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| COURT FILE NUMBER | 1401 - 06625 | Clerk's Stamp |
| 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<br>AND IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9<br>AND IN THE MATTER OF MONGOLIA MINERALS CORPORATION | |
| DOCUMENT | **FOURTH REPORT OF THE MONITOR**<br>**OCTOBER 20, 2014** | |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | **MONITOR**<br>ERNST & YOUNG INC.<br>1000, 440 - 2nd Avenue SW<br>Calgary, Alberta T2P 5E9<br>Attention: Neil Narfason / Nick Purich<br>Telephone: 403-206-5067 / 403-206-5170<br>Fax: 403-206-5075<br>Email: neil.narfason@ca.ey.com<br>nick.jb.purich@ca.ey.com<br>**COUNSEL**<br>Borden Ladner Gervais LLP<br>Centennial Place, East Tower<br>1900, 520 – 3rd Avenue SW<br>Calgary, Alberta T2P 0R3<br>Attention: Josef G. A. Krüger, Q.C.<br>Phone: 403-232-9563<br>Fax: 403-266-1395<br>Email: jkruger@blg.com | |

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## APPENDICES TO THE FOURTH REPORT

## 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 fourth report (the "Fourth Report") of the Monitor is to provide this Honourable Court with the Monitor's comments in respect of the following:

    a) the Company's restructuring progress since the third report (the "Third Report") of the Monitor dated September 4, 2014;

    b) the budget to actual cash flow results for the period for September 5, 2014 to October 20, 2014 (the "Reporting Period");

    c) the cash flow projections (the "Cash Flow Projection") from October 21, 2014 to November 30, 2014 (the "Forecast Period");

    d) the Monitor's comments regarding the Company's request for an extension of the stay period; and

    e) the Monitor's recommendations.

4. Capitalized terms not defined in this Fourth 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 Fourth 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. Future orientated financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

## RESTRUCTURING PROGRESS

10. In the Third Report, the Monitor advised that the Company had reached an agreement for the sale, subject to the Approval of this Honourable Court, of one of its non-core assets, the Dalan Project which is described further in the Affidavit of William J. Foster sworn September 4, 2014 (referred to herein as the "Dalan Sale").

11. On September 5, 2014, this Honourable Court approved the Dalan Sale (the "Dalan Sale Order"). The details of the Dalan Sale remain sealed further to the Dalan Sale Order.

12. Since the Third Report, the Company has been working diligently to close the Dalan Sale. The Company's efforts to close the Dalan Sale are described further in the Affidavit of William J. Foster sworn October 20, 2014 (the "Foster Affidavit").

13. The Monitor understands that the Company has made the following progress towards closing the Dalan Sale:

    a) Commenced the process in Mongolia to transfer all mineral licenses comprising the Dalan Project to the purchaser; and

    b) Retained Mongolian legal counsel to consummate the Dalan Sale.

14. The Company had anticipated closing the Dalan Sale during the Reporting Period; however, there have been delays in that process which are more fully described in the Foster Affidavit.

15. The Monitor has not been involved in the other negotiations about the assets of the Company to which the Foster Affidavit refers.

## COMPARISON OF CASH FLOW PROJECTION TO ACTUAL RESULTS

16. Attached as Appendix A to this Fourth Report is a summary of MMC's actual receipts and disbursements for the Reporting Period with an analysis of variances from the cash flow forecast previously provided to this Honourable Court in the Third Report. A summary budget to actual analysis is provided in the table below:

**Mongolia Minerals Corporation**
**Cash Flow Projection - Forecast vs Actuals**
**$CAD, unaudited**

| | For the period: September 5 - October 20, 2014 | | |
|---|---|---|---|
| | **Forecast** | **Actual** | **Variance** |
| Cash receipts | - | 167,237 | 167,237 |
| Cash disbursements | 305,000 | 107,700 | (197,300) |
| Net cash flows | (305,000) | 59,537 | 364,537 |
| Opening cash balance | 113,831 | 113,831 | |
| Net cash flows | (305,000) | 59,537 | |
| Closing cash balance | (191,169) | 173,368 | |

17. During the reporting period, the Company received part of the proceeds of the Dalan Sale. No cash receipts had been included in the cash flow projection for the Reporting Period to preserve the confidentiality of the terms of the Dalan Sale until the sale was approved by the Court.

18. MMC's disbursements for the Reporting Period totalled $107,700, which is $197,300 lower than the Initial Forecast. The variance results primarily from the deferral of administrative costs and professional fees. The Company anticipated receiving the full proceeds of the Dalan Sale which would have supported the additional forecasted expenditures.

