MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

The directors (the "**Directors**") of Mongolia Energy Corporation Limited (the "**Company**") announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2012 together with the comparative figures in the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Revenue	*4*	**6,215**	—
Interest income		**2,303**	2,655
Staff costs		**(85,664)**	(96,995)
Amortisation		**(3,873)**	(640)
Depreciation		**(17,643)**	(27,877)
Other gains and losses	*5*	**325,536**	78,270
Other expenses		**(205,138)**	(107,242)
Impairment loss on property, plant and equipment	*3*	**(4,018,605)**	—
Impairment loss on intangible assets	*3*	**(562,835)**	—
Impairment loss on development in progress	*3*	**(18,560)**	—
Impairment loss on available-for-sale financial asset		**(6,797)**	(4,785)
Impairment losses on loans to associates		**(1,207)**	(1,596)
Share of losses of associates		**(6,222)**	(3,090)
Finance costs	*6*	**(247,067)**	(149,450)
Loss before taxation	*7*	**(4,839,557)**	(310,750)
Income tax credit	*8*	**7,385**	—
Loss for the year		**(4,832,172)**	(310,750)
Loss for the year attributable to owners of the Company		**(4,832,172)**	(310,750)
Loss per share attributable to owners of the Company	*9*		
— basic and diluted loss per share (HK cents)		**(73.04)**	(5.02)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012	2011
	HK$'000	*HK$'000*
Loss for the year	**(4,832,172)**	(310,750)
Other comprehensive (expense) income		
Exchange differences arising on translation	**(36,742)**	49,146
Total comprehensive expense for the year	**(4,868,914)**	(261,604)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**9,513,962**	13,250,527
Investment property		**116,566**	105,264
Intangible assets	*10*	**1,328,053**	1,113
Development in progress	*11*	**43,777**	1,731,667
Exploration and evaluation assets	*12*	**299,206**	385,912
Interests in associates		**—**	—
Available-for-sale financial asset		**—**	3,914
Other asset		**1,150**	1,150
Loan note receivable		**—**	—
Prepayments for exploration and evaluation expenditure		**10,458**	22,016
Deposits for property, plant and equipment and other long-term deposits		**40,889**	94,661
Amount due from an associate	*13*	**—**	200,000
Deferred tax assets		**7,385**	—
		11,361,446	15,796,224
Current assets			
Trade receivables	*14*	**5,389**	—
Inventories		**24,331**	—
Other receivables, prepayments and deposits		**30,583**	53,133
Held-for-trading investments		**27,169**	37,626
Amounts due from associates		**9,900**	10,107
Cash and cash equivalents		**84,963**	10,175
		182,335	111,041
Current liabilities			
Trade payables	*15*	**57,102**	37,107
Other payables and accruals		**143,143**	55,402
Convertible notes	*16*	**12,310**	1,996,516
Advances from a Director		**479,548**	42,184
		692,103	2,131,209

	Notes	**2012** **HK$'000**	2011 HK$'000
Net current liabilities		**(509,768)**	(2,020,168)
Total assets less current liabilities		**10,851,678**	13,776,056
Non-current liability			
Convertible notes	*16*	**2,506,364**	701,897
Net assets		**8,345,314**	13,074,159
Financed by:			
Capital and reserves			
Share capital		**135,131**	132,131
Reserves		**8,210,126**	12,941,971
Equity attributable to owners of the Company		**8,345,257**	13,074,102
Non-controlling interests		**57**	57
Total equity		**8,345,314**	13,074,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments which are measured at fair value as explained in the accounting policies set out in the annual report. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

