MONGOLIA ENERGY CORPORATION LIMITED
蒙古能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED MARCH 31, 2009

The directors (the "Directors") of Mongolia Energy Corporation Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group" or "MEC") for the year ended March 31, 2009 together with the comparative figures in the previous year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED MARCH 31, 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Revenue	*3*	**11,081**	29,952
Bank interest income		**19,072**	3,342
Dividend income from listed equity securities		**—**	15
Direct aviation costs		**(1,430)**	(1,311)
Staff costs		**(46,903)**	(39,818)
Depreciation		**(24,644)**	(12,909)
Other expenses		**(89,784)**	(63,963)
Fair value (loss) gain on investment properties		**(16,062)**	190,000
Loss on early redemption of loan note		**(100,371)**	—
Impairment losses on interests in and loans to associates		**(56,766)**	—
Fair value (loss) gain from held-for-trading investments		**(24,039)**	20,075
Gain on disposal of interest in a jointly controlled entity		**—**	12,402
Gain on disposal of interests in associates		**—**	5,747
Finance costs	*4*	**(171,877)**	(31,271)
Share of losses of associates		**(3,170)**	(2,365)
Share of loss of a jointly controlled entity		**—**	(688)
(Loss) profit before taxation	*5*	**(504,893)**	109,208
Income tax credit (expense)	*6*	**66,506**	(34,808)
(Loss) profit for the year attributable to the equity holders of the Company		**(438,387)**	74,400

	Notes	**2009**	2008
		HK$'000	*HK$'000*
(Loss) earnings per share	*7*		
— basic (HK cents)		**(7.25)**	2.32
— diluted (HK cents)		**(7.25)**	2.31

CONSOLIDATED BALANCE SHEET

AT MARCH 31, 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**224,456**	213,870
Investment properties		**104,046**	540,000
Intangible assets		**809**	380
Development in progress	*8*	**738,941**	—
Exploration and evaluation assets		**12,758,720**	12,712,228
Interests in associates		**67,678**	41,936
Other assets		**1,150**	1,150
Prepayments for exploration and evaluation expenditure		**54,050**	103,758
Deposits for property, plant and equipment and other long-term deposits		**170,527**	78,233
Amount due from an associate		**200,000**	200,000
		14,320,377	13,891,555
Current assets			
Accounts receivable	*9*	**—**	1,743
Other receivables, prepayments and deposits		**31,986**	16,185
Held-for-trading investments		**28,742**	54,383
Amount due from an associate		**5,275**	—
Cash and cash equivalents		**660,889**	254,341
		726,892	326,652
Current liabilities			
Accounts payable	*10*	**1,049**	6,308
Other payables and accruals		**18,482**	38,164
Amounts due to associates		**5,510**	8,898
Short-term bank loans		**—**	197,900
Tax payable		**5,301**	301
		30,342	251,571
Net current assets		**696,550**	75,081
Total assets less current liabilities		**15,016,927**	13,966,636
Non-current liabilities			
Convertible notes	*11*	**1,647,166**	114,880
Loan note		**110,468**	684,221
Deferred income tax liabilities		**—**	72,413
		1,757,634	871,514
Net assets		**13,259,293**	13,095,122

	2009	2008
	HK$'000	*HK$'000*
Financed by:		
Equity		
Capital and reserves attributable to the equity holders of the Company		
Share capital	**120,964**	120,945
Reserves	**13,138,272**	12,974,120
	13,259,236	13,095,065
Minority interests	**57**	57
Total equity	**13,259,293**	13,095,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair value.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs has no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged ltems[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[6]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after January 1, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after July 1, 2009
2 Effective for annual periods beginning on or after January 1, 2009, July 1, 2009 and January 1, 2010, as appropriate
3 Effective for annual periods beginning on or after January 1, 2009
4 Effective for annual periods beginning on or after July 1, 2009
5 Effective for annual periods ending on or after June 30, 2009
6 Effective for annual periods beginning on or after July 1, 2008
7 Effective for annual periods beginning on or after October 1, 2008
8 Effective for transfers on or after July 1, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for a business combination for which the acquisition date is on or after April 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year is as follows:

	2009	2008
	HK$'000	*HK$'000*
Rental income from investment properties	**7,788**	22,383
Management fee from investment properties	**1,288**	4,525
Gross rental income and management fee	**9,076**	26,908
Charter flight income	**2,005**	3,044
	11,081	29,952

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Primary reporting format — business segments

For management purposes, the Group is currently organised into three operating divisions — coal mining, property investments and charter flight services. These divisions are the basis on which the Group reports its primary segment information.

