COURT FILE NUMBER	1401-06625	Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
	IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, as amended	
	AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MONGOLIA MINERALS CORPORATION	
DOCUMENT	**AFFIDAVIT**	

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Osler, Hoskin & Harcourt LLP
Suite 2500, 450 – 1st Street SW
Calgary, Alberta T2P 5H1

Solicitors: A. Robert Anderson, Q.C. / Michael Bokhaut
Phone: (403) 260-7004 / 7023
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Email: randerson@osler.com / mbokhaut@osler.com
File Number: 1144003

AFFIDAVIT OF WILLIAM J. FOSTER
Sworn on August 14, 2014

I, William J. Foster of the City of Calgary in the Province of Alberta, **SWEAR AND SAY THAT**:

1. I am a Director of Mongolia Minerals Corporation ("**MMC**" or the "**Company**"), a Canadian-owned coal exploration and development company with mining interests in Mongolia.

2. I have served as MMC's President and CEO from August 2010 to July 2014 and as such have personal knowledge of the matters herein deposed to, except where stated to be based on information and belief, in which case I believe the same to be true.

RELIEF REQUESTED

3. This Affidavit is made in support of an application (the "**Application**") by MMC for an Order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"):

   (a) Granting a brief extension of the stay of proceedings (the "**Stay**") set out in the initial order granted by the Honourable Justice S.J. LoVecchio on June 16, 2014, as amended and restated on June 18, 2014, until and including September 5, 2014;

   (b) Sealing on the Court file Confidential Exhibit "A" to this my Affidavit (the "**Confidential Exhibit**").

BACKGROUND AND BUSINESS OPERATIONS

4. MMC is an exploration and development stage company. Its most significant assets are the exploration and mining licenses (the "**Licenses**") located in Mongolia granted to certain of its indirect subsidiaries by the Mineral Resources Authority of Mongolia. The following assets are relevant to this Affidavit and the Application:

   (a) **The Khotgor Project.** The Khotgor Project comprises an exploration license and a mining license over a coal rich region in Mongolia's Khotgor region. The Khotgor Project is MMC's core asset and has the potential to be one of the largest coal projects in the world and the second largest coal project in Mongolia. MMC estimates that the coal available from the Khotgor Project could be as large as one billion tonnes of coal;

   (b) **The Dalan Project**. The Dalan Project comprises a mining license over a region in Mongolia's Dornogovi province. The Dalan Project is one of MMC's non-core assets and contains significantly smaller amounts of coal than the Khotgor Project. MMC estimates that the Dalan Project contains 33.4 million tonnes (Mt) of in-situ coal and 28 Mt of thermal coal.

   (c) **The Powerland Project**. The Powerland Project comprises licenses for the exploration and mining of coal in Mongolia. The Powerland Project is another of MMC's non-core assets.

5. On June 16, 2014, Justice LoVecchio granted an order (as amended on June 18, 2014) (the "**Initial Order**") granting the Company protection from its creditors under the CCAA (the "**CCAA Proceedings**"). Ernst & Young (the "**Monitor**") has been appointed

as the Company's monitor during the currency of the CCAA process. The Initial Order set the Stay until and including July 16, 2014. On July 16, 2014, Justice Macleod granted an order extending the Stay to August 15, 2014.

INTERFERENCE IN MMC'S MARKETING EFFORTS

6. MMC has been diligently seeking to raise funds to support its restructuring efforts in several different ways. The Company has determined that its best option is to sell the Dalan Project, one of its non-core assets, to provide the Company with sufficient funds to commence and support a sales and investment solicitation process (the "**Market Solicitation Process**"). The purpose of the Market Solicitation Process is to give current shareholders the opportunity to further invest in the Company, or failing that, to thoroughly canvass the market to refinance the Company or sell MMC's assets for the best price possible.

7. MMC's efforts to restructure its affairs have been hindered by the deliberate and unlawful interference by (one or more) parties related to MMC who are seeking to force the sale of its assets without a proper marketing process to position themselves to pick up the assets at a deeply distressed and discounted price. MMC has been diligently marketing the Dalan Project to raise enough funds to pursue a marketing process for its assets. The Company is currently negotiating for the sale of the Dalan Project with a prospective purchaser, referred to as Prospect A (defined below), and for the sale of the Dalan Project with an option to purchase the Company and remaining assets with a prospective purchaser referred to as Prospect D (defined below).

8. I am advised that the negotiations with Prospect A were deliberately, blatantly, and unlawfully interfered with by Enkhtaivan Chimed, a shareholder of the Company and former joint venture partner. Individuals claiming to be Mr. Enkhtaivan's employees or representatives attended on the site of the Dalan Project, interfered with drilling activities undertaken lawfully by a third party, and misrepresented to those individuals that Mr. Enkhtaivan owned the Dalan Project. Mr. Enkhtaivan's associates then threatened to sue that company for drilling on the Dalan Project site, even though the Dalan Project is

owned by subsidiaries of MMC and such drilling occurred lawfully and with the express consent of MMC.