In preparing the consolidated financial statements, the Directors have given consideration to the future liquidity of the Group. While recognising that the Group had net current liabilities of approximately HK$509.8 million at 31 March 2012, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future as Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder who has significant influence over the Group and chairman of the Company, has provided facilities amounting to HK$850 million of which HK$388.7 million was unutilised as at 31 March 2012 to meet the Group's future funding needs. In addition, subsequent to the end of the reporting period, Mr. Lo has agreed not to demand repayment of such facilities for at least 18 months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current financial year, the Group has applied the following new and revised standards, amendments and interpretations (the "**new and revised HKFRSs**") issued by the HKICPA:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (As revised in 2009)	Related Party Disclosures
HK (IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets[2]
HKAS 19 (As revised in 2011)	Employee Benefits[4]
HKAS 27 (As revised in 2011)	Separate Financial Statements[4]
HKAS 28 (As revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle[4]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 7 and 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in the consolidated income statement.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in the consolidated income statement. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to the consolidated income statement. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in the consolidated income statement.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for annual period beginning on 1 April 2015. Based on the Group's financial assets and financial liabilities at 31 March 2012, the application of the HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investment which currently stated at cost less impairment.

New and Revised Standards on Consolidation, Joint Arrangements, Associates and Disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these standards are described as follows:

- HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

- HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these standards are applied early at the same time.

The Directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 April 2013. However, the Directors anticipate that the application of these five standards in future accounting periods may not have a material impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 April 2013 and that the application of the new Standard may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group's annual period beginning on 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for the Group's annual period beginning on 1 April 2012. The Directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised regarding the Group's investment properties. Based on the amendments, the Directors assessed and concluded that the presumption set out in the amendments to HKAS 12 will not be rebutted. However, the Directors considered that the application of the amendments to HKAS 12 in future accounting periods is not expected to have a material impact on the financial performance and positions of the Group.

HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

This Interpretation applies to all types of natural resources that are extracted using the surfacing mining activity process. It considers when and how to account separately for the two benefits arising from the stripping activity, which are (1) the usable ore that can be used to produce inventory; and (2) improved access to further quantities of material that will be mined in future periods, as well as how to measure these benefits both initially and subsequently.

HK(IFRIC)-Int 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The Directors anticipate that the Interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 April 2013. The Directors are currently evaluating the impact of the adoption of this new interpretation to the financial position or result of the Group.

The Directors anticipate that the application of other new and revised standards, amendments to existing standards or interpretations will have no material impact on the financial performance and positions of the Group.

3. IMPAIRMENT LOSS RECOGNISED ON KHUSHUUT MINE RELATED ASSETS

At the end of the reporting period, the Group engaged an independent qualified professional valuer (the "**Independent Valuer**"), who is not connected with the Group, to determine the recoverable amount of its property, plant and equipment, intangible assets and development in progress related to the Khushuut mine operations (collectively referred to as "**Khushuut Related Assets**"). For the purposes of impairment testing, these Khushuut Related Assets are treated as a cash generating unit (CGU), which represents the Group's coking coal mining operation in Western Mongolia. The recoverable amount of the Khushuut Related Assets has been determined based on a value in use calculation.

As the recoverable amount of the Khushuut Related Assets determined by the Independent Valuer is significantly lower than their carrying values, an impairment loss amounting HK$4,600,000,000 was recognised against the respective assets on a pro-rata basis with reference to their net asset values as follows:

	Carrying values before impairment	**Impairment loss**	**Carrying values after impairment**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	13,497,409	4,018,605	9,478,804
Intangible assets	1,890,411	562,835	1,327,576
Development in progress	62,337	18,560	43,777
Total	15,450,157	4,600,000	10,850,157

The main reason for such a significant impairment loss being recognised this year is due to a change made to the Group's business plan in the current year. Presently, without obtaining the water permit for setting up a coal processing plant at the site, unprocessed coking coal is sold to its customers at a lower price to reflect the fact that its customers will have to wash and process the coking coal themselves. The original plan was to have a coal processing plant set up at the Khushuut mine site. However, due to continued delays of obtaining a water permit for the coal processing plant and in view of the pressing need of generating cash inflow from this operation, the Group has decided to build a coal washing plant with a smaller capacity in Xinjiang, the PRC before a permanent washing plant is set up in Khushuut. This change has a significant impact to the cash inflow to be generated by the Group in next two years and negatively impacts the value in use calculation.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the energy and related resources business. Revenue represents revenue arising on the sale of coking coal to external customers. During the year ended 31 March 2012, as the Group was still at its initial stage of commercial production, it had one customer that individually exceeded 10% of the Group's turnover, amounting to HK$6,124,000.

