

**Mongolian Resource Corporation
Limited**

(ABN 83 127 620 482)

**Interim report for the half year ended
31 December 2011**

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CORPORATE INFORMATION**ABN 83 127 620 482**

Directors	Naidansuren Jargalsaikhan Anthony Bainbridge John Lee Tanan Jargalsaikhan Galsan Jamts	Non-executive Chairman Managing Director Non-executive Director Non-executive Director Non-executive Director
Company secretary	John Lee	
Registered office	Suite 1314, 3 Spring Street Sydney NSW 2000 Telephone: (02) 8249 4025 Fax: (02) 8569 0916	
Principal place of business	Suite 904, Level 9 Grand Plaza Complex Peace Avenue, Bayangol District, Ulaanbaatar, Mongolia	
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153	
Solicitors	Steinepreis Panagin Lawyers and Consultants Level 4, Next Building 16 Milligan Street Perth WA 6000	
Bankers	National Australia Bank Level 1, 1238 Hay Street West Perth WA 6005	
Auditors	PricewaterhouseCoopers 201 Sussex Street Sydney NSW 2000	
Website	www.mongolianresourcecorporation.com	

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Mongolian Resource Corporation Limited for the half year ended 31 December 2011.

Directors

The names of directors who held office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Naidansuren Jargalsaikhan	Non-executive Chairman
Ms Tanan Jargalsaikhan	Non-executive Director
Mr Anthony Bainbridge	Managing Director (appointed 24 August 2011)
Mr John Lee	Non-executive Director (appointed 29 July 2011)
Mr Stockley Davis	Non-executive Director (resigned 17 November 2011)
Mr Galsan Jamts	Non-executive Director (appointed 8 March 2012)
Mr James Bickel	Non-executive Director (resigned 26 August 2011)
Mr Carey Smith	Non-executive Director (appointed 16 September 2010, resigned 29 July 2011)

PRINCIPAL ACTIVITIES

The principal activity of the Group during the half year was the exploration and development of natural resources. There have been no other significant changes in the activities of the Group during this year.

REVIEW OF OPERATIONS

The primary focus of the company during the half year to 31 December 2011 was to complete construction of its stage 1 gold plant facilities in Mongolia and to obtain the required permits to commence gold production at a central mill located at the Blue Eyes mine site.

Mongolia

Significant work was undertaken on the gold plant facilities with the installation of two batch leach cyanide tanks and the completion and trial testing of a 15 cell floatation system. The stage 1 gold plant is capable of processing 100 tonnes per day and to produce up to 3 tonnes per day of concentrate which is intended to be batch leached in the installed cyanide tanks.

Progress was also made on the larger stage 2 gold plant which, when fully functional, will process 400 tonnes per day of ore through a Carbon In Pulp (CIP) processing circuit. The design of stage 2 was completed and the front end engineering design work began with the detailed construction plans completed. Full permitting was granted for construction of the stage 2 gold plant. The permit for the use of cyanide is yet to be issued. A total of 1,800m³ of concrete was poured on the main plant site and all earthworks for the facilities completed. Earthworks included building sites, haul roads, tailings dam and a new 150 person campsite. Six of the 8 leach tanks were constructed and installed on their pads at the plant site. The board has determined that completion of stage 2 would be best done by using an EPC contractor. Expressions of interest are now being sort for this contract.

DIRECTORS' REPORT (continued)

The dismissal of 6 of the 12 government ministers, including the Environment Minister, has setback the permitting process. This has delayed the Company's approval for a cyanide permit and a new submission is being drafted to for the new minister and senior government officers.

The stage 1 gold plant is permitted for production of concentrate and the Company intends to begin production in the spring of 2012 targeting sale of concentrate into China until such time as the cyanide permit is obtained and the batch leaching tanks can be utilized.

The Mongolian government has announced a proposed new law to protect the rivers and trees in the northern part of Mongolia. This legislation will allow the government to retrieve mining licenses in sensitive areas around rivers, forests etc and will impact two of the Company's operations. The Berleg license, where the company was to begin alluvial mine operations, and the Shiram mining license were both on the list of 254 licenses published by the government. The holders of these licenses have been requested to return these licenses to the government and to submit claims for compensation. Large compensation claims have been made in respect of these licenses and at the time of this report no progress has been made on implementing the proposal. On the Berleg license the affected area will not impact operations and the Company has completed test work at the site during this period. 7,155m³ of material was washed yielding production of 2.6kg of refined gold. This showed that the area is economic for alluvial operations and provided there are no further changes to government policy the Company intends to continue to mine the Berleg project in 2012.