19. The ending cash balance as at October 20, 2014 was $173,368. Of the remaining cash balance, $107,668 is held in trust by the Company's legal counsel to be used only for payroll and director and officer insurance. Of the trust balance of $107,668, $95,000 is earmarked for director and officer insurance which leaves $12,668 available for payroll. The Company's cash balance excluding the amount reserved for directors and officers insurance but including the $12,668 available for payroll is $78,368.

## CASH FLOW PROJECTION FOR THE FORECAST PERIOD

20. The Company, with the assistance of the Monitor, has prepared a Cash Flow Projection for the Forecast Period. Management has prepared the Cash Flow Projection based on the most current information available. The following is a summary of the Cash Flow Projection.

**Mongolia Minerals Corporation**
**Cash Flow Projection**
**$CAD, unaudited**

| | **October 21 - November 30, 2014** |
|---|---:|
| **Cash receipts** | |
| Non-core asset sale | - |
| Total cash receipts | - |
| | |
| **Cash disbursements** | |
| Payment of accounts payable incurred post-CCAA filing | - |
| Convertible debenture intereest | - |
| Personnel costs | 50,000 |
| Administrative costs | 10,000 |
| CCAA professional fees | 50,000 |
| Administration charge offset | (50,000) |
| Operating and maintenance capital expenditures | 5,700 |
| Total cash disbursements | 65,700 |
| | |
| **Opening cash balance** | 78,368 |
| **Net cash flows** | (65,700) |
| **Closing cash balance** | 12,668 |

21. The Company has endeavored to minimize its operating and administrative costs while working to close the Dalan Sale. No amount in respect of the Dalan Sale is included above to preserve the confidentiality of the sale terms until it fully closes.

22. The Monitor notes that the Company has incurred but not paid the following:

a) Administrative costs including reductions in payroll which are described in Appendices A and B;

b) Professional fees of approximately $350,000 comprised of approximately $50,000 for the Monitor and its counsel, and approximately $300,000 for the Company's counsel which remain beneficiaries of the Administration Charge; and

c) Compensation for Mr. William Foster for his services since the granting of the Initial Order. Mr. Foster's outstanding compensation totals $125,000 at the date of this report.

23. Following the receipt of the remaining proceeds of the Dalan Sale, the Monitor is advised that the Company intends to repay all amounts outstanding under the Administration Charge, the amounts owed to Mr. Foster, and any administrative costs which have been incurred but not paid.

24. The Initial Order created an Administration Charge with a limit of $300,000. With outstanding professional fees of approximately $350,000, the Administration Charge is insufficient.

25. The Company is requesting an increase of the Administration Charge to $400,000 (the "Administration Charge Increase") in order to sufficiently cover the professional fees outstanding and whose which will be incurred to close the Dalan Sale.

26. The Monitor supports the Company's request for an increase to the Administration Charge to allow the Company to close the Dalan Sale. The Monitor, in consultation with the Company's counsel, expects that the increased Administration Charge will be sufficient to complete the steps necessary to close the Dalan Sale.

27. The Monitor believes that the net proceeds of the Dalan Sale will provide the Company with sufficient cash to settle all amounts incurred since the Initial Order and allow the Company to develop and bring before this Honourable Court a sales and investment solicitation process ("SISP"). The Monitor notes that if, for any reason, the Dalan Sale is not completed successfully during the Forecast Period, the Company will not have adequate resources to settle the above noted liabilities.

28. The Monitor has reviewed the assumptions supporting the Cash Flow Projection and believes the assumptions to be reasonable.

**THE COMPANY'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD**

29. Pursuant to the Initial Order, as amended, the Stay Period expires on October 23, 2014. MMC is seeking an extension of the Stay Period up to and including November 30, 2014 (the "Stay Extension").

30. The Stay Extension is necessary to allow MMC to close the Dalan Sale and to develop and finalize, subject to the approval of this Honourable Court, a SISP.

31. In the Monitor's view, MMC is acting in good faith and with due diligence.

**RECOMMENDATIONS**

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

a) Administration Charge Increase; and

b) Stay Extension.

*****

Dated at Calgary, this 20th day of October, 2014.