Based on information reported to the chief operating decision maker (i.e. the executive Directors) for the purpose of resource allocation and performance assessment, the Group's only operating segment is the coal mining business.

Segment Revenue and Result

The following is an analysis of the Group's revenue and result by operating segment:

For the year ended 31 March 2012

	Coal mining	**Total**
	HK$'000	***HK$'000***
Segment revenue	**6,215**	**6,215**
Segment loss	**(4,899,358)**	**(4,899,358)**
Unallocated expenses *(Note)*		**(107,514)**
Interest income		**18**
Other gains and losses		**428,590**
Impairment loss on available-for-sale financial asset		**(6,797)**
Impairment losses on loans to associates		**(1,207)**
Share of losses of associates		**(6,222)**
Finance costs		**(247,067)**
Loss before taxation		**(4,839,557)**

For the year ended 31 March 2011

	Coal mining	Total
	HK$'000	*HK$'000*
Segment revenue	—	—
Segment loss	(97,305)	(97,305)
Unallocated expenses *(Note)*		(133,147)
Interest income		353
Other gains and losses		78,270
Impairment loss on available-for-sale financial asset		(4,785)
Impairment losses on loans to associates		(1,596)
Share of losses of associates		(3,090)
Finance costs		(149,450)
Loss before taxation		(310,750)

Note: Unallocated expenses mainly include staff costs for corporate office, office rental and legal and professional fees.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements as set out in the annual report. Segment loss represents the loss from the coal mining operation without allocation of expenses not directly related to the operating segment, unallocated interest income, finance costs, change in fair value of investment property, held-for-trading investments and derivative component, impairment losses on loans to associates and available-for-sale financial asset and share of losses of associates. This is the measure reported to the chief operation decision maker for the purposes of resource allocation and performance assessment.

Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

As at 31 March 2012

	HK$'000
ASSETS	
Segment assets — coal mining	**11,031,801**
Investment property	**116,566**
Held-for-trading investments	**27,169**
Amounts due from associates	**1,855**
Cash and cash equivalents	**56,801**
Other unallocated assets *(Note)*	**309,589**
Consolidated total assets	**11,543,781**
LIABILITIES	
Segment liabilities — coal mining	**155,673**
Convertible notes	**2,518,674**
Advances from a Director	**479,548**
Other unallocated liabilities	**44,572**
Consolidated total liabilities	**3,198,467**

As at 31 March 2011

	HK$'000
ASSETS	
Segment assets — coal mining	15,254,392
Investment property	105,264
Held-for-trading investments	37,626
Amounts due from associates	202,986
Cash and cash equivalents	4,684
Other unallocated assets *(Note)*	302,313
Consolidated total assets	15,907,265
LIABILITIES	
Segment liabilities — coal mining	45,203
Convertible notes	2,698,413
Advances from a Director	42,184
Other unallocated liabilities	47,306
Consolidated total liabilities	2,833,106

Note: Other unallocated assets mainly represent property, plant and equipment, intangible assets and other receivables, prepayments and deposits not for coal mining business, exploration right for iron ore, available-for-sale financial asset and other asset.

Other Segment Information

For the year ended 31 March

Amounts included in the measure of segment loss or segment assets:

Coal mining

	2012	2011
	HK$'000	*HK$'000*
Capital additions *(Note)*	**309,986**	920,383
Amortisation of intangible assets	**16,423**	568
Depreciation of property, plant and equipment	**22,737**	17,793
Impairment loss on property, plant and equipment	**4,018,605**	—
Impairment loss on intangible assets	**562,835**	—
Impairment loss on development in progress	**18,560**	—
Loss on write off of property, plant and equipment	**49,910**	4
Loss on write off of intangible assets	**133**	—
Loss on write off of exploration and evaluation assets	**4,113**	—
Loss on write off of deposit and loan and receivable	**48,898**	1,566

Note: Capital additions to property, plant and equipment, development in progress, exploration and evaluation assets and intangible assets.