The segment results for the year ended March 31, 2009 are as follows:

	Coal mining *HK$'000*	Property investments *HK$'000*	Charter flight services *HK$'000*	Total *HK$'000*
Revenue	**—**	**9,076**	**2,005**	**11,081**
Segment results	**(45,183)**	**(11,132)**	**(18,440)**	**(74,755)**
Unallocated corporate expenses				**(92,987)**
Bank interest income				**19,072**
Loss on early redemption of loan note				**(100,371)**
Impairment losses on interests in and loans to associates				**(56,766)**
Fair value loss from held-for-trading investments				**(24,039)**
Finance costs				**(171,877)**
Share of losses of associates				**(3,170)**
Loss before taxation				**(504,893)**
Income tax credit				**66,506**
Loss for the year				**(438,387)**
Depreciation	**11,014**	**—**	**7,178**	**18,192**
Amortisation	**212**	**—**	**—**	**212**
Unallocated depreciation and amortisation				**6,464**
				24,868
Capital expenditure	**754,332**	**104,046**	**91,426**	**949,804**
Unallocated capital expenditure				**12,002**
				961,806

The segment results for the year ended March 31, 2008 are as follows:

	Coal mining *HK$'000*	Property investments *HK$'000*	Charter flight services *HK$'000*	Total *HK$'000*
Revenue	—	26,908	3,044	29,952
Segment results	(17,448)	212,117	(15,087)	179,582
Unallocated corporate expenses				(77,631)
Investment income				3,357
Fair value gain from held-for-trading investments				20,075
Gain on disposal of interest in a jointly controlled entity				12,402
Gain on disposal of interests in associates				5,747
Finance costs				(31,271)
Share of losses of associates				(2,365)
Share of loss of a jointly controlled entity				(688)
Profit before taxation				109,208
Income tax expense				(34,808)
Profit for the year				74,400
Depreciation	3,620	—	7,178	10,798
Amortisation	44	—	—	44
Unallocated depreciation				2,111
				12,953
Capital expenditure	12,905,867	—	15,565	12,921,432
Unallocated capital expenditure				11,587
				12,933,019

The segment assets and liabilities at March 31, 2009 are as follows:

	Coal mining ***HK$'000***	**Property investments** ***HK$'000***	**Charter flight services** ***HK$'000***	**Unallocated** ***HK$'000***	**Total** ***HK$'000***
Assets	13,675,699	104,046	267,881	999,643	15,047,269
Liabilities	12,291	—	6,773	1,768,912	1,787,976

The segment assets and liabilities at March 31, 2008 are as follows:

	Coal mining	Property investments	Charter flight services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	12,863,450	542,685	184,338	627,734	14,218,207
Liabilities	21,927	10,295	728	1,090,135	1,123,085

Secondary reporting format — geographical segments

The Group operates in three main geographical areas:

Hong Kong:	Property investments and charter flight services *(Note)*
Mainland China:	Property investments
Mongolia:	Coal mining

Note: The investment properties located in Hong Kong were disposed of during the year.

There are no sales between geographical segments.

	For the year ended March 31,			
	Revenue		**Capital expenditure**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**11,081**	29,952	**91,426**	15,565
Mainland China	**—**	—	**116,402**	8,962
Mongolia	**—**	—	**741,976**	12,896,905
	11,081	29,952	**949,804**	12,921,432

	March 31, 2009	March 31, 2008
	HK$'000	*HK$'000*
Segment assets		
Hong Kong	**229,041**	693,985
Mainland China	**163,322**	43,167
Mongolia	**13,655,263**	12,853,321
	14,047,626	13,590,473

Revenue is allocated based on the countries or locations in which the customers are located. Segment assets and capital expenditure are allocated based on where the assets are located.

4. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Interest expense:		
— convertible notes *(Note 11)*	**187,234**	2,005
— loan note	**32,913**	11,691
— bank loans	**772**	9,528
— other borrowings *(Note a)*	**—**	8,047
Less: Interest expense capitalised *(Note b)*	**(49,042)**	—
	171,877	31,271

Notes:

a. The amount in 2008 included interest paid to Mr. Lo Lin Shing, Simon ("Mr. Lo"), the executive director of the Company, of HK$3,004,000 for short term loans advanced to the Company during that year. The interest expense was charged at 1% or 1.5% over HIBOR. The loans were fully repaid during that year.

b. Borrowing costs capitalised during the year were a portion of the interest expense on the zero coupon convertible note and were calculated by applying a capitalised rate of 14.14% (2008: nil) per annum to expenditure on qualifying assets.

5. (LOSS) PROFIT BEFORE TAXATION

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration	**3,135**	4,002
Other staff costs:		
Salaries and other benefits	**43,246**	35,398
Retirement benefits scheme contributions (excluding directors' contributions)	**522**	418
Total staff costs	**46,903**	39,818
Auditor's remuneration	**2,268**	1,464
Operating lease rental in respect of office premises	**12,411**	8,058
Direct operating expenses arising from investment properties that generate rental income	**2,204**	3,121
Depreciation of property, plant and equipment	**24,644**	12,909
Amortisation on software (included in other expenses)	**224**	44
Write off of property, plant and equipment	**836**	13
Net exchange losses (included in other expenses)	**344**	297

6. INCOME TAX (CREDIT) EXPENSE

The amount of tax (credited) charged to the consolidated income statement represents:

	2009	2008
	HK$'000	*HK$'000*
Current income tax at Hong Kong tax rate of 16.5% (2008: 17.5%)	**6,014**	819
Overprovision for Hong Kong profits tax in prior year	**(107)**	(43)
	5,907	776
Deferred tax:		
— Current year	**(68,278)**	34,032
— Attributable to a change in tax rate	**(4,135)**	—
	(72,413)	34,032
Income tax (credit) charge	**(66,506)**	34,808

On June 26, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. Hong Kong profits tax is calculated at 16.5% (2008: 17.5%) at the estimated assessable profit for the year.

The Company is not subject to any taxation in Bermuda. Bermuda levies no tax on the income of the Group.

7. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit attributable to the equity holders of the Company, as used in the calculation of basic (loss) earnings per share	**(438,387)**	74,400
Interest expense on convertible note	**—**	2,005
(Loss) profit attributable to the equity holders of the Company, as used in the calculation of diluted (loss) earnings per share	**(438,387)**	76,405

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue for calculation of basic (loss) earnings per share	**6,048,066**	3,207,408
Effect of dilutive potential ordinary shares:		
Convertible notes	**—**	86,065
Share options	**—**	20,050
Weighted average number of ordinary shares in issue for diluted (loss) earnings per share	**6,048,066**	3,313,523

The computation of the 2009 diluted loss per share does not assume the conversion of the Company's outstanding convertible notes and exercise of share options since their exercise/conversion would result in a decrease in loss per share.

8. DEVELOPMENT IN PROGRESS

During the year, an agreement was entered between the Governor's Administration Office of Khovd Province of Mongolia ("the Governor") and MoEnCo LLC, a wholly owned subsidiary of the Company, regarding the right of use a road granted by the Governor to MoEnCo LLC subject to certain conditions. Under the terms of the agreement, MoEnCo LLC will construct a road at its own cost from the Group's mine areas in Khushuut, western Mongolia to the Yarant border crossing with Xinjiang, PRC, with the construction permit granted to MoEnCo LLC from the Ministry of Road, Transportation and Tourism of the Mongolian government. In return, MoEnCo LLC enjoys the right, which was granted at the date of the agreement, for the unrestricted use of the road for 30 years (the "approved period"). The road will be opened to public use subject to certain weight restrictions whereupon the Group may direct users including commercial users. The Group is also responsible for maintenance of the road during the approved period. The Group will use the road mainly for the purpose of transporting coal from its mine areas to its customers in the PRC and the road was under construction at March 31, 2009. The expected completion date of the road foundation is in the latter half of 2009.