**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
Senior Staff

# Appendix A

Mongolia Minerals Corporation
Cash Flow Projection - Forecast vs Actuals
$CAD, unaudited

| | For the period: September 5 - October 20, 2014 | | | |
|---|---|---|---|---|
| | Forecast | Actual | Variance | Notes |
| **Cash receipts** | | | | |
| Operating receipts | - | 167,237 | 167,237 | 1 |
| Other receipts | - | - | - | 1 |
| **Total cash receipts** | - | 167,237 | 167,237 | |
| | | | | |
| **Cash disbursements** | | | | |
| Personnel costs | 85,000 | 51,864 | (33,136) | 2 |
| Administrative expenditures | 120,000 | 7,528 | (112,472) | 3 |
| CCAA professional fees | - | 31,450 | 31,450 | 4 |
| Administrative charge offset | - | - | - | 4 |
| Foreign exchange (gain)/loss | - | 2,272 | 2,272 | 5 |
| Operating costs | 100,000 | 8,599 | (91,401) | 6 |
| Maintenance capital expenditures | - | 5,987 | 5,987 | 6 |
| **Total cash disbursements** | *305,000* | *107,700* | (197,300) | |
| | | | | |
| Net cash flows | (305,000) | 59,537 | 364,537 | |
| | | | | |
| Opening cash balance | 113,831 | 113,831 | - | 7 |
| Net cash flows | (305,000) | 59,537 | 364,537 | |
| Closing cash balance | (191,169) | 173,368 | 364,537 | |

## Notes to the Forecast to Actual Analysis:

1. MMC received the First Payment (as defined in the Third Report) in the Dalan Sale during the forecast period. The Company had no other cash receipts.

2. Personnel costs were $33,136 below forecast as the Company deferred, with the agreement of the affected employees, half September and October payroll and payroll related taxes payment to preserve cash.

3. MMC deferred the majority of its administrative expenditures to preserve cash.

4. CCAA professional fees include the Company's counsel, the Monitor, and the Monitor's counsel. The Company made one payment to its counsel in respect of amounts owed. All other professional fees will be offset by the Administration Charge.

5. The previous forecast was reported in Canadian dollars. The Company maintains the majority of its cash in Canadian dollars which are converted to USD and then sent from Canada to Mongolia in USD. Mongolia receives the funds and exchanges USD to MNT (Mongolian Tugrik) to pay payables which resulted in a foreign exchange variance.

6. MMC has endeavoured to minimize its operating and capital expenditures to preserve its financial resources. The variance in operating and maintenance capital expenditures of $91,401 is the result of expenditures which were deferred to preserve cash.

7. MMC's opening cash balance includes cash held by MMC and cash held in trust with its counsel, the use of which is restricted for salaries, wages, payroll remittances and director's insurance. Of the closing cash balance held by MMC, approximately $7,200 is held in Mongolia with the remainder held in Canada.

# Appendix B

**Mongolia Minerals Corporation**
**Cash Flow Projection**
**$CAD, unaudited**

| | Notes | October 21 - November 30, 2014 |
|---|---|---|
| **Cash receipts** | | |
| Non-core asset sale | 1 | - |
| Total cash receipts | | - |
| | | |
| **Cash disbursements** | | |
| Payment of accounts payable incurred post-CCAA filing | 2 | - |
| Convertible debenture intereest | 3 | - |
| Personnel costs | 4 | 50,000 |
| Administrative costs | 5 | 10,000 |
| CCAA professional fees | 6 | 50,000 |
| Administration charge offset | 6 | (50,000) |
| Operating and maintenance capital expenditures | 7 | 5,700 |
| Total cash disbursements | | 65,700 |
| | | |
| **Opening cash balance** | | 78,368 |
| **Net cash flows** | | (65,700) |
| **Closing cash balance** | | 12,668 |

## Notes to the Cash Flow Projection

1. The Company anticipates receiving the remaining proceeds of the Dalan Sale during the Forecast Period; however, this amount has not been included to preserve the confidentiality of the terms of the Dalan Sale until it closes.

2. Upon receipt of the remaining proceeds of the Dalan Sale, the Company will settle all outstanding accounts payable incurred during the CCAA proceedings. This amount has not been included in the Cash Flow Projection as the timing and certainty of the receipt of the remaining proceeds are unknown.

3. The Company will not make any payments on its secured debentures.

4. The Company anticipates incurring approximately $50,000 in personnel costs and related payroll taxes based on the agreed upon deferral described above.

5. The Company has endeavoured to minimize administrative expenditures and anticipates incurring approximately $10,000 during the Forecast Period.

6. The Company anticipates incurring approximately $50,000 in professional fees during the Forecast Period all of which will be offset by the administration charge until full payment in the Dalan Sale is received.

7. Operating and maintenance capital has been reduced to the minimum necessary to preserve the value of the Company’s assets.