Geographical Information

The Group's operations are principally located in Hong Kong, Mongolia and Mainland China.

All the coal sales revenue is derived from Mongolia.

The Group's information about its non-current assets by geographical location is detailed below:

	Non-current assets	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**5,485**	7,556
Mongolia	**11,224,499**	15,467,647
Mainland China	**124,077**	117,107
	11,354,061	15,592,310

Note: Non-current assets exclude financial instruments and deferred tax assets.

5. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Fair value gain on investment property	**7,031**	7,231
Fair value loss on held-for-trading investments	**(10,457)**	(7,581)
Fair value gain on derivative component of convertible notes *(Note 16)*	**432,016**	71,803
Gain on early redemption of a loan note receivable	**—**	8,387
Loss on write off of property, plant and equipment *(Note)*	**(49,910)**	(4)
Loss on write off of intangible assets	**(133)**	—
Loss on write off of exploration and evaluation assets *(Note 12)*	**(4,113)**	—
Loss on write off of deposit and loan and receivable	**(48,898)**	(1,566)
	325,536	78,270

Note: This mainly represents write off of property, plant and equipment previously used in the water exploration project. Management is in view that this project is not expected to bring any future economic benefits to the Group, therefore, the corresponding property, plant and equipment are written off in the current year.

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Interest expense:		
— convertible notes *(Note 16)*	**273,389**	323,711
— loan note *(Note a)*	**—**	2,031
— advances from a Director *(Note b)*	**18,064**	1,677
Less: interest expense capitalised *(Note 11 and Note c)*	**(44,386)**	(177,969)
	247,067	149,450

Note:

(a) The amount represented interest paid for an unsecured loan note with a principal amount of HK$787,500,000, interest bearing at 5% per annum. The loan note was issued as part of the consideration to acquire mining and exploration rights and fully repaid during the year ended 31 March 2011.

(b) The amount represents interest paid/payable to Mr. Lo for short term unsecured advances to the Company. The interest expense was charged at the prevailing prime rate per annum quoted by the Hong Kong and Shanghai Banking Corporation Limited from time to time.

(c) The weighted average capitalisation rate on convertible notes and advances from a Director is 10% (2011: 13.16%) per annum on expenditure on road construction which is a qualifying asset.

7. LOSS BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**9,044**	20,312
Other staff costs:		
Salaries and other benefits	**73,777**	74,624
Retirement benefits scheme contributions (excluding contributions for Directors)	**2,843**	2,059
Total staff costs (including equity-settled share-based payments)	**85,664**	96,995
Amortisation of intangible assets	**3,873**	640
Auditor's remuneration	**2,700**	3,316
Cost of inventories recognised as an expense (included in other expenses)	**20,469**	—
Depreciation of property, plant and equipment	**17,643**	27,877
Direct operating expenses arising from investment property that do not generate rental income	**16**	12
Loss on disposal of property, plant and equipment	**54**	15
Net exchange losses (gains) (included in other expenses)	**1,357**	(420)
Operating lease rental in respect of office premises	**16,746**	17,544

8. INCOME TAX CREDIT

	2012	2011
	HK$'000	*HK$'000*
Current tax	**—**	—
Deferred tax		
Current year	**(7,385)**	—
	(7,385)	—

Hong Kong Profits Tax is calculated at 16.5% at the estimated assessable profit (if any) for both years.

Mongolian corporate income tax is calculated at 10% at the estimated assessable profit (if any) for both years.

The Company is not subject to any taxation in Bermuda. Bermuda levies no tax on the income of the Group.

No provision for Hong Kong and overseas taxation has been made for both years as subsidiaries of the Group have no assessable profit either the year.

