

MONGOLIAN RESOURCE CORPORATION

SEPTEMBER 2011, QUARTERLY ACTIVITIES REPORT

31 October 2011

Company Facts

Mongolian Resources Corporation (ASX: MUB) is focused on the Development of two historic high-grade gold deposits in Mongolia with a near term production to commence in 2012.

Key projects:

- Blue Eyes Project
- Sujigtei Project

Corporate Structure

Shares on issue	~ 68.7m
Options	~ 25.3m
Performance Shares	~ 46.0m
52 week high	A\$0.68
52 week low	A\$0.21

Company Directors

Naidansuren Jargalsaikhan
Non-Executive Chairman
Tony Bainbridge
Managing Director
Stockley Davis
Non-Executive Director
John Lee
Non-Executive Director and Company Secretary
Tanan Jargalsaikhan
Non-Executive Director

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The Directors of Mongolian Resources Corporation (ASX: MUB) (Mongolian Resources or the Company) are pleased to present the September 2011 Quarterly Activities Report.

CORPORATE ACTIVITIES

This is the Company's second quarter since the merger with the Mongolian Assets in April, 2011. During this quarter the Company addressed a restructure of the board and commencement of several key management positions. The two appointments made were as follows

1) An appointment was made on the 27th July, 2011 of experienced corporate businessman, Mr John Lee who replaces Mr Carey Smith as non executive director for the Company. Mr Smith has played a significant role in the successful merger of the two Company entities. John who has over 30 years experience in key executive management positions and held board seats on major large companies takes over the role of corporate secretary from Mr Sonu Cheema.

2) Mr Tony Bainbridge was appointed on August 27th, 2011 as Managing Director of the Company. Tony brings 30 years of technical and management experience to the group and has extensive knowledge of operating in Mongolia. Mr Jim Bickel, who greatly assisted in the first financing of the Company, resigned on August 27th.

The Company has a cash balance of approximately \$4.612 m at the end of the quarter.

