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**MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

**ANNOUNCEMENT**

**BUSINESS UPDATE**

The selection of a coal extraction contractor is in the final round of negotiation and the foundation work of the dry coal processing system was completed in January 2013.

Mongolia Energy Corporation Limited (the “**Company**”) refers to its announcement dated 5 November 2012 (the “**Announcement**”) and the recent interim report released on 14 December 2012.

As disclosed in the Announcement and the interim report, the commercial coal production of our Khushuut Coal Mine has been halted for the time being, and the resumption will depend on, among others, the selection of a suitable coal extraction contractor to perform the coal extraction work and the improvement of our coal processing issues by the installation of a dry coal processing system.

MoEnCo LLC (“**MoEnCo**”), our indirect wholly owned subsidiary, is in the final round of negotiation with two potential contractors for the provision of coal extraction work and the process is at an advanced stage. MoEnCo is discussing the commercial terms of the services with the potential contractors and hopes to finalize the process as soon as possible.

During this period, the mining operation on the Khushuut Coal Mine is still continuing, though in a smaller scale, for the preparation works such as stripping of the top soil and extraction are underway. MoEnCo has hired the excavators, dozers, loaders and other necessary equipment from the equipment providers and operates them through MoEnCo’s own operation team on site of the Khushuut Coal Mine.

As disclosed previously, the dry coal processing system will enhance our coal quality in the coal screening process; otherwise, our coal haulage and operation costs will remain expensive in our commercial production. The foundation work of the dry coal processing system was completed in the middle of January 2013. MoEnCo is waiting for the evaluation results on the structural integrity of the foundation work before proceeding to install the dry coal processing system on the Khushuut Coal Mine.

The Company will further update the development of the Group by further announcement as and when the Company deems necessary.

**Shareholders of the Company and potential investors 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, 31 January 2013

*As at the date hereof, the Board comprises seven Directors, of which Mr. Lo Lin Shing, Simon, Ms. Yvette Ong and Mr. Liu Zhuo Wei are Executive Directors, Mr. To Hin Tsun, Gerald is a 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.*