9. ACCOUNTS RECEIVABLE

The Group's credit terms on its trade customers mainly range from 30 to 90 days. The ageing analysis of accounts receivable of the Group is as follows:

	2009	2008
	HK$'000	*HK$'000*
Current to 30 days	—	346
31 to 60 days	—	410
61 to 90 days	—	118
Over 90 days	—	869
	—	1,743

Included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of HK$987,000 in 2008 which are past due at the reporting date for which the Group has not provided for an impairment loss. The Group did not hold any collateral over these balances. The balances were fully settled during the year.

Ageing of trade receivables which are past due but not impaired:

	2009	2008
	HK$'000	*HK$'000*
61 to 90 days	—	118
Over 90 days	—	869
	—	987

In 2008, no provision has been made for receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable.

10. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	2009	2008
	HK$'000	*HK$'000*
Current to 30 days	**226**	3,094
31 to 60 days	**82**	621
61 to 90 days	—	666
Over 90 days	**741**	1,927
	1,049	6,308

11. CONVERTIBLE NOTES

On January 29, 2008, the Company issued a 3% convertible note ("Convertible Note") at a total nominal value of HK$142.5 million. The Convertible Note has a maturity period of three years from the issue date and can be converted into 1 ordinary share of the Company at HK$0.02 each for every HK$0.285 convertible note at the holder's option at any time between the issue date and the maturity date subject to the anti-dilutive adjustments. Interest of 3% per annum will be paid up until the settlement date.

On April 30, 2008, the Company issued a zero coupon convertible note ("Zero Coupon Convertible Note") at a total nominal value of HK$2 billion. It has a maturity period of three years from the issue date and can be converted into 1 ordinary share of the Company at HK$0.02 each for every HK$7.3 convertible note at the holder's option subject to the anti-dilutive adjustments. The Zero Coupon Convertible Note entitles the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their maturity date on April 30, 2011 and if it has not been converted, it will be redeemed on April 30, 2011 at par.

Both convertible notes contain two components, liability and equity elements. The equity element is presented in equity as part of the "capital reserve". The effective interest rate of the liability component for the Convertible Note and Zero Coupon Convertible Note is 11.23% per annum and 14.14% per annum respectively.

The movement of the liability component of the Convertible Note and Zero Coupon Convertible Note for the year is set out below:

	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**114,880**	—
Initial recognition	**1,345,052**	112,875
Interest expense *(Note 4)*	**187,234**	2,005
At end of the year	**1,647,166**	114,880

The fair value of the equity component of the Convertible Note is determined by using the Binomial model. The inputs into the model were as follows:

	Convertible Note
Share price	HK$7.33
Expected volatility	66%
Risk-free rate	1.68%
Expected dividend yield	0%

12. SUBSEQUENT EVENT

The Company entered into an agreement and supplemental agreement on July 10, 2009 with Lenton Capital Management Limited, an independent third party, to acquire 100% equity interest of Millennium Hong Kong Group Limited ("Millennium") at a total consideration of US$35,000,000 (equivalent to approximately HK$272,300,000). The consideration is to be payable by way of (i) US$15,000,000 (equivalent to approximately HK$116,700,000) cash, of which US$5,000,000 (equivalent to approximately HK$38,900,000) to be payable based upon obtaining the mining licence; and (ii) US$20,000,000 by way of issue of 54,577,465 new ordinary shares of the Company of HK$0.02 each in the capital of the Company at an issue price of HK$2.840 per share. Millennium holds an exploration concession with ferrous resources of around 2,986 hectares in Bayan-Olgiy Aimag in western Mongolia through a wholly-owned Mongolia subsidiary. The acquisition has not been completed as at the date when this results announcement is approved for issue by the Directors.

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended March 31, 2009 (2008: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, September 10, 2009 and the notice of 2009 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Result Analysis

During the financial year ended March 31, 2009 (the "Financial Year"), we continued to focus on our business as an energy and resources developer, including to acquire various concessions and projects, as well as to coordinate the development of our ongoing projects, in a focused, professional and realistic manner. Our focal project was the exploration and development of the Khushuut Coal Mine.