MONGOLIA – GOLD PROJECTS

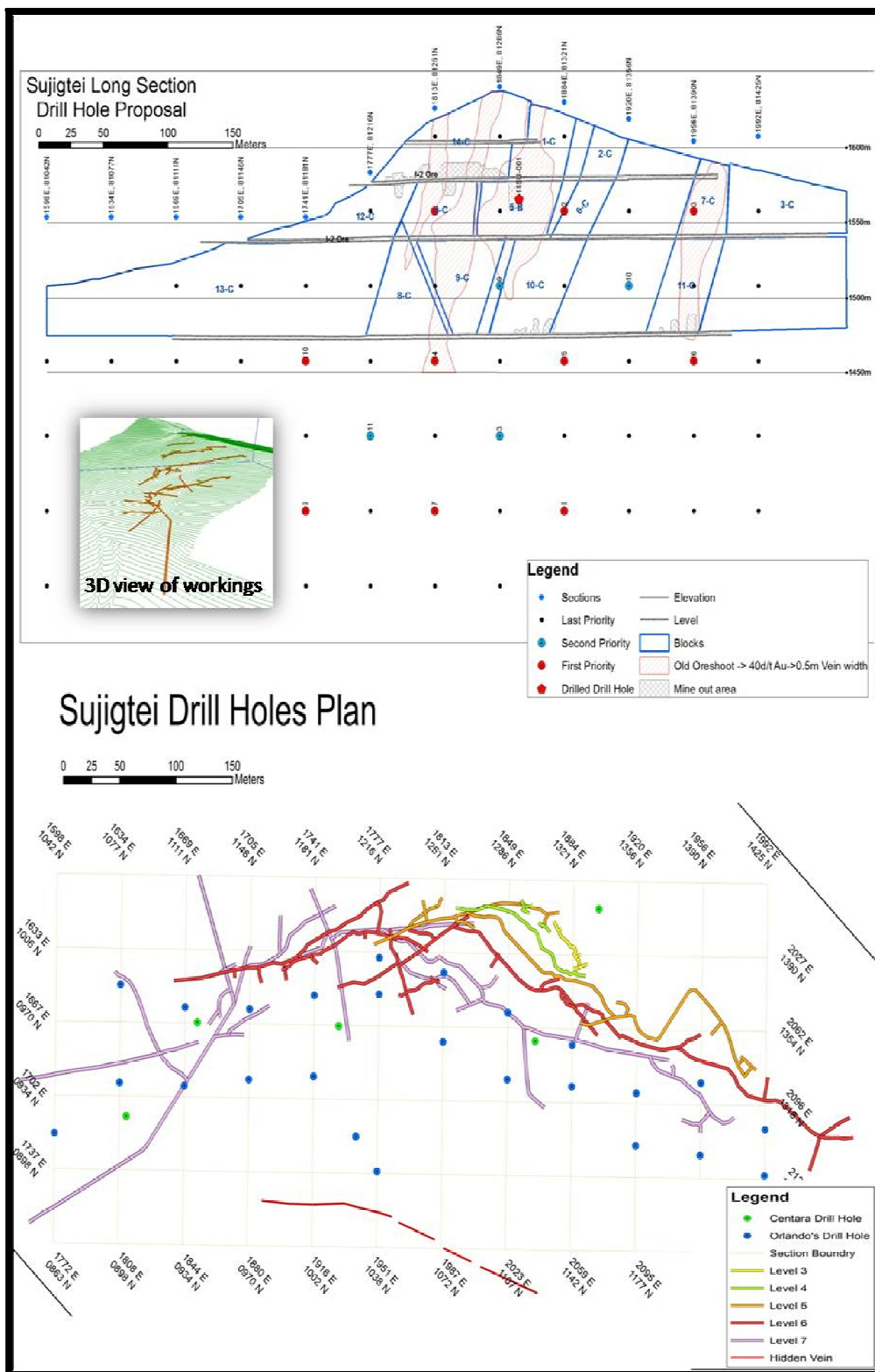
During the quarter, Mongolian Resources Corporation has been focused on advancing its two main gold projects of Sujigtei and Blue Eyes Gold Projects, and in Late August 2011 the Company commenced a 16 hole diamond drilling program. The program is planned for a total of 4500m to be completed in the current quarter, and will evaluate the potential of the mineralisation at Sujigtei Deposit

SUJIGTEI GOLD PROJECT

At Sujigtei Gold Project four holes are planned to evaluate the extent of the workings undertaken by local illegal miners, who

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have “rabbit holed” the top portion of the Sujigtei Gold Project. These first holes are expected to intersect these workings and establish if any high-grade potential exists for shallow broader open cut style mineralisation



Subsequent drilling will then target the depth extents of the main Vein No. 1 ore body, which based on previous Russian Drill Data and Underground Sampling hosts grades from 20-40 grams per tonne in narrow quartz veins up to 1.3m in width.

To date visible gold was observed in two of the holes that have been drilled sub level 7. Holes. The drill core is being logged and processed with standards inserted and will then be sent for assay to International Laboratory Actlabs, an international accredited Lab based in Mongolia and is expected back in the early part of the current quarter.

Approximately 40% of the previous underground working adits/drives or a total of 1.2km has to date been refurbished to a working stope size of 2.5 x 1.2m. The workings were flooded and contained muck piles from the local illegal high-grade ore extraction. MRC has started to install rail into Level 7 and running piping for compressed air and electrical cabling. It is expected that from the 7 levels developed by previous miners down to the 120m depth that approximately 45% of the zone has been mined with most of the remaining ore existing between levels 6 & 7. This ore should sustain the mining operations for more than 2 years while deeper levels of operation are drilled out and development installed.



Main Vein Exposures on Level 7 Underground

Currently 40 underground miners are involved in refurbishment of the Sujigtei Mine and development of the next level of the Blue Eyes Mine. These two projects will provide the early stage ore to the plant and ore is currently being stockpiled on the new ROM pad.

