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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT

BUSINESS UPDATE

This announcement is made by Mongolia Energy Corporation Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Reference is made to the interim report 2015 published on 16 December 2015 (the “**Interim Report**”).

As disclosed in the Interim Report, we have been in negotiation for the coal supply contract with our customer. However, the coal market remains weak in general, and this has a marked impact on us in obtaining a coal supply contract for this year in satisfactory terms. We are still negotiating with our customer for a new coal supply contract for the time being. We anticipate the coal price under a new contract, if concluded, will be floating subject to the market price from time to time.

In relation to the claim of outstanding contractor fees by Monnis Mining Equipment LLC, our former overburden removal contractor (“**Monnis**”), against MoEnCo LLC (“**MoEnCo**”), our operating subsidiary in Mongolia, judgment has been granted by the Mongolian court in favour of Monnis in the amount of MNT 15.9 billion (Mongolian Tugrik) (approximately HK\$61.9 million). The full amount of the outstanding contractor fees has been provided for in the Company’s consolidated financial statements for the six months period ended 30 September 2015. As a result of the judgment, MoEnCo has made partial payment of US\$500,000 (approximately HK\$3.9 million) to Monnis. MoEnCo is now in the final stage of settlement negotiation with Monnis with an aim to achieve an amicable settlement acceptable to both parties.

If the coal supply contract is not forthcoming, our trading prospects will be seriously impacted. These will bring about a temporary shutdown of our coking coal production. By then, only a minimum workforce will be maintained for domestic coal production in the Khushuut Coal Mine to supply coal for the local community in Khovd Aimag, Mongolia. In addition, if the settlement with Monnis could not be reached, Monnis may take enforcement action against MoEnCo, including seizing its properties and assets up to the amount of the unpaid judgment debts and/or winding up application.

Shareholders 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, 25 January 2016

As at the date of this announcement, the Board comprises six Directors, including Mr. Lo Lin Shing, Simon and Ms. Yvette Ong as executive Directors, Mr. To Hin Tsun, Gerald as non-executive Director, and Mr. Peter Pun OBE, JP, Mr. Tsui Hing Chuen, William JP, and Mr. Lau Wai Piu as independent non-executive Directors.