

STATE OF AFFAIRS MONGOLIA

1. Let me update you on what has been happening in the last week, which has affected me and others, including those we have worked with.
2. The backdrop to these events, revolve around both Tavan Tolgoi coking coal mine ("TT") and the railway initiatives (East Line and South Line):
 - a. The Memorandum of Cooperation ("MOC") between the Government of Mongolia and The Government of Japan executed by both Parties on October 20th 2015 in the presence of and during the visit of Prime Minister Abe to Mongolia. The MOC relates to Railways and a TT coal marketing company ("Japan MOC");
 - b. The submission of a legal opinion ("TT Legal Opinion"), prepared by a Mongolian Parliament appointed Working Group ("Working Group") on the proposed TT agreements that include Co-operation Agreement, Investment Agreement, Agreement for Construction–Ownership– Operation-Transfer of Railway Base Structure for the Route Ukhaa Khudag (UH) – Gashuun Sukhait ("Proposed Agreements"), which is proposed by Energy Resources LLC (Mongolia), a wholly owned subsidiary of Mongolia Mining Corp - ticker code 975:HK, and Shenhua Group (China);
 - c. The TT Legal Opinion condemns the proposed above noted Proposed Agreements and noting, legal and commercial anomalies, ambiguities and contradictions with current Mongolian laws and regulations. The Proposed Agreements do not bring best value to Mongolia. The TT Legal Opinion effectively challenges the members of the leadership supportive of the Proposed Agreements and others, who are pressuring to have the above noted Proposed Agreements to be executed without modification in the proposed form, thus questioning their motive, integrity and probity;
 - d. The TT Legal Opinion was formally submitted to the Speaker of the Parliament of Mongolia by the Members of Parliament Ms. Erdenechimeg Luvsan, the head of the Working Group, and Mr. Battulga Khaltmaa on November 2, 2015. 40 Members of Parliament, which constitute 52% of the Parliamentary Members, signed and endorsed the TT Legal Opinion.
3. Members of the leadership supportive of the Proposed Agreements and their supporters are currently using all necessary means to have the Parliament approve the Proposed Agreements without further amendment inspite of the noted TT Legal Opinion. These Proposed Agreements are simply not in anyway in Mongolia's best interest as concluded by the TT Legal Opinion.
4. The Japan MOC offers a balanced and practical way, in which to deliver best value in the construction of the Ukhaa Khudag (UH) - Sainshand ("East Line") and Ukhaa Khudag (UH) - Gashuun Sukhait ("South Line") railways, the establishment of a coal washing plant in Sainshand ("Wash Plant") and the establishment of a coal Marketing Company, in which Mongolia would have a prominence to ensure that TT coal is always sold at best value for Mongolia in function to market. The Japan MOC provides best value to Mongolia and a challenge to the commercial basis to the Proposed Agreements.
5. The Japan MOC and the TT Legal Opinion endorsed by 52% of the Parliament (76 members) have challenged and to a degree compromised Leadership and their supporters. This has caused the members of leadership supportive of the Proposed Agreements to attempt a spurious and pernicious defense of their position, by seeking to discredit those involved in both the Japan MOC and the TT Legal Opinion.

6. The Parliamentary dissatisfaction with the Prime Minister of Mongolia ("PM"), often described as a "China Crony", is further exemplified by the current commencement of an impeachment proceeding against the PM.
7. Against this backdrop the PM has instructed the Economic Crime Division of the General Police Department ("Police") to arrest people he deemed to be either a threat or a potential pressure point on which to coerce others to support the execution of the Proposed Agreements. The Chief of Police is a crony of the PM.
8. The allegations, on which the Police actions are based, are in themselves simply ridiculous – the Police cite government contracts and payments awarded and made to purportedly "false companies". These purported "false companies" are global Multi-National Companies McKinsey and Samsung, both of whom have confirmed and evidenced their contractual award, works and payments.
9. On the command and direction of members of the leadership supportive of the Proposed Agreements, in particular the PM, several people have been arrested since last Friday, 30 October 2015 on the basis of these ridiculous allegations, i.e. that they were involved in placing contracts with and paying the purported "false companies". The arrests include the former State Secretary of the Ministry of Roads and Transportation ("MRT"), a middle management employee of Mongolian Railway State Owned Company ("MTZ"), Mongolian and Korean employees of Samsung, further they sought to arrest former Minister of Roads and Transportation Mr. Gansukh Amarjargal and me.
10. As you know, I was integral in working on the Japan MOC and have a strong knowledge of matters pertaining to TT and railways. On the command and direction of the members of leadership supportive of the Proposed Agreements, in particular the PM, the Police raided my home and my office removing all media (documents, computers). I was overseas when this occurred and I am still traveling.
11. The members of the leadership supportive of the Proposed Agreements attack is focused on discrediting those who have sought to represent the best interest of Mongolia. As they cannot act against Members of Parliament, particularly The Speaker, Mr. Battulga Khaltmaa and Ms. Erdenechimeg Luvsan because of their Parliamentary immunity, the members of the leadership supportive of the Proposed Agreements have sought and chosen to attack those close to the Speaker, Mr. Battulga Khaltmaa, Ms. Erdenechimeg Luvsan, dissenting MP's to attempt to force them to support the execution of the Proposed Agreements, which they shall not do.
12. In summary, the events are caused by desperate politics directed by the members of the leadership supportive of the Proposed Agreement, particular the PM, who are now being actively challenged through proper Parliamentary process and shall be brought to account not only for matters pertaining to the Japan MOC and the TT Legal Opinion, but also for abuse of State Instruments to coerce, pervert and influence proper process, which cannot be tolerated in a true Democracy.