In terms of acquisition of concessions, we expanded the size of our concession areas in western Mongolia for coal, ferrous and non-ferrous metal resources from around 66,000 hectares to approximately 330,000 hectares during the Financial Year. We sought opportunities and ultimately have acquired a 25% interest in a Chinese resources corporation. This associated company has a business scope to invest in coal, copper and iron resources as well as minerals processing in Xinjiang and elsewhere in the People's Republic of China ("PRC"). We were also able to establish a cooperation with CNPC Daqing Petroleum and to participate as a 20% consortium member in various oil and gas projects in western Mongolia and southern Mongolia. Our investments in the Chinese resources corporation and the oil and gas projects were aimed to provide future growth opportunities to us at MEC.

We saw an approximately 63% decline in our revenue during the Financial Year. This was as expected as no revenue contribution was made during the development phase of our business as an energy and resources developer. Also, the turnover from the private jet business, which is a historical business of ours, declined with the global financial crisis. In any event, this was insignificant in the context of our cash outlay. Furthermore, the disposal of our investment properties in Hong Kong in July 2008 accounted for a significant drop in rental income during the Financial Year.

The loss for the Financial Year attributable to the shareholders was HK$438.4 million (2008: Profit of HK$74.4 million) flowing mainly from the accounting loss relating to the energy and related resources projects of the Group. In fact, HK$296.3 million of the loss during the Financial Year related to the accounting loss treatment from (1) early redemption of loan note (HK$100.4 million); (2) the notional interest expenses on the convertible notes and loan note (HK$171.9 million) as disclosed in Note 4 to the consolidated financial statements; (3) fair value loss from listed Hong Kong investments of HK$24.0 million (2008: Gain of HK$20.1 million) with the decrease in market prices of Hong Kong equities over the Financial Year. Apart from these, MEC in moving forward as an energy and resources developer also incurred operating costs of HK$45.2 million (2008: HK$17.4 million) in this business segment. As at the balance sheet date, the Group reviewed the carrying amount of its interests in associates and determined that the carrying amount should be reduced by HK$56.8 million to its recoverable amount. An impairment loss on interests in and loans to associates of HK$56.8 million (2008: Nil) was then recognised in the Financial Year.

Business Review

As Energy and Resources Developer

During the Financial Year, the following acquisitions were made:

- In May 2008, we acquired 263,008 hectares of coal, ferrous and non-ferrous metals resources concessions in Olon Bulag and Gobi-Altai, western Mongolia.

- In September 2008, we, as a 20% consortium member, won an open tender for a 1.18 million hectares oil and gas production sharing contract in southern Mongolia with the Government of Mongolia. This is subject to ratification.

- In September 2008, we entered an acquisition of 25% interest in a Chinese resources corporation, namely 新疆凱禹源礦業有限公司 (Xinjiang Kai Yu Yuan Mining Corporation Limited) with business scope to invest in coal, copper and iron resources as well as minerals processing in Xinjiang and elsewhere in PRC.

Khushuut Coal Mine

Within 600 hectares of around 330,000 hectares of our concession areas in western Mongolia, we have demonstrated approximately 150 million tonnes of JORC in-place coal resources. These are predominantly premium quality coking coal resources, with low sulfur, low to mid volatile matters and a high caking index. Coking coal is an essential ingredient in the steel manufacturing process and the market price is generally higher than thermal coal which is used for power generation. Also, coking coal of the comparable quality found in concentrations in Shanxi, are approximately four times as far away as from Khushuut to where customers are located in Xinjiang, PRC. We have engaged Shanxi Fenwei Energy Consulting Co. Ltd. to identify the potential market, and as expected, they confirmed that Xinjiang, PRC is a favorable target market for our coking coal resources. There is an established and rapidly growing demand from steel manufacturers and coke producers to upgrade their products. This requires premium coking coal which is in short supply in Xinjiang, PRC which currently has only predominantly thermal coal resources.

Road transportation is an essential part for our upcoming coal production. We awarded two road work contracts totaling RMB866 million in July 2008 to contractors for upgrading the "Khushuut Road". This is approximately 340 km from the Khushuut coal mine to the border of Xinjiang. By the end of the Financial Year, more than 240 km of the road foundation was completed. We are confident that the road foundation work will be completed prior to our commercial mining operation.

We were also in negotiations with potential customers in Xinjiang during the Financial Year. We have delivered coking coal samples to a potential customer and we are in the process of supplying further samples for a bulk test and negotiations of the terms of the contract. We look forward to concluding the sales contract.

