MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

EXPIRY OF THE SF CONVERTIBLE NOTE ON 12 NOVEMBER 2013

This announcement is made pursuant to the provisions of inside information under Part XIVA of the SFO and Rule 13.09(2) of the Listing Rules.

As disclosed in our 2013 Annual Report, the Group has been under a very difficult operating environment by reasons of both internal and external factors, including technical issues in operation, the sluggish coal market environment, and the political and strategic deposits issues in Mongolia. The commercial coal production has come to a halt pending, among others, the construction of coal screening infrastructures in the Khushuut Mine Site and in Xinjiang, China respectively.

Due to setting in of the winter, completion of the Dry Coal Processing System and the Coal Washing Plant is expected to be further delayed. These will unavoidably postpone the resumption of commercial coal production to next year. The resumption is also subject to an agreement of moratorium and a debt restructuring discussed below.

The SF Convertible Note in the aggregate principal amount of HK$466,800,000 is due to expire on 12 November 2013. The Company has recently approached the holders of the SF Convertible Note requesting a moratorium on repayment of the principal and interest under the SF Convertible Note, and the terms are currently under negotiation. The aim is to preserve the current available financial resources for the operational use and development of the Group in short to medium terms. In addition, due to the high level of indebtedness of the Company, the Company is also assessing a debt restructuring plan with all the existing convertible note holders and loan provider of the Company.

If the Company fails to reach the terms of the moratorium and debt restructuring with the noteholders and loan provider of the Company and they take enforcement action against the Company, material adverse impact may occur on the operation and financial position of the Group. The Company will further announce any developments as and when appropriate.

Shareholders and potential investors are urged 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 the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the ''**SFO**'') and Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''**Listing Rules**'').

Operation status of the Company

As disclosed in our 2013 Annual Report, the Group has been under a very difficult operating environment by reasons of both internal and external factors, including technical issues in operation, the sluggish coal market environment in the People's Republic of China ("**China**"), and the political and strategic deposits issues in Mongolia. The commercial coal production has come to a halt pending, among others, the construction of coal screening infrastructures in the Khushuut Mine Site and in Xinjiang, China respectively.

With respect to the coal market environment in China, it remains sluggish generally. The global economy, though currently stabilized, is still complex, and risks and challenges remain. The demand of coal will continue to be affected by the global economic performance. Taking into account the current market condition, the current technical issues of the Group, and the high level of indebtedness mentioned below, the short to medium prospects of the Group has been overshadowed by difficulties.

In the past few months, the Group has been focused on the constructions of the Dry Coal Processing System and the Coal Washing Plant. However, the constructions have yet to complete as a result of the interruption of weather and other technical issues. Due to setting in of the winter, completion of the constructions and hence the selection and appointment of the coal extraction contractor will be further delayed. These will unavoidably postpone the resumption of commercial coal production to next year. The resumption is also subject to an agreement of moratorium and a debt restructuring discussed below.

The SF Convertible Note

The Company refers to its announcement on 3 November 2010. The SF Convertible Note in the aggregate principal amount of HK$466,800,000 issued to Sculptor Finance (MD) Ireland Limited, Sculptor Finance (AS) Ireland Limited, and Sculptor Finance (SI) Ireland Limited is due to expire on 12 November 2013.

As a result of delay in resumption of commercial coal production and the blurred coal market environment, the Company considers that it is prudent to preserve the Group's only available financial resources provided by the Chairman of the Company for operation and development use of the Group in short to medium terms, and to defer repayment of the principal and interest under the SF Convertible Note. For this purpose, the Company has recently approached and requested the holders of the SF Convertible Note a moratorium on repayment of the outstanding principal and interest under the SF Convertible Note and not to take any enforcement actions during the moratorium period. The Company is currently in discussion with the holders of the SF Convertible Note the terms of the moratorium and a debt restructuring.

Proposed Debt Restructuring

Failure to repay any outstanding principal and interest under the SF Convertible Note on its maturity on 12 November 2013 will trigger an event of default under respective clauses of the outstanding convertible notes which may require the Company to redeem these notes immediately.

As at the date of this announcement, the Company has the following convertible notes and loans:

(a) 3.5% GI Convertible Note in the principal amount of HK$300,000,000 issued to Golden Infinity Co., Ltd. which was already due on 6 September 2013 and the holder has agreed to extend the repayment of the principal and interest thereon by the Company to on or before 31 December 2013;

(b) 3.5% SF Convertible Note in the principal amount of HK$466,800,000 issued to Sculptor Finance (MD) Ireland Limited, Sculptor Finance (AS) Ireland Limited, and Sculptor Finance (SI) Ireland Limited which is due to expire on 12 November 2013;

(c) 3% CTF Convertible Note in the principal amount of HK$2,000,000,000 issued to Chow Tai Fook Nominee Limited with the expiry date on 16 June 2014;

(d) 5% CTF Convertible Note in the principal amount of HK$200,000,000 issued to Chow Tai Fook Nominee Limited with the expiry date on 8 January 2015;

(e) 5% GI Convertible Note in the principal amount of HK$200,000,000 issued to Golden Infinity Limited with the expiry date on 8 January 2015; and

(f) the unsecured director's loan in the sum of approximately HK$599,668,000 which is repayable on demand.

In view of the above, the Company also considers that a debt restructuring will be most beneficial to the future prospects of the Group and the shareholders of the Company. The aim of the proposed debt restructuring is to facilitate the concentration of the Group's current available financial resources for the Group's operations and development. The Company is assessing a debt restructuring plan with all the noteholders and loan provider including extension of repayment of the outstanding principals and interests due or to be due under the above convertible notes and/or to seek alternative financing. The proposed debt restructuring has not been framed in any particular form, and it depends on the support of all the noteholders and loan provider mentioned above and the outcome of their discussion with the Company.

If the Company fails to reach the terms of the moratorium and debt restructuring with the holders of the convertible notes and the loan provider and they take enforcement action against the Company, material adverse impact may occur on the operations and financial position of the Group. The Company will further announce any developments as and when appropriate.

Our principal market is in China. Although being affected by the global economy, we are, however, optimistic that the policies of China including promoting economic restructuring through reforms, reducing reliance on exports, ongoing infrastructure projects will continue to promote the Chinese economy and gradually support the recovery of the coal market. Hence, we maintain a positive view on our long term prospects despite the short to medium terms hardships.

Shareholders and potential investors of the Company are urged 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, 29 October 2013

As at the date of this announcement, the Board comprises six Directors, of which Mr. Lo Lin Shing, Simon and Ms. Yvette Ong 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.