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COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANTS	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.C-36, AS AMENDED AND IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9 AND IN THE MATTER OF MONGOLIA MINERALS CORPORATION
DOCUMENT	**EIGHTH REPORT OF THE MONITOR** **FEBRUARY 12, 2015**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>**MONITOR**</u> ERNST & YOUNG INC. 1000, 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason / Nick Purich Telephone: 403-206-5067 / 403-206-5170 Fax: 403-206-5075 Email: neil.narfason@ca.ey.com nick.jb.purich@ca.ey.com <u>**COUNSEL**</u> Borden Ladner Gervais LLP Centennial Place, East Tower 1900, 520 - 3rd Avenue SW Calgary, Alberta T2P 0R3 Attention: Josef G. A. Krüger, Q.C. Phone: 403-232-9563 Fax: 403-266-1395 Email: jkruger@blg.com

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INTRODUCTION

1. On June 16, 2014, Mongolia Minerals Corporation ("MMC" or the "Company") sought and obtained protection from its creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985 c. C-36, as amended, (the "CCAA") pursuant to an order of this Honourable Court (the "Initial Order").

2. Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor of MMC (the "Monitor").

3. The purpose of this eighth report (the "Eighth Report") of the Monitor is to provide this Honourable Court with the Monitor's comments in respect of the following:

    a) an update from the seventh report (the "Seventh Report") of the Monitor dated January 20, 2015;

    b) the Company's request to terminate these CCAA proceedings;

    c) the Monitor's request for the approval of its professional fees and those of its legal counsel;

    d) the Monitor's request for its discharge; and

    e) the Monitor's recommendations.

4. Capitalized terms not defined in this Eighth Report are as defined in the Initial Order.

5. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

6. MMC is an exploration and development stage company. Its most significant assets are the exploration and mining licenses (the "Licenses") granted to certain of its indirect subsidiaries by the Mineral Resources Authority of Mongolia.

7. MMC generates no cash flow from operations and previously relied upon debt and equity financing to continue to develop its Licenses. The Company experienced setbacks in obtaining the necessary financing to develop its Licenses which resulted in the Company seeking protection from its creditors under the CCAA.

8. Additional background information on MMC and these CCAA proceedings is available on the Monitor's website at www.ey.com/ca/mongoliaminerals.

TERMS OF REFERENCE

9. In preparing this Eighth Report, the Monitor has relied upon unaudited financial information, company records and discussions with the management of the Company. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the information.

RESTRUCTURING UPDATE

10. In the Seventh Report, the Monitor advised that MMC had limited financial resources and was in its current state unable to fund a fulsome sale and investment solicitation process ("SISP") for its remaining assets.

11. In order to provide the necessary financial back-stop to allow MMC to seek Court approval of a SISP, the Company explored various options ("Options") that would provide the financial support to run a SISP, in order to allow MMC to maximize value from its remaining assets. The main Options included:

    a) negotiation of an option agreement with parties from Asia;

    b) a potential buyout option by certain former MMC management and directors; and

    c) a back-stop from one or more of MMC's secured creditors.

12. On February 10, 2015, the Company advised the Monitor that, in spite of its efforts, it had not made sufficient progress on the Options and was not aware of other restructuring alternatives available to the Company. As such, MMC would not be able to carry out a SISP.

CCAA TERMINATION

13. Given the lack of a viable restructuring option coupled with the lack of financial resources, the Company is requesting that this Honourable Court grant an order terminating these CCAA proceedings (the "CCAA Termination Order").

14. The Monitor is advised that Company will have approximately $118,000 of cash remaining after settling its obligations owed to one Mongolian employee of the Company. The amounts outstanding under the CCAA Administration Charge as at the date of this Eighth Report are approximately $125,000. As such, the Monitor notes that the Company will not have sufficient cash to fully pay all amounts outstanding under the Administration Charge. The beneficiaries of the Administration Charge have agreed to pro-rate payment of the outstanding amounts.

PROFESSIONAL FEES

15. The Monitor and its legal counsel have incurred total professional fees ("Professional Fees") of $113,405.55 exclusive of GST. A breakdown of the Professional Fees is as follows:

    a) Monitor of $66,854.54;

    b) advertising and administrative disbursements incurred by the Monitor of $2,108.08; and

    c) Monitor's legal counsel of $44,442.75.

16. Of the Professional Fees, approximately $70,000 remains outstanding and forms part of the Administration Charge.

17. The Monitor believes that the Professional Fees are reasonable given the:

    a) Monitor's involvement in the Company's cash flow forecasting and reporting processes;

    b) seven stay extension applications made by the Company;

    c) negotiations surrounding the sale of the Dalan Project; and

    d) Monitor's input into the Company's attempt to develop Options.

DISCHARGE OF THE MONITOR

18. If the proposed CCAA Termination Order is granted by this Honourable Court, the role of the Monitor will be complete other than minor administrative tasks. As such, the Monitor is requesting its discharge (the "Discharge").

RECOMMENDATIONS

19. The Monitor recommends that this Honourable Court approve the:

a) CCAA Termination Order;

b) Professional Fees; and

c) Discharge.

Dated at Calgary, this 12th day of February, 2015.

ERNST & YOUNG INC.
in its capacity as Monitor of Mongolia Minerals Corporation
and not in its personal or corporate capacity

Neil Narfason, CA, CIRP, CBV
Senior Vice-President

Nick JB Purich, CA
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