9. On August 12, 2014, Mr. Enkhtaivan sent an email ("**The Email**") to me which can be read only as a poorly veiled threat and a thuggish attempt to prevent the Company from completing the sale of the Dalan Project. Such a sale is clearly in the best interests of the Company and is likely necessary for the Company to avoid bankruptcy. A copy of The Email is attached to this my Affidavit as **Exhibit "B"**. A copy of my response to Mr. Enkhtaivan, sent on August 12, 2014 is attached as **Exhibit "C"**. Mr. Enkhtaivan replied to my response in the early morning of August 14, 2014, a copy of which is attached as **Exhibit "D"**.

10. The Company has also been seeking to sell all of its assets to an individual (referred to as Prospect D) who the Company previously believed was an arm's length third party. Prospect D appears to have expressed a legitimate interest in purchasing all of the Company's assets and there appears to be a reasonable chance that the Company can sell the assets to Prospect D in a way that is fair and appropriate in the circumstances by conducting a marketing process to ensure it is obtaining the best possible price. Negotiations with this party are taking place as of the date this Affidavit is sworn but we do not yet know the results of these negotiations.

11. MMC requires additional time to: (i) complete negotiations with Prospect A or Prospect D, (ii) assess the extent to which Mr. Enkhtaivan, Prospect D, the secured creditors and other shareholders are acting in concert with one another to harm MMC's commercial interests, and (iii) determine how to proceed against the parties who are involved in interfering in MMC's restructuring. What is clear is that MMC has been diligently seeking to sell its assets for the best possible price in an open and fair market driven process, but is fighting against a concerted, unlawful and blatant effort by (one or more) parties related to the Company to stymie MMC's efforts for their own personal gain.

NEGOTIATIONS WITH PROSPECT A

12. My Affidavit sworn on July 13, 2014 (the "**July Affidavit**") describes the negotiations that MMC had been undertaking to raise additional funds. Since the date of the July

Affidavit, MMC has continued to negotiate with several prospective purchasers for the sale of the Dalan Project and it appears that the prospective purchaser previously described as Prospect A constitutes MMC's best offer to date.

13. Prospect A is a Mongolian company that has expressed an interest in the Dalan Project and has engaged in confidential good faith negotiations with MMC. Details of MMC's negotiations with Prospect A up until July 13, 2014, are more fully described in the July Affidavit. Prospect A was the entity that was threatened by individuals purporting to represent Mr. Enkhtaivan.

14. Due to this unlawful and deliberate interference, Prospect A expressed concern that MMC may not be the rightful owner of the Dalan Project and that Mr. Enkhtaivan may sue or otherwise impede Prospect A's efforts to develop the Dalan Project unless Prospect A pays money to Mr. Enkhtaivan. MMC addressed Prospect A's concerns regarding title to the Dalan Project as MMC is in fact the proper owner (via its Mongolian subsidiaries). However, Prospect A's concern regarding potential future demands for additional money from Mr. Enkhtaivan is difficult for MMC to resolve. All of these concerns have at the very least delayed, and at the very worst jeopardized the execution of a purchase and sale agreement with Prospect A for an amount that is commercially reasonable and would enable MMC to commence the Market Solicitation Process.

15. Prospect A's concerns are justified and appropriate in the circumstances as the Dalan Project is located in a remote part of Mongolia and MMC has no ability to guarantee that Mr. Enkhtaivan will not use his contacts in Mongolia to attempt to impede Prospect A's development of the Dalan Project. Recently, one of the principals of MMC was accosted on the streets of Mongolia and is relocating his family from Mongolia.

NEGOTIATIONS WITH PROSPECT D

16. MMC has continued negotiations with Prospect D, who have expressed an interest in buying the Dalan Project and to obtain an option to purchase the balance of MMC's assets. MMC had been negotiating with Prospect D and prepared a detailed Term Sheet outlining the terms under which MMC's Board was agreeable to sell MMC's assets. At

all relevant times, MMC put Prospect D on notice that it was imperative for MMC, given the CCAA Proceedings, to conduct a market solicitation process to ensure that it thoroughly canvassed the market to obtain the best possible price for its assets. MMC was amenable to the arrangement proposed by Prospect D, but only on the basis that such an option would not preclude MMC from thoroughly canvassing the market. Last minute negotiations in advance of this Application with Prospect D have been taking place as of the swearing of this Affidavit. I did participate in a call with Prospect D and MMC's counsel today and we have another call scheduled for tomorrow, August 15, 2014, at 6 p.m.

17. The only known principal of Prospect D is Ken Lim. At all material times, Prospect D tied the sale of the Dalan Project to an option to purchase all of the Company's remaining assets. Prospect D's initial offer was $8 million for all of the Company's assets, which is significantly below market value.

18. MMC prepared a detailed term sheet outlining potential terms for selling the Company's assets to Prospect D. The contemplated terms of the proposed sale included providing the 90 day option requested and provided for a fair break fee. MMC advised that in its opinion, 90 days was not a sufficient period of time to market the assets but MMC expressed a willingness to negotiate the time period. Although the terms were not fully acceptable to MMC's Board, terms substantially similar to the ones described in the Company's term sheet would have enabled MMC to enter into an agreement to sell the assets to Prospect D but at the same time initiate a proper marketing process to endeavour to obtain the best possible price in the circumstances.

