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 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	**THIRD REPORT OF THE MONITOR** **SEPTEMBER 4, 2014**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** 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 **COUNSEL** 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	

TABLE OF CONTENTS TO THE THIRD REPORT

APPENDIX TO THE THIRD 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 third report (the "Third 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 second report (the "Second Report") of the Monitor dated August 14, 2014;

    b) the Company's request for this Honourable Court's approval of a proposed sale transaction;

    c) the Monitor's analysis of the Company's proposed sale transaction;

    d) the budget to actual cash flow results for the period for August 15, 2014 to September 5, 2014 (the "Reporting Period");

    e) the cash flow projections (the "Cash Flow Projection") from September 5, 2014 to October 23, 2014 (the "Forecast Period");

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

    g) the Monitor's recommendation.

4. Capitalized terms not defined in this Third 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 Third 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. Since the Second Report, the Company has been marketing one of its non-core assets, the Dalan Project, which is described further in the Affidavit of William J. Foster sworn September 4, 2014 (the "Foster Affidavit").

11. The Monitor understands that the Company has:

    a) canvassed a broad spectrum of potential purchasers for the Dalan Project to the date of this Third Report

    b) had negotiations for the sale of the Dalan Project with a number of parties; and

    a) reached agreement on an offer which is subject to the approval of this Honourable Court.

12. Further details of the Company's restructuring efforts are outlined in the Foster Affidavit. The Company has not involved the Monitor in the attempts by the Company

to find a purchaser for the Dalan Project, nor has the Monitor been involved in the other negotiations about the assets of the Company to which the Foster Affidavit refers.

PROPOSED SALE TRANSACTION

13. As discussed above, the Company has reached an agreement subject to the approval of this Honourable Court (the "Proposed Sale Transaction") for the sale of the Dalan Project to a purchaser, the identity of which the Company does not wish to publicly disclose for confidentiality reasons (the "Purchaser").

14. The terms of the Proposed Sale Transaction are that the Purchaser will pay part of the purchase price (the "First Payment") to MMC upon Court approval of the transaction. The remainder of the purchase price will be paid within three business days of the Mineral Resource Authority of Mongolia recognizing the transfer of the licences associated with the Dalan Project to the Purchaser. Details of the Proposed Sale Transaction are disclosed in the Foster Affidavit.

MONITOR'S ANALYSIS OF THE PROPOSED SALE TRANSACTION

15. The Monitor is of the view that the solicitation process for the Dalan asset undertaken by the Company was reasonable in the circumstances, especially given the unique nature and location of the Dalan Project.

16. The Monitor approved of the process leading to the Proposed Sale Transaction and the Monitor is of the opinion that the Proposed Sale Transaction is more beneficial to the Company's creditors than a sale or disposition under bankruptcy. In addition, the Monitor is of the view that the consideration to be received from the Proposed Sale Transaction is reasonable and fair taking into account Dalan's market value.

17. The Company has advised its creditors and stakeholders of its efforts to sell the Dalan asset in previous affidavits filed in these proceedings. The Monitor has not had any requests for information regarding the non-core sales process from creditors other than Dundee Resources Ltd,, its major creditor and shareholder.

18. The effect of the sale of the Dalan asset will allow the Company to fund, finalize and seek Court approval of a fulsome market sale process for the remainder of the Company's assets. Should the Proposed Sale Transaction be approved and the First

Payment is received, the Monitor understands that the Company will be seeking Court approval of a market sale process within a relatively short period of time.

19. The Monitor believes that the process that resulted in achieving the Proposed Sale Transaction meets all the factors to be considered under s. 36(3) of the CCAA.

COMPARISON OF CASH FLOW PROJECTION TO ACTUAL RESULTS

20. Attached as Appendix A to this Third 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 Second 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: August 14 - September 4, 2014		
	Forecast	**Actual**	**Variance**
Cash receipts	-	-	-
Cash disbursements	*143,938*	*38,226*	*(105,712)*
Net cash flows	(143,938)	(38,226)	105,712
Opening cash balance	154,644	154,644	
Net cash flows	(143,938)	(38,226)	
Closing cash balance	10,706	116,418	

21. As set out above, MMC had no cash receipts during the Reporting Period. As noted in the Second Report and described above, the Company had anticipated closing a non-core asset sale during the Reporting Period.

22. MMC's disbursements for the Reporting Period totalled $38,226, which is $105,712 lower than the Initial Forecast. The variance results primarily from the deferral of administrative costs.

23. The ending cash balance as at September 4, 2014 was $116,418.

CASH FLOW FORECAST THROUGH OCTOBER 23, 2014

24. 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.

25. The details of the Cash Flow Projection are not disclosed in this Third Report to preserve the confidentiality of the Proposed Sale Transaction and the funds to be received pursuant thereto, as discussed in the Foster Affidavit.

26. The Company will use the First Payment to settle the professional fees which are currently beneficiaries of the Administration Charge, which fees total approximately $250,000.

27. The Company intends to make the following other payments using the First Payment:

    a) settle approximately $120,000 in accounts payable incurred in the normal course of business following the Initial Order;

    b) pay personnel costs of approximately $85,000; and

    c) pay approximately $100,000 in administrative and operating costs.

28. The Monitor believes that if the First Payment is made it will provide adequate financial resources for the Company to operate through the Forecast Period. Should the Proposed Sale transaction not be approved, the First Payment would not occur and the Company will not have sufficient cash to make the above-noted payments and would not have sufficient cash to continue operating. In such a case, the Company will have to return to the Court prior to the expiry of the stay period asked for in the application.

29. 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

30. Pursuant to the Initial Order, as amended, the Stay Period expires on September 5, 2014. MMC is seeking an extension of the Stay Period up to and including October 23, 2014 (the "Stay Extension").

31. The Stay Extension is necessary to allow MMC to close the Proposed Sale Transaction and to develop and finalize, subject to the approval of this Honourable Court, a market sale process.

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

RECOMMENDATIONS

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

a) Proposed Sale Transaction; and

b) Stay Extension.

Dated at Calgary, this 4th day of September, 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	Nick JB Purich, CA
Senior Vice-President	Senior Staff

Appendix A

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

	For the Period: August 14 - September 4, 2014			
	Forecast	Actual	Variance	Notes
Cash receipts				
Operating receipts	-	-	-	1
Other receipts	-	-	-	1
Total cash receipts	-	-	-	
Cash disbursements				
Personnel costs	69,375	36,545	(32,830)	2
Administrative expenditures	39,146	2,980	(36,166)	3
CCAA professional fees	100,000	-	(100,000)	4
Administrative charge offset	(100,000)	-	100,000	4
Foreign exchange	-	(2,587)	(2,587)	5
Operating costs	35,417	1,288	(34,129)	6
Maintenance capital expenditures	-	-	-	6
Total cash disbursements	*143,938*	*38,226*	*(105,712)*	
Net cash flows	(143,938)	(38,226)	105,712	
Opening cash balance	154,644	154,644		7
Net cash flows	(143,938)	(38,226)		
Closing cash balance	10,706	116,418		

Notes to the Forecast to Actual Analysis:

1. As forecasted MMC did not receive proceeds from the sale of non-core asset during the Reporting Period.

2. Personnel costs were approximately $32,800 below forecast as the Company deferred half of the August payroll and payroll related taxes payment to preserve cash.

3. Administrative expenditures were approximately $36,100 below forecast as expenditures were deferred to preserve cash.

4. CCAA professional fees include the Company's counsel, the Monitor, and the Monitor's counsel. All 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 $34,100 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 opening cash balance held by MMC, approximately $4,700 is held in Mongolia with the remainder held in Canada.