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## **MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

### **ANNOUNCEMENT PRICE SENSITIVE INFORMATION**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to inform the Shareholders and potential investors that the Group is expected to record a profit in its unaudited interim results for the six months ended 30 September 2011, as compared to a loss for the corresponding period in 2010 and this is attributable to the fair value gain on derivative component of the financial instruments.

The Board wishes to inform further that the relevant valuation has not been finalised and therefore, the extent of such changes on the unaudited condensed consolidated income statement of the Group are yet to be ascertained.

**Shareholders 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**” together with its subsidiaries, collectively referred to as 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**”).

Based on preliminary review on the management accounts of the Group, the board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that the Group is expected to record a profit for the six months ended 30 September 2011 (the “**Financial Period**”), as compared to a loss for the corresponding period in 2010 and this is attributable to the accounting treatment on the convertible notes issued by the Company (the “**Convertible Notes**”).

As required by the currently applicable Hong Kong accounting standards adopted by the Group, a convertible note will comprise two components in accounting treatment, namely the liability component and the derivative component. Both the liability components and the derivative components of the Convertible Notes were recognised at fair value at their respective dates of issue. In subsequent periods, the liability component is carried at amortised cost using the effective interest method and the derivative component is measured at fair value with changes in fair value recognised in profit or loss. Fair value adjustments on the derivative components would be made at the end of each reporting period during the subsistence of the Convertible Notes. The adjustment gives rise to gain or loss will depend upon, among other things, the market price of the shares of the Company as of the valuation date, the yield of the Convertible Notes, the volatility of the market price of the shares of the Company, the conversion price of the Convertible Notes, and the time to maturity of the Convertible Notes.

Based on the value of the liability components and the derivative components of the Convertible Notes as at their respective dates of issue and as at 30 September 2011 valued by an independent professional valuer engaged by the Company, it is expected that a gain in respect of such derivative components will be recognised in the unaudited condensed consolidated income statement of the Group for the Financial Period.

The Board wishes to draw the attention of the Shareholders and potential investors to the fact that the financial impact to the Group due to the aforesaid fair value gains recognised in the Financial Period is non-cash in nature.

The Board has engaged an independent professional valuer to value the Convertible Notes, and the valuation has not been finalised. The exact impact of the aforesaid adjustment on the profit of the Group is yet to be ascertained. The Company is still in the process of finalising its unaudited interim results for the Financial Period.

This announcement is made based on the preliminary assessment of the unaudited management accounts of the Group and the information currently available. Details of the Group's performance will be disclosed in the interim results announcement which is expected to be released by the end of November 2011.

**Shareholders and potential investors are advised to exercise extreme 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, 18 November 2011

*As at the date hereof, the Board comprises seven Directors, of which Mr. Lo Lin Shing, Simon, Mr. Liu Zhubo Wei 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.*