The mines have been refurbished with the installation of rail to all levels at Blue Eyes, as well as installation of a new winch, airlines, and power facilities. Underground surveying was completed and ore block design completed for operation of shrinkage stope operation. At Sujigtei the mine opening continued with the installation of a new portal at level 7 and opening up of over 2km of underground workings. Rail installation was begun as well as ventilation and electrical fit out. The ore remains unmined on Level 7 and with completion of the mine infrastructure will be ready to extract. All vein exposures underground were sampled and recorded values similar to the previous historical Russian Results.

A total of 15 holes (2,122 metres) were completed at the mine sites with 9 holes being drilled to define the resources around the mine workings at Sujigtei and 6 exploration holes drilled at the Blue Eyes Hill Top project. The holes at Sujigtei all intersected mineralisation with the exception of 3 holes which intersected mine workings from recent partisan miners' diggings. The holes displayed several veins with economic grades and widths up to 2m and also indicated that the mineralisation continued for at least 50m below the level 7 workings. The onset of winter froze all water sources and the contract drill rig was demobilized. Two underground drill rigs were purchased to continue the drill out of this resource in spring of 2012.

Exploration work included completion of the entire Blue Eyes Geophysics survey including detailed ground magnetics on 100m line spacings, detailed dipole-dipole Induced Polarization (IP) survey on 200m line spacing and a full gradient array Induced Polarization survey on the entire area. This followed with more than 10,000 soil samples, 600 rock chip and trench channel samples and mapping has identified 6 main target areas with gold mineralisation on the Blue Eyes Project area. It is intended several of these will be drilled in the 2012 field season. 6 shallow exploration drill holes located gold mineralisation at the hill top and although of low grade (0.1-0.9 g/t gold) at this point it contained significant size and dimension to indicate it is part of a large system. In the next round of drilling the large nearby geophysics targets that are replicas of the Boroo Gold System will be targeted rather than the surface geochemistry.

Western Australia

No work was done on the Australian projects this year.

DIRECTORS' REPORT (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group's Mongolian holding company MRCMGL LLC, has entered into a joint venture agreement with a local Mongolian company Berleg LLC, to mine alluvial gold from properties owned by Berleg LLC (the White Elbow joint venture). In December 2011 the government of Mongolia announced that it intended to terminate alluvial mining in certain areas and requested that 254 alluvial mining licences, including the White Elbow licence, be returned to the Mines Department together with compensation claims. The Group has lodged a claim for US\$244,000 and Berleg LLC has lodged a claim for US\$450,000.

Legislation related to the government's plans has not yet been finalised and passed by parliament. The total of the compensation claims lodged in relation to these licences is a significant amount and the government has stated publicly that it does not have the capacity to compensate the current title holders. The current view of the mines department is that mining can continue until the issue is resolved by the government. Resolution could take a significant time period.

The Group holds a number of tenements in Western Australia thought to be prospective for uranium and gold. These properties had a book value of \$847,276 at 31 December 2011. Given the fall in the market price of uranium in recent times and the low value being ascribed to basic exploration properties by the market directors have formed the view that an impairment provision of \$347,276 be taken against these assets to reduce their book value to \$500,000.

The financial statements of the Group have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

Consistent with the nature of the Group's activities and its ongoing investment of funds into exploration and development projects, the Group has experienced operating losses of \$3,439,794 and negative cash flows of \$3,824,632 for the 6 months to 31 December 2011. The Group has reported cash and cash equivalent assets of \$2,994,459 at 31 December 2011. The directors acknowledge that continued exploration and development of the Group's mineral exploration and development properties will necessitate further capital or debt raisings and/or early production of gold from the Group's Mongolian development properties.

The continuing viability of the Group and its ability to continue as a going concern and to meet its commitments as and when they fall due is dependent upon the Group being successful in:

- Raising additional funds which may include a placement of shares with Mongolian investors
- Debt funding of the key Group's Mongolian projects from Mongolian financial institutions
- Sale of properties which no longer fit the operating focus of the Group
- Generation of cash from operations by early production from the Group's Mongolian mining projects. The Group does have a limited amount of gold bearing ore ready for processing at its Mongolian mining project when local weather conditions allow a resumption of operations.

