - a. The current use of the property is legally valid and complies with all relevant laws and regulations of Mongolia.
 - b. ER LLC has mortgaged the apartment for one of its employees, and the apartment is still held as a pledge for a long-term mortgage, therefore, the ownership certificate is issued to ER LLC. Upon the completion of the payment, the owner certificate will be transferred to its owner.
 - c. All titles related to the property are clear.
 - d. No disputes found involved with the concerned property stated above.
 - e. Legal validity of the property is in good condition.

VALUATION CERTIFICATE

Group II – Property interests rented and occupied by the Group in Mongolia

No.	Property	Description	Particulars of occupancy	Capital value in existing state as at June 30, 2010 (USD)
3.	Office premises on the 8th & 14th-16th Floors of Central Tower, 2 Sukhbaatar Square, SBD-8 Ulaanbaatar, Mongolia, held by MCS Holding LLC	<p>The property comprises office facility of a multi-story office building completed in 2009.</p> <p>The property has a total lettable area of approximately 6,861 sq.m.</p> <p>The property was leased by the Group for a term of 3 years commencing on May 7, 2009.</p>	The property is occupied by the Group as its headquarter office.	No commercial value

Notes:

1. Pursuant to a lease agreement entered into between Shangri-La Ulaanbaatar LLC (the “lessor”) and MCS Holding LLC (the “lessee”), the office facility with a total lettable area of approximately 6,861 sq.m. was rented by the lessee for a term of 3 years commencing from May 7, 2009 to May 6, 2012 at a current monthly rent of USD 30.50 per sq.m. of lettable area for office purpose.
2. The Mongolian legal opinion states, inter alia, that:
 - a. The ER LLC has 6 shareholders and the MCS Holding LLC is one of them. The lease agreement as mentioned in note 1, was entered between Shangrilla Ulaanbaatar LLC (the “Lessor”) and MCS Holding LLC (the “Lessee”) on May 6, 2009. Therefore, ER LLC possesses the legal and valid agreement to use and occupy the subject property. There are no any legal reasons to reject the validity of the lease agreement. However, no sub-tenancy agreement was made between ER LLC and MCS Holding LLC. Based on the arrangement mentioned in the Annex of the lease agreement made between Shangrilla Ulaanbaatar LLC and MCS Holding LLC on May 7, 2009, ER LLC is allocated an area of 1,034.67 sq.m. for lease.
 - b. The tenancy agreement as mentioned in note 1 is valid and enforceable in compliance with the laws and regulations of Mongolia.

VALUATION CERTIFICATE

No.	Property	Description	Particulars of occupancy	Capital value in existing state as at June 30, 2010 (USD)
4.	Office premises located at 3 Khoroo, MCS Anun Centre, Khan-Uul District, Ulaanbaatar, Mongolia, held by United Power LLC	<p>The property comprises office facility completed in about 2000s*.</p> <p>The property has a floor area of approximately 86.58 sq.m.</p> <p>The property was leased by the Group for a term of 11 months commencing on February 15, 2010 with an option to extend for 1 more year. MNT1,588,743 per month exclusive of VAT. This rent includes MNT68 for 1kbt electricity, MNT18,241 for 1gkal heating, MNT640 for 1m³ pure water, MNT330 for polluted water, MNT470,000 for 1 security person. The Lessee shall be responsible for electricity costs to be used for the equipment and tools of the Lessee. Payment for electricity shall be based on the meter and tariff approved by Government authority.</p>	The property is occupied by the Group as office.	No commercial value

Notes:

1. *Pursuant to a lease contract and an amendment to the lease contract entered into between MCS Property LLC (the "Lessor") and United Power LLC (the "Lessee") dated April 2, 2010 and May 3, 2010 respectively, the office facility with a floor area of 86.58 sq.m. was rented by the Tenant for a term of 11 months commencing from February 15, 2010 to December 31, 2010. MNT1,588,743 per month exclusive of VAT, this rent includes MNT68 for 1kbt electricity, MNT18,241 for 1gkal heating, MNT640 for 1m³ pure water, MNT330 for polluted water, MNT470,000 for 1 security person. The Lessee shall be responsible for electricity costs to be used for the equipment and tools of the Lessee. Payment for electricity shall be based on the meter and tariff approved by Government authority.*
2. *The Mongolian legal opinion states, inter alia, that:*
 - a. *The rental agreement is legally valid and enforceable.*
 - b. *The current use of the property is legally valid and complies with all relevant laws and regulations of Mongolia.*