19. On or about August 11, 2014, Prospect D responded to MMC's term sheet and provided a term sheet with significantly revised terms, including an out-of-market break fee and a right of first refusal. The term sheet provided by Prospect D included $1.8 million for the Dalan Project, and a 90 day option to purchase the Company's remaining assets for an additional $11.2 million. The revised terms were not acceptable to MMC's Board.

20. MMC also sought to sell only the Dalan Project to Prospect D but was advised that Prospect D was not interested in purchasing the Dalan Project without the option to

purchase all of the Company's remaining asset in a manner that would preclude a proper marketing process. On August 14, 2014, I sent an email to the principal of Prospect D explaining MMC's position and inviting Prospect D to negotiation an offer for MMC's assets. A copy of my email to Prospect D is attached to this my Affidavit as **Exhibit "E"**.

21. MMC's reasons for rejecting the last offer from Prospect D are reasonable in the circumstances for the following reasons, among others:

    (a) Prospect D's response to the Company's term sheet was not responsive or timely and the two parties have not been able to come to an agreement on key provisions for the sale of the Company's assets. It is unlikely that the parties will be able to come to an agreement in the very short time period available;

    (b) Prospect D is unwilling to purchase the Dalan Project without also receiving an option to purchase the remainder of the Company's assets under terms that emasculates MMC's ability to properly market its remaining assets.

22. Further particulars of the negotiations with Prospect A are contained in the Confidential Exhibit.

23. On August 13, 2014, Prospect D sent me a letter dated August 12, 2014, in response to MMC's rejection of their most recent revisions. The letter is disclosed in this my Affidavit as **Exhibit "F"**. I responded to Prospect D on the same day which is attached to this Affidavit as **Exhibit "E"**.

INTERFERENCE BY MR. ENKHTAIVAN

24. The Company's efforts to market the Dalan Project, both before and after the commencement of the CCAA Proceedings, have been impeded by the deliberate interference by Mr. Enkhtaivan. I am advised that recently, Mr. Enkhtaivan unlawfully, deliberately, and blatantly interfered with MMC's attempts to sell the Dalan Project.

25. Mr. Enkhtaivan had acted as MMC's Mongolian partner and was retained to assist the Company in conducting business in Mongolia. During the course of MMC's dealings in Mongolia, I became aware during my first two years with the Company based on discussions with others that Mr. Enkhtaivan held a negative reputation in Mongolia. I have observed during my time working with Mr. Enkhtaivan of his negative approach to

dealing with people and my experience with Mr. Enkhtaivan confirms the accuracy of his reputation. I was not aware of these facts when I first began working with the Company.

26. Several potential purchasers for the Company's assets and other potential business partners, including Prospect A have expressed serious concerns with doing business with an entity that is connected to Mr. Enkhtaivan. Many individuals have been completely unwilling to conduct business with Mr. Enkhtaivan or any entity affiliated with him.

27. Mr. Enkhtaivan has interfered with the sale of the Dalan Project in the past and has expressed a clear desire to purchase this asset for himself. On two occasions prior to the CCAA Proceedings, MMC's Board found a prospective purchaser for the Dalan Project and discussed that potential sale with Mr. Enkhtaivan. The Company provided Mr. Enkhtaivan with key details of both prospective sales, including the name of the prospective purchaser and the purchase price. On both occasions, Mr. Enkhtaivan represented to the Company that he had found an alternate purchaser who was willing to pay a higher price, and recommended that the Company not sell the Dalan Project to the entity identified by MMC's Board.

28. On one occasion, Mr. Enkhtaivan refused to even provide the Company with the name of his alternate purchaser, despite numerous requests by the Company for this information. Ultimately, Mr. Enkhtaivan's 'phantom' purchaser never materialized and Mr. Enkhtaivan has never provided the Company with a serious offer that could be accepted by MMC's Board. The Company decided at that time to trust Mr. Enkhtaivan and did not proceed with the sale of the asset to the prospective purchaser that the Board had found. When Mr. Enkhtaivan's 'phantom' purchaser never appeared or the offers Mr. Enkhtaivan never came forward with a suitable offer and MMC was therefore left without a buyer for its assets.

29. Rather than finding a suitable third party purchaser for the Dalan Project, Mr. Enkhtaivan instead expressed an interest in purchasing the Dalan Project himself and advised the Company that he would be willing to purchase the Dalan Project, but only on specific terms that were wholly unacceptable to MMC. Mr. Enkhtaivan confirmed via email on several occasions that he had proposed to purchase the Dalan Project or that his offer was

better than the alternative offers available to MMC at that time. The Company entered into negotiations with Mr. Enkhtaivan to sell the Dalan Project to him, but Mr. Enkhtaivan's terms, which changed significantly over time, were unacceptable to the Company.

30. Subsequent to Mr. Enkhtaivan's expression of interest in purchasing the Dalan Project, Mr. Enkhtaivan insisted on numerous occasions that the Company provide him with relevant details of the offers provided by other prospective purchasers, including the name of those purchasers and the purchase price. Providing this information to Mr. Enkhtaivan, given that he had revealed himself to be a prospective purchaser himself, was wholly inappropriate and the Company refused to provide this information to him.