As a result of these matters, there is a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

DIRECTORS' REPORT (continued)

The Directors believe that the Group will be successful in the above matters and accordingly, have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2011. Accordingly no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

**Mr John Lee****Director**

Sydney, New South Wales; Dated this 15th day of March 2011

Competent Persons Statement

Scientific or technical information in this report has been prepared under the supervision of Mr Anthony Bainbridge BSc, a consultant to the Group and a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Bainbridge has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Mr Bainbridge consents to the inclusion in this report of the Information, in the form and context in which it appears.




Auditor's Independence Declaration

As lead auditor for the review of Mongolian Resource Corporation Limited for the half year 31 December 2011 I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mongolian Resource Corporation Limited during the period.


Peter Buchholz
Partner
PricewaterhouseCoopers

Sydney
15 March 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Notes	Consolidated	
		Half Year 2011 \$	Half Year 2010 \$
Continuing operations			
Sales		125,570	-
Other income	2	331,494	-
Administration expenses		(207,132)	(2,510)
Consulting fees		(12,739)	-
Director fees		(48,000)	-
Employment benefits expense		(574,428)	-
Occupancy expenses		(597,308)	-
Provision for impairment	6	(1,551,255)	-
Other expenses	2	(905,996)	(113,588)
Loss before income tax expense		(3,439,794)	(116,098)
Income tax benefit		-	-
Loss after tax from continuing operations		(3,439,794)	(116,098)
Net profit/(loss) for the period		(3,439,794)	(116,098)
Exchange differences on translation of foreign operations		(1,225,106)	-
Other comprehensive income		(1,225,106)	-
Total comprehensive loss for the period		(4,664,900)	(116,098)
Loss attributable to:			
Owners of Mongolian Resource Corporation Limited		(3,433,278)	(116,098)
Non-controlling interests		(6,516)	-
Total comprehensive loss attributable to:			
Owners of the parent		(1,228,869)	(116,098)
Non-controlling interests		3,763	-
Basic loss per share (cents per share)		(2.03)	(11,610)
Diluted loss per share (cents per share)		(2.03)	(11,610)

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	Consolidated	
		31 December 2011 \$	Restated 30 June 2011* \$
Assets			
Current Assets			
Cash and cash equivalents		2,994,459	6,878,161
Trade and other receivables		304,061	253,928
Inventory		107,329	24,114
Total Current Assets		3,405,849	7,156,203
Non-Current Assets			
Plant and equipment		4,854,224	4,919,514
Deferred exploration expenditure	6	8,689,040	9,279,171
Other non-current assets		-	296,478
Total Non-Current Assets		13,543,264	14,495,163
Total Assets		16,949,113	21,651,366
Liabilities			
Current Liabilities			
Trade and other payables		86,730	168,949
Other current liabilities		46,550	1,684
Total Current Liabilities		133,280	170,633
Total Liabilities		133,280	170,633
Net Assets		16,815,833	21,480,733
Equity			
Issued capital	4	32,979,602	32,979,602
Share-based payments reserve		247,352	247,352
Foreign currency translation reserve		(2,674,036)	(1,445,167)
Accumulated losses		(14,460,107)	(11,026,829)
Parent entity interest		16,092,811	20,754,958
Non-controlling interest		723,022	725,775
Total Equity		16,815,833	21,480,733

* See note 5 for details regarding the restatement as a result of prior period errors.

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

Consolidated	Issued Capital \$	Accumulated Losses \$	Non- controlling Interest \$	Share- based payments reserve \$	Foreign Currency Translation Reserve \$	Total Equity \$
Balance at 1 July 2010	-	-	-	-	-	-
Loss for the year	-	(116,098)	-	-	-	(116,098)
Exchange differences on translation of foreign operations	-	-	-	-	3,798	3,798
Total comprehensive (loss) for the period	-	(116,098)	-	-	3,798	(112,300)
Shares issued during the year	5,820,856	-	-	-	-	5,820,856
Balance at 31 December 2010	5,820,856	(116,098)	-	-	3,798	5,708,556
Balance at 1 July 2011	32,979,602	(11,026,829)	725,775	247,352	(1,445,167)	21,480,733
Loss for the year	-	(3,433,278)	(6,516)	-	-	(3,439,794)
Exchange differences on translation of foreign operations	-	-	3,763	-	(1,228,869)	(1,225,106)
Total comprehensive (loss) for the period	-	(3,433,278)	(2,753)	-	(1,228,869)	(4,664,900)
Balance at 31 December 2011	32,979,602	(14,460,107)	723,022	247,352	(2,674,036)	16,815,833