We are on target for planned commencement of mining operations in 2009 and to reach an annualized production rate of 3 million tonnes raw coal (2 million saleable) in 2010 with the intention to move to an annualized production rate of 8 million tonnes raw coal (5.5 million saleable) over time.

Other Coal and Mineral Concession Areas in Western Mongolia

Our total concession areas for coal, ferrous and non-ferrous resources in western Mongolia were around 330,000 hectares at the end of the Financial Year. Apart from the Khushuut coal mine, we have conducted general reconnaissance and initial explorations in some areas for potential resources in the Financial Year. We will continue to develop exploration plans for potential resources.

Other Energy and Related Resources Investments

Oil and Gas

We currently have two oil and gas projects.

The first project is around 487,509 hectares in western Mongolia. We have 20% interest in the project. We are conducting a feasibility study with the help of CNPC Daqing Petroleum before proceeding further with the project. We view this project as a project for our future growth opportunity.

Our second project is in Ergel XII of approximately 1.18 million hectares which we, as a 20% consortium member, won in an open tender for a production sharing contract with the Government of Mongolia. The project is located in southern Mongolia, 150 km from the border with Erlian, Inner Mongolia, with a relatively developed transport infrastructure. The project requires ratification. This is also regarded as a project for our future growth opportunity.

Mineral Resources

We entered into an agreement to acquire 20% benefits relating to a multi-metals project in Xinjiang with an explored 235,600 tonnes of tungsten trioxide and 49,000 tonnes of tin resources in March 2008. The transaction has been sanctioned by our independent shareholders. One of the conditions precedent for completion is the issue of mining licence to the concession owner which is on or prior to October 31, 2009.

Coal, Copper and Mineral Resources

We acquired a 25% interest in a Chinese resources corporation, 新疆凱禹源礦業有限公司 (Xinjiang Kai Yu Yuan Mining Corporation Limited) during the Financial Year. This is a wholly foreign-owned enterprise set up in 2007 with a registered capital of RMB400 million and a total investment amount of RMB700 million. It has a business scope to invest in coal, copper and iron resources as well as minerals processing in Xinjiang and elsewhere in the PRC. Xinjiang Kai Yu Yuan has informed us that it is studying potential coal related joint venture projects with two geological bureau affiliates, aside from other opportunities to make investments consistent with its business scope. We view this as an investment for our future growth opportunity.

Private Jet Business

The Group has a Gulfstream G200 private jet used for provision of private jet charter services, which is a residual business of our Company. The new Falcon which we contracted to acquire in 2007 will be delivered by early 2010. The operation of our private jet business was affected by the global financial crisis during the Financial Year. The operations will potentially recover with the recovery of the global economy. Nevertheless, upon commencement of commercial production of the Khushuut Coal Mine, the current turnover contribution under the private jet business is anticipated to be of much reduced significance.

Other Investments

On July 15, 2008, we disposed of our investment properties in Hong Kong to an independent third party at a consideration of HK$540 million. A fair value loss on disposal of investment properties of HK$16.1 million was recognised during the Financial Year. We also made an investment in a villa in Beijing for capital appreciation during the Financial Year. The property is located in Tianzhu, Beijing.

We are also working with an independent third party, with an aim, subject to approvals, to develop a composite commercial complex in Beijing to house our PRC headquarters after a number of years. The project is at a preliminary planning stage and we have provided a start-up capital amount.

Financial Review

Liquidity and financial resources

The Group's funding was derived from internal resources and corporate fund raising exercises.

The borrowings of the Group as at March 31, 2009 comprised loan note and convertible notes amounted to HK$1,757.6 million (2008: HK$997.0 million which comprised of short-term bank loans, loan note and convertible note). During the Financial Year, Chow Tai Fook Nominee Limited subscribed to a HK$2 billion zero coupon convertible note with maturity period of three years from the issue date. This convertible note can be converted into 1 ordinary share of MEC at HK$0.02 each for HK$7.3 at the holder's option. The net proceeds of the convertible note are intended to assist the Group in the development of energy and resources projects. The initial recognition of the liability component of this zero coupon convertible note was HK$1.3 billion.

