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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT

**TERMINATION OF A MAJOR AND CONNECTED TRANSACTION
RELATING TO ACQUISITION OF RESOURCES IN XINJIANG, THE PRC
AND
OPERATION UPDATE**

This announcement is made by the Company pursuant to Rule 14.36 of the Listing Rules.

The Company refers to the announcement of 31 March 2011 in relation to the grant of extension of time to Mr. Liu for completion of the Transaction to on or before 31 December 2011.

As the condition precedent under the Transaction remained outstanding by the deadline of the extension, the Board has resolved to exercise its right to terminate the Transaction effective on 5 January 2012.

The approval for the use of the Khushuut Road of approximately 311 km from the Khushuut Mine Site stretching westward to the Yarant Border (Mongolia side) and Takeshenken Border (Xinjiang side) was granted by the Mongolian government in December 2011, and the Company can formally use the Khushuut Road for coal transportation. The Company has already commenced transporting coal products from our Mine via the Khushuut Road to Xinjiang shortly after the approval.

This announcement is made by Mongolia Energy Corporation Limited (the “**Company**”) pursuant to Rule 14.36 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Company refers to the announcement of 31 March 2011 in relation to the grant of extension of time to Mr. Liu Cheng Lin (“**Mr. Liu**”) for completion of the Transaction relating to the acquisition of resources in Xinjiang, the People’s Republic of China, to on or before 31 December 2011.

As the condition precedent under the Transaction, namely, the availability of the mining licence in respect of the Concession Area in Ruoqiang County, Xinjiang, the People’s Republic of China, remained outstanding by the deadline of the extension, the board of directors of the

Company (the “**Board**”) has resolved to exercise its right under the conditions of the extension to terminate the Transaction effective on 5 January 2012. As the Transaction is terminated, the Company has issued a notice to Mr. Liu requesting refund of the payment of HK\$200 million paid by the Company to the Joint Venture controlled by Mr. Liu under the Transaction to be made within 30 days from the date of this announcement. The Company will take appropriate steps to enforce if the refund is not made by Mr. Liu or the Joint Venture within the period stated in the notice.

According to the best knowledge of the Company, Mr. Liu ceased to be a substantial shareholder of the Company under the meaning of Listing Rules on 28 March 2011.

Operation Update

The approval for the use of the Khushuut Road of approximately 311 km from the Khushuut Mine Site stretching westward to the Yarant Border (Mongolia side) and Takeshenken Border (Xinjiang side) was granted by the Mongolian government in December 2011, and the Company can formally use the Khushuut Road for coal transportation. The Company has already commenced transporting coal products from our Mine via the Khushuut Road to Xinjiang shortly after the approval.

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

Hong Kong, 5 January 2012

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