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Consolidated	
	6 Months ended 31 December 2011 \$	6 Months ended 31 December 2010 \$
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts	75,407	-
Payments to suppliers and employees	(2,368,545)	(579,642)
Interest received	113,512	-
Net cash outflow from operating activities	(2,179,626)	(579,642)
Cash flows from investing activities		
Payments for property, plant and equipment	(327,967)	(316,674)
Payments for intangibles	(40,268)	-
Proceeds from sale of intangible licences	168,995	-
Payments for exploration and evaluation expenditure	(1,445,826)	-
Net cash outflow investing activities	(1,645,006)	(316,674)
Cash flows from financing activities		
Proceeds from issue of shares	-	781
Proceeds from borrowings	-	894,077
Net cash inflow by financing activities	-	894,858
Net increase/(decrease) in cash held	(3,824,632)	(1,458)
Cash and cash equivalents at the beginning of the period	6,878,161	0
Effect of exchange rate fluctuations on cash held	(59,070)	3,797
Cash and cash equivalents at the end of the period	2,994,459	2,339

The above consolidated income statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Mongolian Resource Corporation Limited. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2011, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Adoption of new and revised standards

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Company.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Company's presentation of, or disclosure in, its half yearly financial statements.

Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's financial report as at and for the year ended 30 June 2011.

Going Concern

The financial statements of the Group have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

Consistent with the nature of the Group's activities and its ongoing investment of funds into exploration and development projects, the Group has experienced operating losses of \$3,439,794 and cash outflows of \$3,824,632 for the 6 months to 31 December 2011. The Group has reported cash and cash equivalent assets of \$2,994,459 at 31 December 2011. The directors acknowledge that continued exploration and development of the Group's mineral exploration and development properties will necessitate further capital or debt raisings and/or early production of gold from the Group's Mongolian development properties.

The continuing viability of the Group and its ability to continue as a going concern and to meet its commitments as and when they fall due is dependent upon the Group being successful in:

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

- Raising additional funds which may include a placement of shares with Mongolian investors
- Debt funding of the key Group's Mongolian projects from Mongolian financial institutions
- Sale of properties which no longer fit the operating focus of the Group
- Generation of cash from operations by early production from the Group's Mongolian mining projects. The Group does have a limited amount of gold bearing ore ready for processing at its Mongolian mining project when local weather conditions allow a resumption of operations.

As a result of these matters, there is a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The Directors believe that the Group will be successful in the above matters and accordingly, have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2011. Accordingly no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

NOTE 2: REVENUES AND EXPENSES

	Consolidated	
	2011 \$	2010 \$
(a) Other income		
Interest income	113,513	-
Foreign currency gain	217,981	-
	331,484	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 2: REVENUES AND EXPENSES (continued)

	Consolidated	
	2011 \$	2010 \$
(b) Expenses		
Contract expenses	462,799	-
Consumables	275,966	-
Net loss on sale of iron ore license	31,005	-
Other	136,226	116,098
	<u>905,996</u>	<u>116,098</u>

NOTE 3: SEGMENT REPORTING

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

	Exploration Activities Australia \$	Exploration Activities Mongolia \$	Unallocated \$	Total \$
31 December 2011				
Revenue				
Sales	-	125,570	-	125,570
Interest income	-	-	113,513	113,513
Other	-	217,981	-	217,981
Total segment revenue	-	343,551	113,513	457,064
Expenses				
Provision for impairment	(1,352,750)	(198,505)	-	(1,551,255)
Administration	-	(1,209,514)	(230,093)	(1,439,607)
Other	-	(905,996)	-	(905,996)
Total segment expenses	(1,352,750)	(2,315,015)	(230,093)	(3,896,858)
Segment result	(1,352,750)	(1,970,467)	(116,580)	(3,439,794)
Unallocated revenues and expenses				116,580
Results from operating activities				<u>(3,323,214)</u>
Segment assets at 31 December 2011	500,000	15,414,922	1,034,191	16,949,113
Segment liabilities at 31 December 2011	-	-	(133,280)	<u>(133,280)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 3: SEGMENT REPORTING (continued)

	Exploration Activities Australia \$	Exploration Activities Mongolia \$	Unallocated \$	Total \$
31 December 2010				
Revenue				
Interest	-	-	-	-
Other	-	-	-	-
Total segment revenue	-	-	-	-
Expenses				
Corporate	-	(113,588)	(2,510)	(116,098)
Total segment expenses	-	(113,588)	(2,510)	(116,098)
Segment result	-	(113,588)	(2,510)	(116,098)
Unallocated revenues and expenses				2,510
Results from operating activities				(113,588)
Segment assets at 30 June 2011	1,803,731	12,394,954	7,452,681	21,651,366
Segment liabilities at 30 June 2011	-	-	(170,633)	(170,633)

NOTE 4: ISSUED CAPITAL

On 11 April 2011 MRCMGL LLC completed a reverse acquisition of Mongolian Resource Corporation Limited. As such the comparative period figures relate to MRCMGL LLC only.

