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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

PROFIT WARNING

AND

BUSINESS UPDATE

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

Based on the preliminary review on the management accounts of the Company, the Board wishes to inform the shareholders and potential investors that the operating results of the Group may record a substantial gross loss from operation for the interim period ending 30 September 2012.

The Company also updates its shareholders and potential investors the operation status as set out in this announcement.

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

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Based on the preliminary review on the management accounts of Mongolia Energy Corporation Limited (the “**Company**”), the board of directors of the Company (the “**Board**”) wishes to inform the shareholders and potential investors that the operating results of the Company and its subsidiaries (the “**Group**”) may record a substantial gross loss from operation for the interim period ending 30 September 2012.

The loss is, among others, attributable to (i) the low sales price of coking coal and small quantity to our customers so far; and (ii) the current sluggish coking coal market in the People’s Republic of China (“**China**”). The low sales price and small quantity on our sales were resulted from our unsatisfactory quality of coal initially shipped and the market condition.

The loss for the interim period has to be finalized and therefore, subject to change. In particular, when there is an indication of impairment of assets, the Company will be required to carry out an impairment review under the Company’s accounting policies. The loss for the interim period may further be adjusted depending on the results of impairment review of the Khushuut mine related assets, which has yet to be carried out.

The condition of the coal market in China continues to be sluggish due to the fall on demand and the mounting supplies. In view of the present market sentiment, the conclusion of sales orders of the Group with potential customers is much slower and conservative than the Group anticipated. Based on the aforesaid, the Board cannot as yet to estimate whether the production and sales will pick up in the remaining interim period.

At present, the separation of coal from undesired materials and improvement of the coal selection process are the technical issues faced by the Group in its operation. These issues may further add costs to the Group's coal haulage, processing and storage which ultimately affect the Group's sales price, product quality and productivity. Measures have already been seriously taken to address these. The Group has recently placed orders to purchase a dry coal processing system to be installed in the Khushuut Mine Site. The proposed system would be suitable for coal mine with restriction on the source of water supply and an alternative to the wet processing method. The Group is also moving forward its Xinjiang washing plant project, which has been disclosed in the Company's recent annual report.

In view of the sluggish market condition, the Board is also considering costs saving measures including restructuring our operation plan, scaling down the current operation for the time being and considering alternative modes of mine operation in order to preserve the Group's financial resources. The Company will further update the shareholders and potential investors as and when appropriate.

The information contained above is based on the unaudited management accounts and preliminary estimation of the Group, which have not been audited or reviewed by the Company's auditor. Further details of the financial information of the Group will be disclosed through the interim results of the Group for the period ending 30 September 2012.

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, 3 September 2012

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.