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## **MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

### **UPDATE ON THE ISSUE OF STRATEGIC DEPOSITS**

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Mongolian government has proposed to add the Khushuut Coal Mine into the list of Strategic Deposits for consideration by the Parliament of Mongolia. Whether and when the Khushuut Coal Mine will be ruled as a Strategic Deposit is not known for the time being as the Parliament of Mongolia makes the final decision. As we believe we do not fit within the selection criteria outlined by the Minerals Law, in our submission made to the Mongolian government, we have strongly objected our Khushuut Coal Mine to be put in the Strategic Deposit list. We will seek further legal advice and to take the appropriate measures as we deem fit for the benefits of the Group.

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

This announcement is made by Mongolia Energy Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 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 (Cap. 571 of the Laws of Hong Kong).

The Company refers to its announcement dated 7 December 2012 (the “**Announcement**”). Capitalised terms used in this announcement have the same meanings as those defined in the Announcement, unless otherwise stated.

After the receipt of the letter from the Mining Ministry of Mongolia for requesting information of the Khushuut Coal Mine for the Strategic Deposit assessment, MoEnCo LLC (“**MoEnCo**”) has duly submitted the requested information to the Mongolian government for consideration.

It came to our knowledge on 3 June 2013 that there were Mongolian news articles reporting the proposal regarding Strategic Deposits had been made by the Mongolian government. Upon our enquiries made with Mongolian legal adviser, we were informed that the Mongolia government has made the following progress recently:

“The government of Mongolia has decided to submit to the Parliament of Mongolia a draft resolution which will amend the attachments of the Parliament of Mongolia Resolution No. 27 dated 6 February 2010 regarding “Declaration of Certain Deposits as being Strategically Important”. The resolution draft states that the deposits pertaining to the coal of Khushuut and Tsadamnuur, gold of Gatsuurt, and rare elements of Khalzanburgedei, Lugiin Gol, Mushgia Khudag and Khotgor are classified as mineral deposits of strategic importance”.

Among the list of Strategic Deposits, the Mongolian government has proposed to add the Khushuut Coal Mine into the list for consideration by the Parliament of Mongolia. The Minerals Law does not specify a timeframe in which the government must submit the proposal to the Parliament of Mongolia and to the best of our knowledge, no time table has been given in this regard. In this connection, whether and when the Khushuut Coal Mine will be ruled as a Strategic Deposit is not known for the time being as the Parliament of Mongolia makes the final decision.

The Minerals Law states that a mineral deposit is of strategic importance if a deposit may have a potential impact on national security, economic and/or social development of the country at regional and/or national levels, or that is capable of producing greater than 5% of the gross domestic product of any given year. Under the said Minerals Law, the size of the government participation is determined largely by the level of state funding which had been provided for the exploration and development of any deposit, with the government of Mongolia entitled to participate up to 50% in the event that there has been a state funding of such deposit and up to 34% if such deposit was discovered with private funds. In the event a Strategic Deposit is ruled, the Mongolian government will negotiate with the entity concerned as to the mode or percentage of the government’s participation and it will depend on the results of individual negotiations. In worst case scenario, if Khushuut Coal Mine is ruled as a Strategic Deposit, the State of Mongolia may negotiate for up to 50% of its interest. Further, even if the Khsuhuut Coal Mine is designated as a Strategic Deposit by the Parliament of Mongolia, such designation will not automatically grant the government to participate into the Mine or allot any shares of MoEnCo to the government, and the government will need to discuss with MoEnCo for the terms of the arrangement.

As we believe we do not fit within the selection criteria outlined by the Minerals Law, in our submission made to the Mongolian government, we have strongly objected our Khushuut Coal Mine to be put in the Strategic Deposit list. We have further drawn the government’s attention that we have invested substantially on the development of the Khushuut Coal Mine and any negative ruling on us under this issue may have impact on investors’ confidence in Mongolia. Since then, we have not received any direct feedback from the Mongolian government on the matter.

As the proposal has to be decided by the Parliament of Mongolia, we believe that the Mongolian Parliament will take into account each and every factor in reaching its

decision. The extent of the impact to the Group cannot be ascertained at this stage subject to the decision of the Mongolian Parliament.

In the meantime, we will seek further legal advice and to take the appropriate measures as we deem fit for the benefits of the Group. We will keep the shareholders informed of the development.

**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, 6 June 2013

*As at the date of this announcement, 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 <sup>OBE, JP</sup>, Mr. Tsui Hing Chuen, William <sup>JP</sup> and Mr. Lau Wai Piu are independent non-executive Directors.*