	Consolidated	
	2011 \$	2010 \$
<i>Ordinary shares</i>		
Shares on issue at 1 July 2011	32,979,602	-
Shares issued during the period	-	5,820,856
At 31 December 2011	32,979,602	5,820,856
Movements in ordinary shares on issue		
	2011 No.	2010 No.
Shares on issue at 1 July 2011	169,757,357	-
Shares issued during the period	-	1,000
At 31 December 2011	169,757,357	1,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 4: ISSUED CAPITAL continued

Shares on issue at 31 December 2011 include 46,000,000 performance shares. Each Performance Share will convert into one share upon achievement of an Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) compliant mineral resource in respect of:

- (i) the area comprising the Tenements (defined as those being acquired under the acquisition of MRCMGL LLC); or
- (ii) an alternative project area as vended to Mongolian Resource Corporation Limited by the vendors of MRCMGL LLC (or their associates) at no cost to Mongolian Resource Corporation Limited, within 3 years from the date of issue of the Performance Shares of a minimum of 1 million ounces of gold with a minimum of 300,000 ounces in the indicated category.

If the milestone is not achieved by the required date, then the performance shares held by Capital Ahead Limited HK will be automatically redeemed by Mongolian Resource Corporation Limited for the sum of \$0.000001 within 10 business days of non-satisfaction of the milestone. No value has been attached to the performance shares on settlement of this transaction as the likelihood that they would vest is remote.

Company options

Company options carry no voting rights and carry no right to dividends.

	Consolidated	
	2011	2010
	\$	\$
Share-based payments reserve		
Opening balance 1 July 2011	247,352	-
Movements during the period	-	-
Balance 31 December 2011	247,352	-

	Consolidated	
	2011	2010
	No.	No.
Movements in company options		
Opening balance 1 July 2011	25,367,644	-
Movements during the period	-	-
At 31 December 2011(i)	25,367,644	-

(i) The value of options has been determined by reference to the fair value of the services provided. There are 25,367,644 options on hand at period end exercisable at \$0.25, expiring 31 March 2013.

NOTE 5: PRIOR PERIOD ADJUSTMENTS

On 11 April 2011 Mongolian Resource Corporation Limited acquired all of the issued capital of MRCMGL LLC, a Mongolian registered company which held the Group's Mongolian assets, in a reverse takeover. A subsequent review of accounting policies and accounting entries at 30 June 2011 have resulted in adjustments to the prior period balances as at 30 June 2011. The errors are summarised in the restated statement of financial position below. The opening balances of the consolidated statement of changes in equity, the amounts disclosed in the segment note, the amounts disclosed in Note 4 "Issued Capital" and the amounts disclosed in Note 6 "Deferred exploration expenditure" have been restated accordingly. No third balance sheet has been presented on the basis that the errors do not impact the beginning of the earliest comparative period presented.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 5: PRIOR PERIOD ADJUSTMENTS (continued)

	30 June 2011 \$	Prior Period Adjustments \$	Note	Restated 30 June 2011 \$
Assets				
Current Assets				
Cash and cash equivalents	6,878,161	-		6,878,161
Trade and other receivables	67,745	186,183	1	253,928
Inventory	24,114	-		24,114
Total Current Assets	6,970,020	186,183		7,156,203
Non-Current Assets				
Plant and equipment	4,468,688	450,826	2	4,919,514
Deferred exploration expenditure	10,651,999	(1,372,828)	1 & 2	9,279,171
Other non-current assets	296,478	-		296,478
Total Non-Current Assets	15,417,165	(922,002)		14,495,163
Total Assets	22,387,185	(735,819)		21,651,366
Liabilities				
Current Liabilities				
Trade and other payables	156,526	12,423	3	168,949
Other current liabilities	30,173	(28,489)	3	1,684
Total Current Liabilities	186,699	(16,066)		170,633
Net Assets	22,200,486	(719,753)		21,480,733
Equity				
Issued capital	23,454,827	9,524,775	4 & 5	32,979,602
Share-based payments reserve	1,793,297	(1,545,945)	5	247,352
Foreign currency translation reserve	(1,453,399)	8,232		(1,445,167)
Accumulated losses	(1,593,055)	(9,433,774)	2 & 4	(11,026,829)
Parent entity interest	22,201,670	(1,446,712)		20,754,958
Non-controlling interest	(1,184)	726,959	5	725,775
Total Equity	22,200,486	(719,753)		21,480,733