31. Mr. Enkhtaivan has had almost a year to sell the Dalan Project. Despite his assurances that he can obtain a better offer than what MMC's Board could find, Mr. Enkhtaivan has never provided a suitable offer to the Company and no sale agreement has ever materialized due to his efforts.

32. MMC was concerned at the time that Mr. Enkhtaivan would use this information to interfere in the Company's negotiations. Mr. Enkhtaivan's recent interference since the commencement of the CCAA Proceedings is exactly the type of harm MMC was concerned about when it refused to provide information to Mr. Enkhtaivan in the past. Mr. Enkhtaivan's conduct during the CCAA Proceedings indicates that he, and those working with him and for him, cannot be trusted with this information. I believe that Mr. Enkhtaivan's efforts to interfere with the sale of the Dalan Project are poorly veiled attempts to force MMC to sell the asset to Mr. Enkhtaivan (or an entity acting in concert with Mr. Enkhtaivan) instead.

33. As described above, individuals claiming to be employees or representatives of Mr. Enkhtaivan attended on the site of the Dalan Project, and interfered with drilling activities undertaken lawfully by one of the prospective purchasers. Mr. Enkhtaivan's associates misrepresented to the individuals drilling on the site that Mr. Enkhtaivan owns the mining license for the Dalan Project. Mr. Enkhtaivan's associates then threatened to sue that company for drilling on property which they claim was owned by Mr. Enkhtaivan. These

threatening statements are completely false because MMC's Mongolian affiliate owns the mining license for the Dalan Project.

34. The Email (sent on August 12, 2014), demands that the Company provide Mr. Enkhtaivan with Prospect A's name and the purchase price agreed upon between the parties. The Email includes a threat reminiscent of a gangster film, suggesting that that "Given the company's delicate situation it would be unfortunate if a sale is held up or unwound..." due to the Company's failure to provide Mr. Enkhtaivan with what he wants.

35. Mr. Enkhtaivan's demand for this information stems from an agreement between the Company and Mr. Enkhtaivan pursuant to which Mr. Enkhtaivan was to co-operate with MMC to sell the Company's assets to third parties *in a manner that is in the best interests of the Company.* Mr. Enkhtaivan's unlawful interference in Prospect A's drilling activities and the poorly veiled threats in the Email (sent a mere three days before the expiry of the Stay) are clearly not in the best interests of the Company.

MMC'S RESPONSE TO THIS UNLAWFUL INTERFERENCE

36. MMC does not yet have all the facts, but it is clear that Mr. Enkhtaivan has a very negative reputation, and has expressed an interest in purchasing the Dalan Project for himself. I am advised that Mr. Enkhtaivan has deliberately, unlawfully and blatantly interfered in the sale of the Dalan Project by threatening both the buyer and the seller on separate occasions. It is also clear that Prospect D does not want the sale of the Dalan Project to Prospect A to proceed and is currently seeking to purchase the Company's assets.

37. It is apparent that Prospect D has been in contact with at least some individuals related to the Company but we are still determining who is involved, if there is a civil conspiracy against MMC and to what extent. MMC intends on holding liable all parties involved in interfering with MMC's restructuring and marketing initiatives and preserves its rights (and the rights of MMC's shareholders) to pursue all remedies against anyone so involved.

SEALING THE CONFIDENTIAL EXHIBIT

38. The information contained in the Confidential Exhibit is of a sensitive nature and includes confidential details of the current and ongoing negotiations for the sale of the Company's assets, including the purchase price for the sale of the Dalan Project to Prospect A. This is the very information that Mr. Enkhtaivan was seeking to obtain by his threats and intimidation. The release of this information could significantly prejudice such negotiations, impair the Company's efforts to restructure its affairs and put all current and future prospective purchasers in an unfair bargaining position in relation to the Company.

39. Given that some of the parties who are ordinarily served with Court materials in this CCAA Proceeding may be acting in concert to interfere with MMC's restructuring and marketing initiatives, disclosure of the information contained in the Confidential Exhibit to these parties would provide confidential details about MMC's negotiations with Prospect A to the very parties competing with Prospect A. This would include disclosure to Mr. Enkhtaivan, who has already threatened MMC to release this information. Such a disclosure would be manifestly unfair and unjust. Further, it would significantly impair the Company's ability to sell the Dalan Project and implement a Market Solicitation Process.

MMC'S PLAN DURING THE STAY PERIOD

40. MMC is hopeful that MMC can enter into an agreement with Prospect D on acceptable commercial terms, or alternatively that MMC will sell the Dalan Project to Prospect A. In either scenario, the Company will be in a position to commence a market solicitation process to canvass the market with a view to obtaining the best possible price for its assets.

41. The interference by Mr. Enkhtaivan has created delays and increased the amount of time necessary to conclude negotiations for the sale of the Dalan Project or the Company's other assets. The Company is hopeful it will be in a position to apply to this Honourable Court for approval of a sale agreement before the end of the extended Stay period requested.

42. Relevant details of the Company's financial position, including an updated cash flow statement, are included in the Monitor's Second Report. The Monitor has advised that it anticipates the Company will have sufficient funds to continue operating until the expiry of the Stay period requested in the Application.

