COURT FILE NUMBER	1401 - 06625
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	**SEVENTH REPORT OF THE MONITOR** **JANUARY 20, 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

Clerk's Stamp

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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 seventh report (the "Seventh 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 fourth report (the "Sixth Report") of the Monitor dated December 18, 2014;

   b) the budget to actual cash flow results for the period for December 18, 2014 to January 19, 2015 (the "Reporting Period");

   c) the cash flow projections (the "Cash Flow Projection") from January 19, 2015 to February 11, 2015 (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 recommendation.

4. Capitalized terms not defined in this Seventh 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 Seventh 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 Sixth Report, the Monitor advised that the Company was progressing towards closing the sale 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. Since the Sixth Report, the Company has successfully closed the Dalan Sale. Further details of the Dalan Sale are provided in the Affidavit of William J. Foster sworn January 19, 2015 (the "Foster Affidavit"). The closing of the Dalan Sale took longer than anticipated for reasons outlined in the Foster Affidavit.

12. MMC has limited financial resources and is currently unable to fund a fulsome sale and investment solicitation process ("SISP") for its remaining assets.

13. In order to provide the necessary financial back-stop to allow MMC to seek Court approval of a SISP, the Company is currently exploring options ("Options") that would form part of a SISP, in order to allow MMC to realize value from its remaining assets. The two main Options include:

    a) negotiating an option agreement with the Purchaser of the Dalan Project;

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

c) pursuing potential opportunities with other parties located in Asia.

14. Any SISP that includes an Option would be subject to Court approval.

CONSULTING AGREEMENT

15. The Foster Affidavit outlines the consulting agreement which Mr. Foster entered into with the Company on July 28, 2014 and effective June 14, 2014 (the "Consulting Agreement") under which Mr. Foster is paid $25,000 per month in regular fees ("Regular Fees") for his services to the Company. The Consulting Agreement provides for a success fee (the "Success Fee") equal to the total of all Regular Fees payable under any of three scenarios outlined in the Foster Affidavit.

16. The Monitor was consulted during the development of the Consulting Agreement and believes the terms are reasonable given:

a) Mr. Foster's knowledge of MMC's assets and his contacts which are important to pursue the Options described above; and

b) The efforts expended to close the Dalan Sale and those which will be required in pursuit of the Options.

17. The Monitor further notes that the compensation provided for in the Consulting Agreement is consistent with that paid to company principals in other insolvency proceedings.

18. The Company is requesting that the compensation under the Consulting Agreement form part of the Administration Charge which the Monitor considers reasonable given the Company's need to preserve financial resources while it pursues the Options.

COMPARISON OF CASH FLOW PROJECTION TO ACTUAL RESULTS

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

Mongolia Minerals Corporation			Table 1
Cash Flow Projection - Forcast vs Actual			
$CAD, unaudited			
	For the Period		
	December 18, 2014 - January 19, 2015		
	Forecast	Actual	Variance
Cash receipts	1,131,766	1,144,756	12,990
Cash disbursements	850,000	603,237	246,763
Net cash flows	281,766	541,519	
Opening cash balance	-	-	
Net cash flows	281,766	541,519	
Closing cash balance	281,766	541,519	

20. The Company received the second of two payments (the "Second Payment") in the amount of US$984,000 contemplated in the Dalan Sale agreement upon the closing of the Dalan Sale. The variance in cash receipts results from differences in foreign exchange rates.

21. MMC's disbursements for the Reporting Period totalled $603,237, which is $246,763 lower than the projection for the Reporting Period. The Company received the Second Payment on January 14, 2015, and as such, has not made all intended post-filing creditor payments which were forecasted to be made during the Reporting Period. Included in the amounts outstanding are the following:

   a) $50,150 for the Company's legal counsel in Mongolia, Minter Ellis; and

   b) Approximately $78,000 to Dominic Yen, a consultant engaged by the Company.

22. The ending cash balance as at January 19, 2015 was $541,519.

CASH FLOW PROJECTION FOR THE FORECAST PERIOD

23. The Company, with the assistance of the Monitor, has prepared a Cash Flow Projection for the Forecast Period. The Company 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	Table 2
	January 20 - February 11, 2015
Cash receipts	-
Cash disbursements	
CCAA professional fees	100,000
Administration charge offset	(15,000)
Other professional fees	50,150
Personnel costs	156,520
Operating and maintenance capital expenditures	66,513
Administrative costs	178,772
Total cash disbursements	536,955
Opening cash balance	541,519
Net cash flows	(536,955)
Closing cash balance	4,564

24. The Company is not forecasting any cash receipts during the Forecast Period.

25. The Company has endeavored to minimize its operating and administrative costs while pursuing its restructuring alternatives.

26. The significant disbursements anticipated during the Forecast Period are:

    a) payment of remaining outstanding CCAA professional fees which are beneficiaries of the Administration Charge as well as those professional fees incurred during the Forecast Period to the extent possible;

    b) professional fees for the Company's Mongolian legal counsel in respect of the closing of the Dalan Sale;

    c) salaries and related personnel costs for the Company's remaining employees which are consistent with historical amounts;

    d) operating and maintenance capital expenditures to preserve the Company's mining licenses; and

e) administrative costs which are consistent with historical amounts;

27. 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

28. Pursuant to the Initial Order, as amended, the Stay Period expires on January 21, 2015. MMC is seeking an extension of the Stay Period up to and including February 11, 2015 (the "Stay Extension").

29. The Stay Extension is necessary to allow MMC to negotiate an Option or obtain interim financing and develop a SISP.

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

RECOMMENDATION

31. The Monitor recommends that this Honourable Court approve the Stay Extension.

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Dated at Calgary, this 20th day of January, 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
Manager

Appendix A

Mongolia Minerals Corporation
Cash Flow Projection - Forcast vs Actual
$CAD, unaudited

	For the Period December 18, 2014 - January 16, 2015			
Cash receipts	**Forecast**	**Actual**	**Variance**	**Notes**
Non-core asset sale	1,131,766	1,144,756	12,990	1
Total cash receipts	1,131,766	1,144,756		
Cash disbursements				
Payment of accounts payable incurred post-CCAA filing	25,000	-	25,000	2
Convertible debenture intereest	-	-	-	
Personnel costs	300,000	230,405	69,595	3
Administrative costs	25,000	1,100	23,900	2
CCAA professional fees	450,000	371,732	78,268	4
Operating and maintenance capital expenditures	50,000	-	50,000	2
Total cash disbursements	850,000	603,237	246,763	
Opening cash balance	-	-		
Net cash flows	281,766	541,519		
Closing cash balance	281,766	541,519		

Notes to the Cash Flow Projection

1. The Company received the balance of the purchase price from the Dalan Sale of approximately US$984,000 during the Reporting Period. This amount has been converted to Canadian dollars at a rate of USD/CAD = 1.1632.

2. Due to the timing of receipt of the proceeds of the Dalan Sale, the Company did not have time to make all of its forecasted disbursements.

3. Due to the timing of receipt of the proceeds of the Dalan Sale, the costs associated with Mongolian payroll and associated payments for December have not yet been made but are contemplated in the Cash Flow Projection.

4. Certain amounts remain outstanding under the Administration Charge and payment of these amounts is contemplated in the Cash Flow Projection.