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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 15 September 2015, after trading hours, the Company and the Subsidiary entered into the Subscription Agreement with the Subscriber, an Independent Third Party. Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue a total of 14,449,760 Subscription Shares at the Subscription Price of HK\$0.25 per Subscription Share.

The Subscription Shares represent (i) approximately 0.84% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 0.83% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of the Subscription Agreement and Completion save for the issue of such Subscription Shares).

The aggregate Subscription Price for all the Subscription Shares in the sum of HK\$3,612,440.00 is equivalent to the amount of the Debt, i.e. US\$463,133.36 being the outstanding service fees due and owing by the Subsidiary to the Subscriber under the Mining Agreement for the mining and related services rendered by the Subscriber to the Subsidiary for three months from May to July 2015. The Subscription Price shall be used to repay and settle the Debt. The Subscription Shares will be allotted and issued pursuant to the General Mandate.

Completion of the Subscription is conditional upon, among others, (i) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Subscription Shares; and (ii) a Mongolian legal opinion to the satisfaction of the Company that the Agreement has been validity executed by the Subscriber and the acceptance of the Subscription Shares by the Subscriber constitutes a valid set off of the relevant service fees due by the Subsidiary to the Subscriber under the Mining Agreement.

Shareholders and potential investors should note that Completion of the Subscription is subject to fulfillment of the conditions under the Subscription Agreement. As the Subscription may or may not complete, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

A. THE SUBSCRIPTION AGREEMENT

Date

15 September 2015 (after trading hours)

Parties

Issuer: The Company

Subscriber: Shin Jian Lu Di Van LLC

Subsidiary: MoEnCo LLC, an indirect wholly-owned subsidiary of the Company.

The Subscription

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe 14,449,760 Subscription Shares at HK\$0.25 per Subscription Share, representing approximately 0.84% of the issued share capital of the Company as at the date of this announcement, and approximately 0.83% of the issued share capital as enlarged by the issue of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of the Subscription Agreement and Completion save for the issue of such Subscription Shares).

The Subscriber

The Subscriber is a company incorporated in Mongolia with limited liability. The Subscriber is principally engaged in the provision of mining excavation and greenery services.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its associates are Independent Third Parties.

Subscription Price

The Subscription Price of HK\$0.25 per Subscription Share represents:

- (i) a discount of approximately 2% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on 15 September 2015, being the date of the Subscription Agreement; and
- (ii) the average closing price of HK\$0.25 per Share as quoted on the Stock Exchange for the last five trading days up to and including 14 September 2015, being the last trading day immediately prior to the date of the Subscription Agreement.

The Subscription Price of HK\$0.25 per Subscription Share was determined on arm's length basis between the Company and the Subscriber based on current market conditions and the prevailing market price of the Shares.

Ranking of the Subscription Shares

The Subscription Shares will be issued fully paid up and ranking pari passu in all respects among themselves and with the existing Shares in issue, including the right to receive all dividends and distributions which may be declared made or paid after the Completion Date and will be issued free and clear of all liens, encumbrances, equities or other third party rights.

Conditions of the Subscription

Completion of the Subscription is conditional upon (i) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Subscription Shares; (ii) a Mongolian legal opinion to the satisfaction of the Company that the Agreement has been validity executed by the Subscriber and the acceptance of the Subscription Shares by the Subscriber constitutes a valid set off of the relevant service fees due by the Subsidiary to the Subscriber under the Mining Agreement; and (iii) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Subscription Agreement and any of the transaction contemplated thereunder.

Unless the foregoing conditions are waived (other than conditions (i) and (ii) above), the conditions have to be fulfilled within one month from the date of the Subscription Agreement (or such later date as may be agreed between the Company and the Subscriber); otherwise, the Subscription Agreement shall terminate and none of the parties to the Subscription Agreement shall have any claim against the other for any costs or losses (save for any prior breaches of the Subscription Agreement).

The Subscriber may designate its nominee(s) who shall also be an Independent Third Party (Parties) to take up the Subscription Shares.

General Mandate

The Subscription Shares will be allotted and issued pursuant to the General Mandate granted to the Board at the annual general meeting of the Company held on 21 August 2015. Under the General Mandate, the Directors are authorized to allot and issue up to 345,968,063 new Shares. Up to the date of this announcement, no Shares have been issued under the General Mandate and the Subscription Shares will be issued upon Completion by the General Mandate.

Completion of the Subscription

Completion of the Subscription will take place no later than the second Business Day after the date on which the conditions in respect of the Subscription under the Subscription Agreement are fulfilled or such other date as the Company and the Subscriber may agree.

B. APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

C. EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the date of this announcement and immediately after the Completion of the Subscription is as follows (assuming there will not be any change in the issued share capital of the Company from the date of the Subscription Agreement to the Completion Date save for the allotment and issue of the Subscription Shares):

Names of Shareholders	As at the date of this announcement		Immediately after Completion of the Subscription	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Golden Infinity Co., Ltd. (“Golden Infinity”) and its associates (Note 1)	303,197,075	17.53	303,197,075	17.38
Other directors of the Group (Note 2)	1,820,800	0.10	1,820,800	0.10
Subscriber	-	-	14,449,760	0.83
Other public Shareholders	<u>1,424,822,442</u>	<u>82.37</u>	<u>1,424,822,442</u>	<u>81.69</u>
Total	<u>1,729,840,317</u>	<u>100.00</u>	<u>1,744,290,077</u>	<u>100.00</u>

Notes:

1. Among the 303,197,075 Shares, 1,240,000 Shares represent interest of Mr. Lo Lin Shing, Simon (“Mr. Lo”) on an individual basis; while 301,519,575 Shares represent interest of Golden Infinity. The balance of 437,500 Shares represent interest of Ms. Ku Ming Mei, Rouisa, the spouse of Mr. Lo.
2. Other directors of the Group include Ms. Yvette Ong, Mr. To Hin Tsun, Gerald, Mr. Tsui Hing Chuen, William JP, Mr. Lau Wai Piu and Mr. Tang Chi Kei.

