COURT FILE NUMBER	1401-06625
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 Facsimile: (403) 260-7024 Email: randerson@osler.com / mbokhaut@osler.com File Number: 1144003

Clerk's Stamp

CLERK OF THE COURT
FILED

SEP 04 2014

CALGARY, ALBERTA

AFFIDAVIT OF WILLIAM J. FOSTER
Sworn on September 4, 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. I have served as MMC's President and CEO from August 2010 to July 2014.

2. I 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) Abridging the time for service of this Application and supporting materials, if necessary, and declaring that service of same to be good and sufficient;

   (b) Approving the License Area Data Purchase Agreement (the "**Agreement**") entered into between MCGT LLC ("**MCGT**"), a subsidiary of MMC and the Purchaser (defined below) and authorizing MCGT and MMC to complete the transaction contemplated in the Agreement;

   (c) Granting an 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 (the "**Initial Order**") up to and including October 23, 2014;

   (d) Authorizing MMC to utilize the sale proceeds from the Agreement to pay the expenses outlined in the cash flow statement described in the Third Monitor's Report, dated September 4, 2014 (the "**Third Monitor's Report**");

   (e) Sealing on the Court file the Confidential Exhibit "A" to the Affidavit of William J. Foster, sworn on September 4, 2014 (the "**Confidential Exhibit**"). Subject to subsection (f), MMC may disclose the Confidential Exhibit to any secured creditor who signs a confidentiality undertaking confirming that: (i) they will keep the Confidential Exhibit confidential, and (ii) will not, unless the Company provides its prior consent, use the information therein (or in participation with others) to bid or otherwise offer to purchase the Company or any of its assets or any of the assets of its direct or indirect subsidiaries.

   (f) MMC shall not be required to disclose the Confidential Exhibit to White Falcon Inc. or Enkhaitvan Chimed ("**Mr. E**").

   (g) Such further and other relief as counsel for MMC may advise and this Honourable Court considers to be just and appropriate in the circumstances.

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 Assets.** The Khotgor Assets comprise an exploration license and a mining license over a coal rich region in Mongolia's Khotgor region. The Khotgor Assets are MMC's core assets 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 Assets could be as large as one billion tonnes of coal; and

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

5. On June 16, 2014, Justice LoVecchio granted 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. The Stay has been extended on two occasions and is currently set to expire on September 5, 2014.

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 Assets to provide the Company with sufficient funds to commence a sales and investment solicitation process (the "**Market Solicitation Process**"). The purpose of the Market Solicitation Process is to thoroughly canvass the market to refinance the Company or sell MMC's assets for the best price possible.

THE DALAN PURCHASE AND SALE AGREEMENT

7. On September 3, 2014, MCGT and a Mongolian limited liability company (the "**Purchaser**") came to agreement on all material terms of the Agreement whereby MCGT agreed to sell and transfer the minerals mining license (the "**Dalan License**") and all document data and other information related to the mining license ("**Dalan License Area Data**") which covers territory located in the Dalanjargalan Soum, Dornogobi Province of Mongolia (collectively, the "**Dalan Assets**"). In order to minimize the foreign exchange rate risk associated with the Agreement, the parties intend to execute the Agreement on the afternoon of Thursday, September 4, 2014.

8. In order for the Purchaser to develop the Dalan Assets, the transfer of the Dalan License must be formally recognized by the appropriate Mongolian governmental authority. The purchase price for the Dalan Assets shall be paid in two installments. In the event the second installment is not paid by the Purchaser when due, the Dalan Assets shall be

reconveyed to MMC and the Company will need to remarket these assets and find an alternate purchaser.

9. Further details of the Agreement, including the Purchaser's name, the purchase price and material terms of the Agreement are disclosed in the Confidential Exhibit.

10. As described in the July Affidavit, the August Affidavit, and the Confidential Exhibit, MMC identified and contacted several prospective purchasers and conducted negotiations with multiple prospects in an effort to negotiate the best possible price and terms. The Company has invested significant time and effort to negotiate the best price and terms possible with the Purchaser. The foregoing marketing efforts to sell the Dalan Assets was fair and reasonable in the circumstances and the purchase price and terms for the Dalan Assets is the best price and under the best terms that the Company has been able to obtain.

11. The Agreement is subject to, *inter alia*, the approval of this Honourable Court.

EXTENDING THE STAY

12. Provided the Agreement is approved, the full purchase price is paid to the Company and the Stay is extended, MMC will have sufficient time and money to finalize, seek Court approval of, and commence the implementation of the Market Solicitation Process. MMC will require additional funding to complete the Market Solicitation Process and intends on selling its other non-core assets to raise the funds necessary to support itself through to completion of the Market Solicitation Process.

SEALING THE CONFIDENTIAL EXHIBIT

13. The information contained in the Confidential Exhibit is of a commercially sensitive nature and includes confidential details of the Agreement, including the Purchase Price, the Purchaser's name, and other material terms. In the event the full purchase price is not paid by the Purchaser or the Agreement does not close, the Company may need to remarket the Dalan Assets and find an alternative purchaser. In these circumstances, the disclosure of the information contained in the Confidential Exhibit could significantly impair remarketing of the Dalan Assets and consequently prejudice MMC's ability to restructure its affairs.