BENEFITS OF THE EXTENSION OF THE STAY

43. The Company has been acting in good faith and with due diligence in these proceedings and it is my belief that it is reasonable and in the best interests of the Company and all of its stakeholders to continue these proceedings.

NO PREJUDICE

44. I am not aware of and do not believe that there will be any prejudice to the secured creditors or any other stakeholders by the granting of this very brief Stay extension until and including September 5, 2014.

SWORN BEFORE ME at the City of Calgary, in the Province of Alberta, this 14th day of August, 2014.	)))	
Taylor Schappert	)	
Commissioner for Oaths in and for the Province of Alberta	)	William J. Foster

TAYLOR D. SCHAPPERT
Barrister & Solicitor

CONFIDENTIAL

EXHIBIT A

CONFIDENTIAL

EXHIBIT A1

From: Enkhtaivan Chimed [enkhtaivanch@yahoo.ca]
Sent: Tuesday, August 12, 2014 6:55 AM
To: Turner, Frank; bcross@kepisandpobe.com; fbellotti@euroglobalcapital.com; ocrpvt@gmail.com; Anderson, A. Robert; msppgp@yahoo.ca; wfoster@mongoliaminerals.com
Subject: Dalan and powerland sale

Dear Bill Foster,

According to your affidavit to the Court on 11 July 2014 the stay extension of MMC is due 15 August 2014 and MMC may be preparing to sell the Dalan and Powerland assets.

According to the Property Sale and Cooperation Agreement entered into on 1 November 2013:

"none of the Corporation nor any of its subsidiaries will enter into a binding agreement or otherwise commit to sell these assets without first giving the Principal at least 10 days' written notice of the proposed sale, including the name of the purchaser and principal terms and conditions of such proposed sale." .

I have not made an offer on these properties and I informed you on several occasions that it is very important for you to honor the 10 day notice period as it is in the best interests of the company and required under a binding agreement. Even now I am aware of potential purchasers who would be eager to climb above the terms of other prospective purchasers. Given the company's delicate situation it would be unfortunate if a sale is held up or unwound due to a failure to provide me 10 days written notice before MMC or any of its companies commit to sell or enter into a binding agreement, or seek the monitor or courts approval. Or if a less favorable deal were entered into.

I hope to hear from you soon regarding 10 days advance written notice as is required.

Regards,

Enkhtaivan.Ch

THIS IS EXHIBIT " B "
referred to in the Affidavit of
William Foster
Sworn before me this 14
day of August A.D. 2014
Taylor Schappert
NOTARY PUBLIC / COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

TAYLOR D. SCHAPPERT
Barrister & Solicitor

From:	W Foster [wfoster@mongoliaminerals.com]
Sent:	Tuesday, August 12, 2014 4:10 PM
To:	'Enkhtaivan Chimed'; Turner, Frank; bcross@kepisandpobe.com; fbellotti@euroglobalcapital.com; ocrpvt@gmail.com; Anderson, A. Robert; msppgp@yahoo.ca
Cc:	Bill Foster; Anderson, A. Robert
Subject:	RE: Dalan and powerland sale

THIS IS EXHIBIT " C " referred to in the Affidavit of William Foster

Sworn before me this 14 day of August A.D. 2014

Taylor Schappert

NOTARY PUBLIC / COMMISSIONER FOR OATHS IN AND FOR THE PROVINCE OF ALBERTA

TAYLOR D. SCHAPPERT
Barrister & Solicitor

Enkhtaivan

Thanks for your email.

We have been attempting to sell the Dalan / Powerland assets for over a year in an attempt to inject cash into MMC. Last September we stopped a confirmed sale of these assets because you told us you could get more the licenses. Your attempts at that time to sell the properties never materialized and we lost the opportunity to sell them at a reasonable price to the original party. Communications with that party by your representatives contributed to that lost sale.

A few months ago when Frank Turner and I met with you in Ulaanbaatar, I told you we were again attempting to sell these assets. You were optimistic you could make a sale and conclude our objective of obtaining cash for these properties. During the following months you told us you had potential sales with Chinese buyers. Attempts by MMC management to have you tell us the names of the Chinese companies and provide other relevant information were ignored in circumstances where the sales price kept getting lower. Eventually you informed us the Chinese were no longer interested as they could not get the necessary approvals from government agencies. You then indicated to us that you had a potential interest yourself and might put in a bid for the properties.

Our agreement with you did not contemplate that you would be a bidder and created a conflict of interest for you as you were privy to the Corporation's needs for cash on an urgent basis. Our agreement further contemplates that in all circumstances you were to work under the board's supervision and at its direction. You repeatedly failed to do this and the board struggled to understand the status of the negotiations that you were purporting to undertake on MMC's behalf while you continued to evaluate your own interest in a possible purchase. It was for this reason that on July 24th you were advised that we would not be providing you with information on the Dalan sales process.

It has come to our attention that individuals claiming to be your employees or representatives attended on the site of the Dalan asset, interfered with drilling activities undertaken lawfully by a third party, and misrepresented to the individuals who were drilling on the site that you own the Dalan mining license. Your employees/representative then threatened to sue that company for drilling on that property. These actions constitute a transparent and unlawful attempt to interfere with MMC's efforts to sell the Dalan asset for the best price possible.