Upon Completion of the Subscription Agreement and the issue of the Subscription Shares to the Subscriber, the Subscriber will not become a substantial shareholder of the Company.

D. FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not undertaken any fund raising activities on any issue of equity securities in the past twelve months before the date of this announcement:

Dates of announcement	Fund raising activities	proceeds raised	Proposed use of the net proceeds	Actual use of the proceeds
19 September 2014	Subscription of the 2014 Convertible Notes through specific mandate at an initial conversion price of HK\$0.92 per Share which has been adjusted to HK\$0.91	HK\$3,467 million	For repayment of the expired and outstanding convertible notes of the Company	Used as intended
8 June 2015	Issue and allotment of Shares under the 2014 general mandate at a subscription price of HK\$0.54 per Share	HK\$5,696,796.66	For settlement of the outstanding service fees under the mining agreement	Used as intended
27 July 2015	Issue and allotment of Shares under the 2014 general mandate at a subscription price of HK\$0.34 per Share	HK\$10,080,382	For settlement of the respective outstanding service fees under the relevant service agreements	Used as intended

E. REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the operation of the Khushuut Coal Mine in Mongolia.

On 28 July 2014, the Subsidiary entered into the Mining Agreement with the Subscriber pursuant to which the Subscriber provides the coal extraction and related services to the Subsidiary in the Khushuut Coal Mine. The Subsidiary is indebted to the Subscriber the service fees for three months in the aggregate amount of US\$463,133.36 from May to July 2015 under the Mining Agreement. Currently, the Subscriber is still providing mining and related services to the Subsidiary.

Pursuant to the Subscription Agreement, the Subscriber agrees that the Debt shall be settled and deemed to have been repaid by the Subsidiary in full and final settlement upon the Company issuing 14,449,760 Subscription Shares to the Subscriber or its nominee(s). The aggregate Subscription Price for all the Subscription Shares in the sum of HK\$3,612,440.00 shall be equivalent to the amount of the Debt.

Accordingly and as agreed, the proceeds of the Subscription will be used to repay the Debt in full and final settlement.

As the current adverse coal market conditions have impacted our financial conditions, and we anticipate that the weak coal market will continue, we have taken measures to cut down our operating costs in order to alleviate the operating expenses and cash outflow. In light of the impact, the Board believes that it is in the interests of the Company to capitalize the Debt owed by the Subsidiary into share capital as this can enlarge the capital base of the Company, strengthen the financial position of the Group, avoid cash outflows from the Group and preserve the Group's financial resources. Accordingly, the Board considers that the terms of the Subscription Agreement including the Subscription Price are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board will consider, subject to negotiation and the requirements of the Listing Rules, issuing further new shares to the Subscriber and other contractors for their contractual services provided to the Subsidiary on the Khushuut Coal Project.

Shareholders and potential investors should note that Completion of the Subscription is subject to fulfillment of the conditions under the Subscription Agreement. As the Subscription may or may not complete, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

F. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	with the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays and public holidays) on which banks generally are open for business in Hong Kong
“Company”	Mongolia Energy Corporation Limited (stock code: 276), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	not later than the second Business Day following the satisfaction of all the conditions of the Subscription or such other date as the Company and the Subscriber may agree

“Debt”	an amount of US\$463,133.36 payable by the Subsidiary as outstanding contractor service fees for three months from May to July 2015 for the mining services rendered by the Subscriber to the Subsidiary pursuant to the Mining Agreement
“Directors”	directors of the Company
“General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the annual general meeting of the Company held on 21 August 2015 to allot, issue and deal with Shares and to make or grant offers, agreements and options which may require Shares to be issued, allotted or dealt with, which is subject to the limit of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party (Parties)”	third party (parties) independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mining Agreement”	the Mining Services (Coal Extraction) Agreement entered into by the Subscriber as contractor and the Subsidiary as licence holder of the Khushuut Coal Mine on 28 July 2014 for the provision of coal extraction services by the Subscriber to the Subsidiary on the Khushuut Coal Mine
“Share(s)”	ordinary share(s) with par value of HK\$0.02 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Shin Jian Lu Di Van LLC, an Independent Third Party and a company incorporated in the Mongolia with limited liability
“Subscription”	the subscription of the 14,449,760 Subscription Shares

pursuant to the terms of the Subscription Agreement

“Subscription Agreement”	the agreement in relation to the Subscription entered into between the Company, the Subsidiary and the Subscriber on 15 September 2015 (after trading hours)
“Subscription Price”	HK\$0.25 per Subscription Share
“Subscription Share(s)”	the new Share(s) to be subscribed under the Subscription
“Subsidiary”	MoEnCo LLC, an indirect wholly-owned subsidiary of the Company
“substantial shareholder(s)”	with the meaning ascribed thereto under the Listing Rules
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 15 September 2015

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.