1. Adjustment relating to the capitalisation and amortisation policies of the Group which had not been correctly applied in the prior period.
2. Reclassification of a balance receivable from exploration balance to other assets.
3. Cut off errors were noted at 30 June 2011.
4. Adjustment to the non-controlling interest calculation at balance sheet date.
5. Adjustment to the determination of the fair value of the equity of Mongolian Resource Corporation Limited in respect of the reverse acquisition that took place in April 2011 and adjustment to the accounting entries for the share-based payments issued as a part of the reverse acquisition. The determination of the fair value of the equity has been corrected to reflect the share price of the legal acquirer at the date of the reserve acquisition as required by the accounting standard. This has resulted in an increase in equity of \$10,284,000 and a corresponding increase in the 30 June 2011 loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

NOTE 6: DEFERRED EXPLORATION EXPENDITURE

	Consolidated	
	2011	2010
	\$	\$
Costs carried forward in respect of:		
Exploration and evaluation phase – at cost (re-stated)	9,279,171	-
Expenditure incurred	1,445,826	3,879,024
Disposal of exploration expenditure	(200,000)	-
Loss on translation of opening balance	(284,702)	-
Impairment provision	(1,551,255)	-
Total Exploration Expenditure balance at 31 December 2011	8,689,040	3,879,024

Directors have formed the opinion that the carrying value of the Australian exploration properties exceeded their likely market value. Consequently directors have determined to take an impairment provision against these assets of \$1,352,750.

The current status of title for some of the Group's alluvial mining properties in Mongolia is uncertain in light of the Mongolian government's announcement to reclaim alluvial mining titles in certain areas. Consequently directors have determined to take an impairment provision of \$198,505 against these assets.

NOTE 7: CONTINGENT LIABILITIES

Refer note 8 below. There are no other contingent liabilities disclosures required.

NOTE 8: SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group's Mongolian holding company MRCMGL LLC, has entered into a joint venture agreement with a local Mongolian company, Berleg LLC, to mine alluvial gold from properties owned by Berleg LLC (the White Elbow joint venture). During December 2011, the government of Mongolia announced that it intended to terminate alluvial mining in certain areas and requested that 254 alluvial mining licences, including the White Elbow licence, be returned to the Mines Department together with compensation claims. The Group has lodged a claim for US\$244,000 and Berleg LLC has lodged a claim for US\$450,000. No amount has been recorded in the financial statements at 31 December 2011 in respect of this claim.

Legislation related to the government's plans has not yet been finalised and passed by parliament. The total of the compensation claims lodged in relation to these licences is a significant amount and the government has stated publicly that it does not have the capacity to compensate the current title holders. The current view of the mines department is that mining can continue until the issue is resolved by the government. Resolution could take a significant time period.

DIRECTORS' DECLARATION

1. In the directors' opinion:
 - a. the financial statements and notes set out on pages 9 to 19 are in accordance with the *Corporations Act 2001* including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date, and
 - b. there are reasonable grounds to believe that Mongolian Resource Corporation Limited will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the directors.



Mr John Lee
Director

Sydney, New South Wales; Dated this 15th day of March 2011



Independent auditor's review report to the members of Mongolian Resource Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mongolian Resource Corporation Limited, which comprises the statement of financial as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Mongolian Resource Corporation Limited Group (the consolidated entity). The consolidated entity comprises both Mongolian Resource Corporation Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mongolian Resource Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mongolian Resource Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 1 "Going Concern" in the financial report which indicates that the consolidated entity has experienced operating losses and negative cash flows during the half year ended on 31 December 2011 and, as of that date, the continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the consolidated entity being successful in raising additional funds. These conditions, along with other matters as set forth in Note 1 "Going Concern", indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.



PricewaterhouseCoopers



Peter Buchholz
Partner

Sydney
15 March 2012