As at March 31, 2009, the cash and bank balances were HK$660.9 million (2008: 254.3 million). The liquidity ratio as at March 31, 2009 was 24 (2008: 1.3).

Investment in listed securities

As at March 31, 2009, the Group's held-for-trading investments comprised Hong Kong listed securities with fair value of HK$28.7 million (2008: 54.4 million).

Charge on Group's assets

As at March 31, 2009, there were no charges on the Group's assets (2008: Investment properties with carrying value of HK$540 million were pledged to a bank to secure banking facilities granted to the Group).

Gearing ratio

As at March 31, 2009, the gearing ratio of the Group was 0.12 (2008: 0.07) which was calculated based on the Group's total borrowings to total assets.

Foreign exchange

The key operations of the Group are located in Hong Kong, Mainland China and Mongolia. The Group's assets and liabilities are mainly denominated in Hong Kong dollar, United States dollar, Renminbi and Mongolian Tugrik. The Group does not have a foreign currency hedging policy. However, management will monitor foreign currency exposures and will consider hedging significant currency exposure should the need arise.

Contingent liabilities

As at March 31, 2009, the Group did not have significant contingent liabilities. (2008: Nil).

Outlook

Our business focus as an energy and resources developer in western Mongolia initially for coal resources at Khushuut in Khovd Province, was an involved one in terms of the need to put in significant efforts in exploration and mine development. The results of our efforts over the last two and a half years were that we demonstrated, in 600 hectares out of 330,000 hectares around 150 million tonnes of JORC in-place coal resources. The resources are predominantly of a premium quality coking coal with low sulfur, low to mid volatile matters and a high caking index.

Premium coking coal of comparable quality of our Khushuut brand has an established demand in line with our independent market study report. The demand flows from steel and coke manufacturers in Xinjiang, PRC to upgrade steel products, including for rolled steel and deformed steel products, primarily for infrastructure construction. Premium steel products are required as part of the PRC Government's development of western China and the RMB 4 trillion economic stimulus package to stabilize its economy.

There is currently a short supply of premium coking coal in Xinjiang, PRC. The current comparable bulk supply of premium coking coal of comparable quality of the Khushuut brand is from Shanxi. To Xinjiang, this is around four times the distance from Khushuut. Aside from the significant transport costs, Shanxi's supply to Xinjiang will also be very limited as these premium quality coking coal resources would likely have committed customers based on existing demands. As such, we, at MEC, view our premium coking supply as complimenting the steel and coke manufacturing industries in Xinjiang, by matching a demand and supply imbalance. After an initial drop in coking coal prices flowing from the financial crisis in 2008, delivered prices to Xinjiang buyers have since picked up and stabilized in 2009.

We are currently completing the foundation for our road construction from Khushuut to the Yarant border crossing with Xinjiang, PRC of some 340 km for RMB866 million (around US$127 million). This is to be prior to commencement of production which we are targeting for the end of this year. We are working towards an annualized rate of production of 3 million tonnes raw coal (2 million saleable) and eventually achieving an annualized rate of production of 8 million tonnes raw coal (5.5 million saleable) over time.

We will explore the vicinity of Khushuut to seek to expand the resources base of our Khushuut project. At the same time, we are conducting aerial reconnaissance over areas with indications of gold and copper prospects as well as general reconnaissance over the rest of our 330,000 hectares concession areas. We also anticipate that there may be further opportunities with our oil and gas projects and investments in the Chinese resources corporation with business scope to invest in coal, copper and iron resources as well as mineral processing in Xinjiang and elsewhere in the PRC over time.

We will continue to work in a focused, professional and realistic manner. We will with our team of international experts, under the direction of our CEO, Mr. James Schaeffer, Jr., coordinate all aspects of our business as an energy and resources developer. We will continue to incur significant cash outlay in working towards our production and our future revenues over time.

Our private jet charter business is a residual business of ours. The revenue has decreased in line with the economic environment. This will potentially recover with the recovery of the global economy. Nevertheless, upon commencement of commercial production of the Khushuut project, it is anticipated that the revenue contribution will become insignificant. We will review our business strategy in relation to our private jet charter business from time to time.