14. Subject to paragraph 15, MMC is willing to provide the Confidential Exhibit to any secured creditor who signs a confidentiality undertaking confirming that: (i) they will keep the Confidential Exhibit confidential, and (ii) will not use the information therein (or in participation with others) to bid or otherwise offer to purchase the Company or any of its assets without the prior consent of the Company. A copy of the confidentiality undertaking is substantially in the form attached as Exhibit "B" to this my Affidavit.

15. MMC does not intend to provide the Confidential Exhibit to Mr. E or White Falcon Inc. because Mr. E is a prospective bidder. As Mr. E is a prospective bidder, he and his company White Falcon Inc. could not legitimately undertake the undertakings contained in the confidentiality undertaking. As described in the August Affidavit, prior to the commencement of the CCAA Proceedings, Mr. E was retained to assist in the marketing of the Dalan Assets but instead expressed an interest in purchasing the Dalan Assets for himself. Mr. E confirmed via email that he had proposed to purchase the Dalan Assets himself. Mr. E also advised that he had found offers for the assets which were superior to the offers being considered by the Company, yet Mr. E's alleged superior offers never materialized.

16. In addition to the reasons set out in the August Affidavit, including the confidential exhibit thereto, the majority of directors of MMC believe that Mr. E has shown a history of interfering with the sale of the Dalan Assets and that if the Confidential Exhibit was disclosed to him, he may attempt to scuttle the transaction contemplated by the Agreement or delay or prevent one of the conditions of the Agreement from being satisfied.

MMC'S PLAN DURING THE STAY PERIOD

17. Upon receipt of the full purchase price, MMC intends on finalizing the Market Solicitation Process, seeking Court approval of same and commencing its implementation.

18. Relevant details of the Company's financial position, including an updated cash flow statement, are included in the Monitor's Third Report. The Monitor 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

19. The Company has been acting in good faith and with due diligence in these proceedings and it is my belief that there is a reasonable prospect that the restructuring of the Company can be successful. Granting the remedy sought in the Application will enable MMC to realize the full purchase price from the sale of the Dalan Assets, finalize the terms of the Market Solicitation Process, seek this Honourable Court's approval of same and commence its implementation to restructure its affairs. I believe that these actions will maximize and realize the value of MMC's assets to repay the secured creditors and benefit all other stakeholders.

NO PREJUDICE

20. 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 the Stay extension until and including October 23, 2014.

SWORN BEFORE ME at the City of Picton, in the Province of Ontario, this 4th day of September, 2014.	)))))	
Andrea Borgnoli		
Commissioner for Oaths in and for the Province of Ontario	)	William J. Foster

CONFIDENTIAL EXHIBIT "A" TO THE AFFIDAVIT OF WILLIAM J. FOSTER

This is Exhibit A referred to in the affidavit of William J. Foster sworn before me, this 4th day of September 2014

Andrea Perignoti

A COMMISSIONER, ETC.

EXHIBIT "B"

This is Exhibit B referred to in the affidavit of William J. Foster sworn before me, this 4th day of September 2014

Andrea Ponignoti

A COMMISSIONER, ETC.

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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	
APPLICANT	MONGOLIA MINERALS CORPORATION	
DOCUMENT	**CONFIDENTIALITY UNDERTAKING AND ACKNOWLEDGEMENT**	

In consideration for receiving the Confidential Exhibit to the Affidavit of William J. Foster, sworn on September 4, 2014 (the "**Confidential Information**"), I hereby undertake to the Court of Queen's Bench of Alberta, Mongolia Minerals Corporation ("**MMC**") and Ernst & Young Inc. as Monitor of MMC:

1. that I will not bid or otherwise offer to purchase MMC, MMC's assets, or any of the assets of MMC's direct or indirect subsidiaries, without the prior consent of MMC;
2. that I will not utilize any of the Confidential Information, either alone or in participation with others to bid or otherwise offer to purchase MMC, MMC's assets, or any of the assets of MMC's direct or indirect subsidiaries, without the prior consent of MMC;
3. to hold the Confidential Information in strict confidence, under and in accordance with this undertaking;
4. to not disclose the Confidential Information to any person unless ordered by the Court of Queen's Bench of Alberta to do so;
5. to utilize the Confidential Information contained in the Confidential Exhibit solely for the purposes of assessing the application brought by MMC on September 5, 2014, at 2:00 pm and for greater clarity, to assess the transaction that is the subject of such application and for no other purpose;
6. to not use the information therein (or in participation with others) to bid or otherwise offer to purchase MMC or any of MMC's assets without the prior consent of MMC.

Andrea Bagnoli

A commissioner for taking Affidavits, etc.

DATED this ____ day of ___________, 2014.

[Company Name]

By: ________________________________

Name: ●

Title: ●