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## **MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

### **INSIDE INFORMATION**

#### **BUSINESS UPDATE**

The Company is still awaiting finalization of the security device specifications from the Xinjiang Takeshiken border authorities before it could commence installation work. In the meantime, the Company has been given permission to use another customs border temporarily for two weeks from 16 May 2017 for raw coal import into Xinjiang.

This announcement is made by Mongolia Energy Corporation Limited (the “**Company**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong).

We refer to our announcement dated 11 May 2017 (the “**Announcement**”).

As disclosed in the Announcement, we are still awaiting finalization of the security device specifications from the Xinjiang Takeshiken border authorities before we could commence installation work. The request for installing the devices is on security ground by the customs border authorities, not being any faults of the Group. The time required for completion depends on when the specifications and system requirements are finalized. According to our best estimation, the installation would take 30 to 45 days. The uplift of the import restriction will be subject to the border authorities’ satisfaction and approval upon installation of the security devices.

Apart from following up closely on finalization of the device specifications, we have also explored other alternative measures with the Xinjiang government officials for our raw coal shipment into Xinjiang during this period. These include the possibility of using another customs border for importing our raw coal into Xinjiang.

We ship our raw coking coal from Mongolia to our washing plant in Xinjiang for washing and processing. Our sales would be affected if there is no raw coal stock in our washing plant. Since the import restriction imposed by the Xinjiang authorities on 15 April 2017, our washing plant was kept processing raw coal from the stock for clean coal delivery to our customers until the end of April 2017. Between 15 April 2017 and 30 April 2017, we delivered approximately 24,000 tonnes of clean coking coal to our customers. In addition, as stated above, we have been given permission to use another customs border temporarily

for two weeks from 16 May 2017 for our raw coal import into Xinjiang. Our target is to import approximately 30,000 tonnes raw coking coal, subject to adjustment, into Xinjiang for sales under this temporary arrangement.

All our coking coal customers are in Xinjiang. Before the import restriction, the Takeshiken Border in Xinjiang was the only border for our raw coal export. If the coal import restriction is not lifted and the alternative customs border of Xinjiang could not be used, we are unable to sell coking coal to our customers in Xinjiang. We will continue to make viable proposals for resumption of coal export as soon as possible including the possibility to use alternative customs border during the suspension period.

In respect of Mongolia, we supply thermal coal to local community and their quantity demand is insignificant. The import restriction on the Xinjiang border has no effect on our thermal coal supply and we will continue to provide thermal coal to address the local needs.

As the timing for lifting the import restriction is yet to be known, we will continue to suspend the overburden removal and coal excavation works on our mine site for the time being to save our operation costs. Our coal washing plant in Xinjiang is placed on a standby mode.

The coal import restriction imposed by the Xinjiang authorities will have negative impact on the Group. The actual impact on operation and financial comparing with the last interim results period could not be ascertained at this stage and will depend on actual length of the suspension, the performance of the overall market conditions, our coal sales prices and volume, the possibility of continuing the use of alternative border and other measures taken by the Xinjiang border authorities.

We will continue to monitor the developments and make further updates as and when appropriate.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

By order of the Board  
**Mongolia Energy Corporation Limited**  
**Tang Chi Kei**  
*Company Secretary*

Hong Kong, 19 May 2017

*As at the date of this announcement, the Board comprises seven Directors, including Mr. Lo Lin Shing, Simon and Ms. Yvette Ong as executive Directors, Mr. To Hin Tsun, Gerald and Mr. Lo, Rex Cze Kei as non-executive Directors, and Mr. Tsui Hing Chuen, William JP, Mr. Lau Wai Piu, and Mr. Lee Kee Wai, Frank as independent non-executive Directors.*