We have worked out a sales arrangement with a Mongolian company and the Board of Directors feel this sale is in the best interest of the company and its stakeholders. We are in court this Friday and without the sale completed and the subsequent cash infusion there is potential the company may end up in receivership. The company then loses its ability to control the process of seeking value for the assets of the company. It is hard to view how this would be a desirable outcome for you given your position as a significant shareholder of MMC.

Our view is the sale we have negotiated is in the best interests of the Corporation and its security holders and should be allowed to proceed without any attempt by you to impede the process. However, should you continue to interfere in the process, please be advised that we will hold you liable for any damages MMC incurs because of your wrongful interference and you could face substantial claims from the Corporation and its other shareholders.

Thank you

Bill Foster

From: Enkhtaivan Chimed [mailto:enkhtaivanch@yahoo.ca]
Sent: Tuesday, August 12, 2014 6:55 AM
To: FTurner@osler.com; bcross@kepisandpobe.com; fbellotti@euroglobalcapital.com; ocrpvt@gmail.com; randerson@osler.com; msppgp@yahoo.ca; wfoster@mongoliaminerals.com
Subject: Dalan and powerland sale

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According to the Property Sale and Cooperation Agreement entered into on 1 November 2013:

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I have not made an offer on these properties and I informed you on several occasions that it is very important for you to honor the 10 day notice period as it is in the best interests of the company and required under a binding agreement. Even now I am aware of potential purchasers who would be eager to climb above the terms of other prospective purchasers. Given the company's delicate situation it would be unfortunate if a sale is held up or unwound due to a failure to provide me 10 days written notice before MMC or any of its companies commit to sell or enter into a binding agreement, or seek the monitor or courts approval. Or if a less favorable deal were entered into.

I hope to hear from you soon regarding 10 days advance written notice as is required.

Regards,

Enkhtaivan.Ch

From: Enkhtaivan Chimed [enkhtaivanch@yahoo.ca]
Sent: Thursday, August 14, 2014 6:19 AM
To: wfoster@mongoliaminerals.com
Cc: msppgp@yahoo.ca; bcross@paloduroinvestments.com; ocrpvt@gmail.com; fbellotti@euroglobalcapital.com; Turner, Frank; Bat-Erdene Baatar; Anderson, A. Robert
Subject: Letter to Mr.Bill Foster
Attachments: Letter-1.jpg; Letter-2.jpg

Dear Mr.Bill Foster,

Please find the attached letter.

Best regards,
Enkhtaivan Chimed

THIS IS EXHIBIT " D " referred to in the Affidavit of
William Foster
Sworn before me this 14
day of August A.D. 2014
Taylor Schappert
NOTARY PUBLIC / COMMISSIONER FOR OATHS IN AND FOR THE PROVINCE OF ALBERTA

TAYLOR D. SCHAPPERT
Barrister & Solicitor

Mr. Chimed Enkhtaivan
Anoma Apartment #76-7
Second Part
11th Khoroo
Khan-Uul District
Ulaanbaatar, Mongolia

August14, 2014

BY EMAIL

Mongolia Minerals Corporation
1015 4th Street, Suite 404
Calgary, AB T2R 1J4

Attn: Mr. William J. Foster

Dear Mr. Foster:

Notice of Breach of the Letter Agreement – Property Sale and Cooperation Arrangements (the "Cooperation Agreement")

I received your email dated August 12, 2014 in which you indicate that the Board of Directors (the "**Board**") has decided to willfully breach s. 3 of the Cooperation Agreement and sell the Dalan Assets (as that term is defined in the Cooperation Agreement) without giving me an opportunity to attempt to find a better offer. According to s. 3, "none of [MMC] nor any of its subsidiaries will enter into a binding agreement or otherwise commit to sell these assets without first giving the Principal at least ten days' written notice of the proposed sale, including the name of the purchaser and principal terms and conditions of such proposed sale."

Your email contains a number of inaccuracies and mischaracterizations so I felt I must respond. You suggested that I proposed to purchase Dalan myself. I did so, but I only suggested this as a last ditch effort to rescue MMC in the event other deals could not be made. In any event, I withdrew this possibility in July when it became apparent that I would not have the funds and other deals could yield better results for MMC. So for you to categorize my bygone proposal as a conflict of interest is inaccurate and self serving and is a clear attempt to deny me my rights under the Cooperation Agreement. Furthermore, as you point out the Cooperation Agreement does not prohibit this type of situation. Certainly, MMC could have requested an amendment to the Cooperation Agreement had this truly been an issue.

You also allege I have interfered in the sale of Dalan by sending representatives to the Dalan site. This is simply untrue. You use this baseless allegation and speculation that I may in the future interfere with the Dalan sale to support your justification for breaching the Cooperation Agreement. I am astonished that you are threatening me for trying to enforce s.3 of the Cooperation Agreement by stating that this would be "wrongful interference" and that "[I] could face substantial claims from [MMC] and its other shareholders." I am entitled to defend my interests by enforcing my legal rights, just as much as any other creditor and shareholder of the company.