HUMAN RESOURCES

As at March 31, 2009, the Group employed a total of 255 employees (as at September 30, 2008: 159) in Hong Kong, Beijing, Xinjiang and Mongolia. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions at the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on periodic basis. Apart from retirement schemes, year-end bonuses and share options are awarded to the employees according to the assessment of individual performance and industry practice. Appropriate training programs are also offered for staff training and development.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The board of Directors of the Company (the "Board") recognizes the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders. The Board and the senior management of the Company recognize their responsibilities to maintain the interest of the shareholders and to enhance their value. The Board also believes a deliberate policy of corporate governance can facilitate a company in rapid growth under a healthy governance structure and strengthen the confidence of shareholders and investors.

The Company has applied the principles of the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the year ended March 31, 2009, the Company has complied with the code provisions of the CG Code except for deviations from the code provision A.4.1 and E.1.2 of the CG Code as summarized below:

i. Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the CG Code. However, they are subject to retirement by rotation under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

ii. The code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting ("AGM") of the Company. The chairman did not attend the 2008 AGM due to other business engagement. An executive director had chaired the 2008 AGM and answered questions from the shareholders.

The AGM of the Company provides a channel for communication between the Board and the shareholders. The chairman of the Audit and Remuneration Committee was also available to answer questions at the 2008 AGM. Other than the AGM, shareholders may also communicate with the Company through the contact information listed on the Company's website under the Investor Relations Contact.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own Model Code for Securities Transactions by Directors (the "Code"), which is on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Code is sent to each director of the Company on his/her initial appointment and from time to time which is amended or restated.

The Company has also established written guidelines on no less exacting terms than the Model Code ("Employees' Guidelines") for securities transactions by relevant employees of the Group who are likely to be in possession of unpublished price-sensitive information of the Company. To date, no incident of non-compliance of the Employees' Guidelines by the employees has been noted by MEC.

To enhance corporate governance transparency, the Code and Employees' Guidelines have been published on the Company's website at www.mongolia-energy.com. In April 2009, the Company has updated and amended the Code and the Employees' Guidelines to bring them in line with the revised Model Code which became effective from January 2009.

During the period of 60 days immediately preceding and including the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to and including the publication date of the annual results, all directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published. The Group Compliance Counsel of the Company will send a reminder prior to the commencement of such period to all directors and relevant employees.

In the period of 30 days immediately preceding and including the publication of the half year results or, if shorter, the period from the end of the relevant quarterly or half year period up to and including the publication date of the results, all directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published. The Group Compliance Counsel of the Company will send a reminder prior to the commencement of such period to all directors and relevant employees.

It is stipulated under the Code and/or Employees' Guidelines that all dealings of the Company's securities must be conducted in accordance with the provisions stated therein. Under the Code, directors of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company, and in the case of the Chairman himself, he must notify the designated director and receive a dated written acknowledgement prior to any dealing.

All directors of the Company have confirmed in writing that they have complied with the required standards set out in the Code throughout the financial year ended March 31, 2009.

AUDIT COMMITTEE

The Audit Committee has three members, all of whom are independent non-executive directors. Mr. Lau Wai Piu is appointed as the Chairman of the Audit Committee. He has appropriate professional qualifications, accounting and related financial management expertise.

Composition of Audit Committee Members

Mr. Lau Wai Piu *(Chairman of Audit Committee)*
Mr. Peter Pun
Mr. Tsui Hing Chuen, William

The audit committee has reviewed together with the management the consolidated financial statements for the year ended March 31, 2009 of the Group.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.mongolia-energy.com). The annual report of the Company for the year ended March 31, 2009 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

BOARD OF DIRECTORS

At the date of this announcement, the Board comprises seven directors, of which Mr. Lo Lin Shing, Simon, Mr. Liu Zhuo Wei and Ms. Yvette Ong are executive directors, Mr. To Hin Tsun, Gerald is non-executive director and Mr. Peter Pun *OBE, JP*, Mr. Tsui Hing Chuen, William *JP* and Mr. Lau Wai Piu are independent non-executive directors.

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

Hong Kong, July 23, 2009

* *For identification purposes only*

Note: The above information contains forward-looking statements and opinions which are based on information which MEC in good faith believes to be reliable as of the date of announcement and the outcomes may differ. Please exercise care and caution and read the information with the announcements and circulars and information set out under www.mongolia-energy.com, which the information is subject to.