PLANT REFURBISHMENT

MRC has progressed towards completion of the plant refurbishment program where the pre-existing processing plant located at the Blue Eyes Mine Site is upgraded to a full chemical treatment plant.

The Refurbishment of the pre-existing 20 tonne per day gravity plant located at the Blue Eyes Mine Facility has been expanded to a 100 tonnes per day and includes twin 50tpd ball mills, a Knelson Centrifugal Gravity circuit, a 18 cell floatation circuit and twin batch chemical leach tanks. The batch plant will take the concentrate produced from floatation and leach it over a 48 hour cycle. It is expected that 20 tonnes of concentrate per week will be leached with a head grade of more than 300 g/t Au. As part of this refurbishment Mongolian Resources is in construction of a new tailings dam with 1.5 years of capacity that will service the project until a much larger 10 year tailings dam is completed in third-forth quarter, 2012.

A chemical storage facility suitable to hold 1 year's supply of mine chemicals has been located and construction has commenced. Once completion of this facility and the tailings dam this will allow site inspection and finalisation of the cyanide permitting for the project. This is expected during the last quarter of 2011. In preparation for winter operations the 100tpd plant facility has been fully winterised with installation of recyclable coal fired heating. The plant is set for commissioning in 1st quarter 2012.

The Company is also progressing on the larger stage 2 Carbon in Pulp (CIP) plant with completion of the main concrete works on the processing facility. A total of 1200m³ of concrete and 120 tonnes of steel has been used in these plant foundations. The sites for the workshop and larger camp facility have been excavated and prepared for construction.

The Mines and Planning Department of the Government has given approval on the Stage 2, mine design layout plan and review continues on the Mongolian Feasibility Study that has been submitted. Stage 2 Processing Plant that will contain a full CIP plant facility on a similar design to the nearby Boroo Processing Mill (Centerra Gold Inc.) The processing flow sheet has coarse gold gravity concentration units, followed by leaching, absorption and electrowinning plants. Final engineering drawings will be completed once process results of the bulk sample metallurgical test works being conducted in Australia at Independent Metallurgical Organisation (IMO) Limited is completed.

**Stage 1 - Batch Leach Plant****Stage 2 – CIP Plant Construction****Sujigtei Camp for Mine Refurb.****Drilling at Mine Site**