As a final observation, the email states, "We are in court this Friday and without the sale completed and the subsequent cash infusion there is potential [MMC] may end up in receivership." The Cooperation Agreement and its terms and conditions have been no secret since it was signed by you on November 1, 2013. Furthermore, I have reminded you of MMC's obligation under s.3 of the Cooperation Agreement several times this summer. It is unfortunate that you have chosen to wait until now to inform me that the Board had already decided to breach this obligation. I am not surprised though, as this fits your pattern during the financings when you would call me at the very last minute to tell me that if I do not accept the deals MMC will go bankrupt. It is very difficult to make decisions under these circumstance and unfair to me as your local partner.

Bill, I do not want to fight over this but I believe that you and the Board are not acting in the best interest of the company. All I am looking for is an opportunity to see if I can get a better deal for Dalan and Powerland. If I cannot, then you are free to sell it. But I will defend my rights, including in the courts of Mongolia and Canada.

Yours very truly,

Enkhtaivan Chimed

cc.

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FTurner@osler.com

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From: Ken Lim [imsglim@hotmail.com]
Sent: Thursday, August 14, 2014 2:42 AM
To: Bill Foster MMC
Cc: Cross, Bob; msppgp@yahoo.ca; ocrpvt@gmail.com; Turner, Frank; Frank Bellotti; Anderson, A. Robert; neil narfason; nick.jb.purich@ca.ey.com; Sivan Fox; 'Matheson, Ron'; Peter Deeb; Enkhtaivan Chimed; Cameron Rusaw; Bat-Erdene Baatar
Subject: RE: MMC

Dear Mr Foster,

I have been travelling for 5 hrs this morning, no signals.

I will be heading back to UB now.

Let us negotiate with our lawyers present to see if we can come to an agreement.

Would 11pm UB time tonight, or Thursday 9am Calgary your time suits.

Give us a number to call .

You can call me on my Mongolian mobile.+976 88102698

Thanks and regards,

Ken

THIS IS EXHIBIT " E " referred to in the Affidavit of William Foster
Sworn before me this 14 day of August A.D. 2014
Taylor Schappert
NOTARY PUBLIC / COMMISSIONER FOR OATHS IN AND FOR THE PROVINCE OF ALBERTA

TAYLOR D. SCHAPPERT
Barrister & Solicitor

From: wfoster@mongoliaminerals.com
To: imsglim@hotmail.com
CC: bcross@paloduroinvestments.com; msppgp@yahoo.ca; ocrpvt@gmail.com; FTurner@osler.com; fbellotti@euroglobalcapital.com; randerson@osler.com; neil.narfason@ca.ey.com; nick.jb.purich@ca.ey.com; sfox@Dundeecorporation.com; ron.matheson@dentons.com; pdeeb@hamptonsecurities.com; enkhtaivanch@yahoo.ca; crusaw@dwpv.com; wfoster@mongoliaminerals.com; bat@irvestrading.com
Subject: FW: MMC
Date: Wed, 13 Aug 2014 18:57:46 -0600

August 13, 2014

Dear Mr. Lim,
I received this morning your letter of yesterday. Your letter inaccurately describes both our negotiations and MMC's position. I will not debate with you by letter every point of disagreement but will highlight some key points so that hopefully we can at least reach a mutual understanding (if not agreement) on those points.

Contrary to your assertions, at no time did you make any written or verbal commitment or offer that "substantially covers the debts of" MMC. What you did do cryptically is express interest in buying the Dalan and Powerland properties for a total of $2 million as long as you also received a 90 day option to purchase the balance of MMC's assets for an additional stipulated amount (which you ultimately increased to $11.2 million.)

We took your cryptic expression of interest and prepared a detailed term sheet outlining terms on which MMC's board was agreeable to MMC selling Dalan to you and providing you with an option to purchase the balance of the assets, exercisable in a period of time that would give us a reasonable opportunity to first market those assets. (We think the 90 days you want is too short but we were and remain willing to negotiation the time period.)

We canvassed with you a stand-alone sale of Dalan to you (without an option) but that was not agreeable to you. We explained that we could not include Powerland for the total $2 million price you were suggesting for both Dalan and Powerland, because it would trigger a fee to a third party of $1 million; so to be acceptable either the price for Dalan and Powerland would have to be increased or Powerland could be excluded and the price reduced from $2 million to $1.8 million for Dalan alone. You indicated that the latter was acceptable to you (subject to agreement on the option and other points in the term sheet). Importantly, Powerland was not excluded to "get out of a commitment...to a third party" and your assertion to that effect is incorrect.

Regarding the option you seek, I have tried to explain to you that it is important to MMC to conduct a market solicitation process to ensure it thoroughly canvasses the market to obtain the best possible price for its assets (for the benefit of all of MMC's constituents.) MMC was receptive to giving you an option to purchase the balance of its assets after a reasonable period provided MMC maintained the right to proceed with its market solicitation and cancel the option if it received what it considers to be a better offer and pays you a market break fee. As I told you, any agreement we reached would be subject to court approval.

I asked who your partners are and wanted to receive written assurance from you that no government agency is an investor or participant with you. This is important because if a non-Mongolian government agency is involved with the purchaser there are Mongolian legal restrictions and regulations that would impact and potentially prevent such a purchase. It is also important because certain parties have unlawfully interfered with MMC's attempts to sell the Dalan property and MMC wants assurance that you are not associated with such parties. You gave assurance that you are not associated with such parties. We view any parties that are working in a coordinated fashion with such persons as participants in an illegal conspiracy and we will not negotiate with them and instead will pursue other remedies.

We provided the term sheet to you on August 3rd. You did not respond so I followed up with you several times and requested a call with you and our respective lawyers to negotiate, hopefully reach a consensus and finalize the term sheet and enter into a binding agreement subject to court approval. I explained our pressing time table and the need to seek court approval by the end of this week of any agreement reached. (MMC would also need to seek the Monitor's input before committing to any agreement.)

You did not meet our pressing time line and last responded only two days ago with revised terms including an out-of-market break fee and right to match that would effectively emasculate MCC's marketing initiative. You also included several other material and substantial changes to the term sheet.

MMC' s board did not support your proposed changes and we think it very unlikely that even if it had supported them such terms would be approved by the court.

MMC is in a position to sign a binding agreement with another party (subject to court approval) to sell the (non-core) Dalan property. If you are still interested in negotiating an agreement for the purchase of Dalan including an option to purchase the balance of the assets, then it is imperative that you arrange immediately a call with myself and our respective legal counsels tomorrow morning to negotiate and hopefully conclude a written agreement without any further delay. I will call you this evening (your morning) to confirm this. There is no more time for delay and in our view time would be better spent with both of us and our lawyers negotiating acceptable terms rather than casting criticism and blame for the failure to reach agreement to date.

Finally, MMC has tens of millions of dollars in tax losses. The tax attributes associated with those losses potentially have millions of dollars in value in a share sale transaction. That may be of interest to you or others and we would welcome the opportunity to discuss this with you too.

Thank you

Bill Foster

ITGM "АЙ ТИ ЖИ ЭМ" ХХК

August 12, 2014

Ulaanbaatar City

THIS IS EXHIBIT " F " referred to in the Affidavit of William Foster

Sworn before me this 14 day of August A.D. 2014

Taylor Schappert

NOTARY PUBLIC / COMMISSIONER FOR OATHS IN AND FOR THE PROVINCE OF ALBERTA

TAYLOR D. SCHAPPERT
Barrister & Solicitor

William J. Foster
Director and Chief Executive Officer
Mongolia Minerals Corporation
1015 4th Street SW
Calgary, AB Canada T2R 1J4
Canada

August 12, 2014

Dear Mr. Foster:

I was alarmed to hear that you have decided to reject an offer that substantially covers the debts of Mongolia Minerals Corporation ("MMC"), and instead have chosen to gamble with the future of the company, its shareholders and its creditors through a piecemeal fire sale of MMC's assets. By rejecting the offer you have traded the certainty of the terms for US$13 million for a short-term gain that offers MMC little time and the creditors almost no recourse. When you are finished, MMC will have divested its assets to cover minimal payments.

As a longtime business person and a creditor, I have not seen such behavior from a director of a company facing bankruptcy – especially when it has been the management and the director who are viewed as being largely responsible for the company's bankruptcy. I find it hard to appreciate how in just three months since I became a note holder the company faces bankruptcy.

Furthermore, the group of potential purchasers was greatly displeased in your handling of the offer, and as a creditor I must say that I am also displeased. We spent a lot of time communicating with you on the phone and through emails to detail the specifics of the deal and you continued to encourage us that the proposed deal structure was acceptable. Upon your insistence we raised the purchase price from US$ 8 million to US$ 12 million, and I even offered the possibility that we may be able to acquire the assets of MMC through a share acquisition as opposed to a license transfer which should save 20% in taxes. This cost saving mechanism is something that MMC had not raised. Yet, when I received your term sheet there were substantial and material changes to the deal structure. For the first time you (i) divided the sale of the Dalan and Powerland properties to try and get out of a commitment you have to a third party, (ii) you demanded a much higher price of US$ 15 million, and (iii) you insisted on more option fees. I agreed to raise our purchase price to US$ 13 million, to the separation of the Dalan properties from the Powerland properties even though this was not in our best interests, and I turned around a term sheet more in line with the offer that we were discussing with you. My efforts were quickly met with a flat rejection and no attempt at negotiation or discussion.

I must also point out what appears to be a sense of paranoia which may be inhibiting your judgment. You had many questions as to whether I was or would be working with the local partner which you have alienated. My response has always been the same, that is irrelevant in bankruptcy proceedings. You then became concerned that I might be aligning with other creditors and this clearly bothered you. My response was that this is a standalone one-time offer. However, it would be natural in such proceedings if I were to be aligning with the other creditors. In my judgment, you have chosen to sell to another party for lesser terms but the satisfaction that you are not giving into the creditors or running the risk that your local partner will acquire any of the assets. Based on our conversations I am confident that our terms for the Dalan property are the same or better than what you are currently accepting.

The bottom line is that I am a creditor who is very displeased in how you have run the company into bankruptcy and approached an offer that would make all creditors whole. I truly feel that our offer was the best offer that MMC will ever receive and that you have mishandled the offer. Naturally, I will now be speaking to the other creditors regarding your decision as it seriously impacts MMC's ability to pay its outstanding debts.

Regards,

Ken Lim CEO

cc:

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