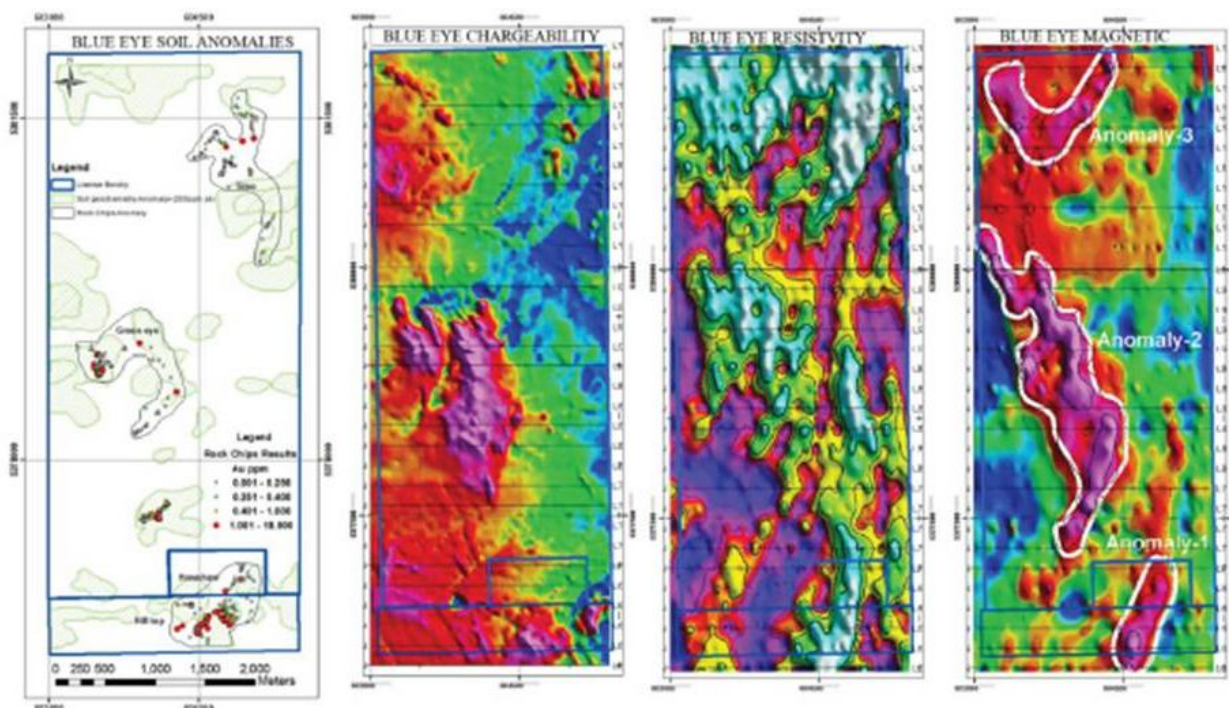
PERMITTING

The Company has completed an upgraded Environmental Impact Assessment Report (Mongolian) that will be submitted next quarter to the Government. This report contains a full design for the new large tailings dam, detoxification plant for tailings treatment and waste rock management. The Company plans to commence in spring 2012 a tree planting nursery to allow rehabilitation of waste dumps and exploration work areas.

During the quarter Mongolian Resources reached agreement with Cultural Heritage Department on the release of part of the Sujigtei Mining License including a natural ceremonial heritage site. This portion of the license covering an area of 111.7 Ha (18%) of the total area was reviewed to have very low potential for mineralisation. The site will be fenced and marked for its preservation.

Work commenced late in the quarter at the Hill Top Gold Project with a total of 5 shallow holes for 695m at Hilltop Zone completed. The drilling has outlined zones of silica-sericite alteration at the Blue Eyes Project Site with extensive zones of silica stock working.. Target at the Hill Top was to identify the potential of the large alteration zone to then target the main silica feeder zone that is channelling vein fluids to the blue eyes vein system. A total of 12 holes are planned in this area.

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ALLUVIAL MINE TESTWORK

A total of 7,177m³ of alluvial wash material was treated in testwork conducted at the Companies Berleg Joint Venture for a recovery of 2.7kg of gold. The final grade of the alluvial wash was determined from 5 testpits conducted around the project to be an average 0.44 grams / m³ which MRC views as being economic given the large alluvial field present. Evaluation work by testpitting proved to be effective and determined the presence of 250,000m³ of wash that has potential to yield more than 600 kg of alluvial gold.

During the winter season a review of the right method for mining and processing will be conducted to determine if the large IHC Alaska Gold Plant should be installed at this site. A second site held by the Company will also be evaluated as an alternative to Berleg.

Given this work was not the Company's priority, this test work showed however if the board makes the decision to commence commercial operations that the project can make money.



Trial Pit No. 3



Wash layer being transported



New Zealand Recovery System



Gold Weighing and Assessment

For further information on MRC and our projects please visit our website at
www.mongolianresourcecorporation.com

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- **Competent Person.** *In this report, the information concerning Mongolian operations that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Tony Bainbridge, who at the time was Managing Director of Mongolian Resource Corporation Limited (ASX:MUB) and is a member of The Australasian Institute of Mining and Metallurgy. Mr Bainbridge has sufficient experience which is relevant to the mineralisation and type of deposit under consideration and to the activity, which he is undertaking, to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Tony Bainbridge consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.*
- **Forward Looking Statements.** *All statements, other than statements of historical fact, in this news release are forward-looking statements that involve various risks and uncertainties, including, without limitation, statements regarding the future plans and objectives of Mongolian Resource Corporation (MRC). There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. These and all subsequent written and oral forward-looking statements are based on the estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. MRC assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change*