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2012	2011
	HK$'000	*HK$'000*
Loss before taxation	**(4,839,557)**	(310,750)
Calculated at a tax rate of 16.5%	**(798,527)**	(51,274)
Tax effect on income not subject to tax	**(72,447)**	(13,523)
Tax effect on expenses not deductible for tax purposes	**770,546**	52,456
Tax effect on deductible temporary differences not recognised	**68,925**	—
Tax effect on tax loss not recognised	**8,148**	8,639
Effect of different tax rates of subsidiaries operating in other jurisdictions	**15,970**	3,702
Income tax credit	**(7,385)**	—

9. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, as used in the calculation of basic and diluted loss per share	**(4,832,172)**	(310,750)

	2012	2011
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue for calculation of basic and diluted loss per share	**6,615,974**	6,190,675

Note: The denominators used are the same as those detailed above for both basic and diluted loss per share.

The computation of diluted loss per share does not assume the exercise of share options or the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share.

10. INTANGIBLE ASSETS

	Software (Note a) HK$'000	Exclusive right of use of paved road (Note b) HK$'000	Total HK$'000
COST			
At 1 April 2010	1,498	—	1,498
Additions	876	—	876
At 31 March 2011 and 1 April 2011	2,374	—	2,374
Additions	94	—	94
Written off	(145)	—	(145)
Transfer from development in progress *(Note 11)*	—	1,906,297	1,906,297
Impairment *(Note 3)*	—	(562,835)	(562,835)
At 31 March 2012	2,323	1,343,462	1,345,785
ACCUMULATED AMORTISATION			
At 1 April 2010	621	—	621
Charge for the year	640	—	640
At 31 March 2011 and 1 April 2011	1,261	—	1,261
Charge for the year	597	15,886	16,483
Written off	(12)	—	(12)
At 31 March 2012	1,846	15,886	17,732
CARRYING VALUE			
At 31 March 2012	477	1,327,576	1,328,053
At 31 March 2011	1,113	—	1,113

Notes:

(a) The above intangible assets have finite useful lives. The software is amortised on a straight-line basis over 3 years.

(b) During the year ended 31 March 2009, an agreement was entered into between the Governor's Administration Office of Khovd Province of Mongolia (the "**Governor**") and MoEnCo LLC ("**MoEnCo**"), a wholly owned subsidiary of the Company, regarding the right of use of a road granted by the Governor to MoEnCo subject to certain conditions. Under the terms of the agreement, MoEnCo will construct a road at its own cost from the Group's mine areas in Khushuut, Western Mongolia to the Yarant border crossing with Xinjiang, the People Republic of China (the "**PRC**"), with the construction permit granted to MoEnCo from the Ministry of Road, Transportation and Tourism of the Mongolian government. In return, MoEnCo enjoys the rights, which was granted at the date of the agreement, for the unrestricted use of the road for 30 years (the "**Approved Period**"). The road will be opened to public use subject to certain weight restrictions whereupon the Group may direct users including commercial users. The Group is also responsible for maintenance of the road during the Approved Period. The Group will use the road mainly for the purpose of transporting coal from its mine areas to its customers in the PRC.

During the year ended 31 March 2012, the Group had completed construction of 311 km of the road and the formal approval from the Mongolian government on the road commissioning was obtained. HK$1,906,297,000, representing 311 km of road construction costs, was transferred from development in progress as an exclusive right of use of paved road under intangible assets.

The above intangible assets have finite useful lives. The exclusive right of use of paved road is amortised on a straight-line basis over its Approved Period.

11. DEVELOPMENT IN PROGRESS

	2012	2011
	HK$'000	*HK$'000*
At beginning of the year	**1,731,667**	1,090,494
Addition	**192,581**	463,204
Interest expense capitalised *(Note 6)*	**44,386**	177,969
Transfer to intangible assets *(Note 10)*	**(1,906,297)**	—
Impairment *(Note 3)*	**(18,560)**	—
At end of the year	**43,777**	1,731,667

In connection to the exclusive right of use of paved road set out in Note 10, as at 31 March 2012, another section of the road of approximately 30 km is under construction and therefore remains as a development in progress.

12. EXPLORATION AND EVALUATION ASSETS

	Mining and Exploration Rights	**Others**	**Total**
	(Note b)	*(Note c)*	
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 April 2010	12,821,595	368,132	13,189,727
Additions	—	74,833	74,833
Transfer to property, plant and equipment *(Note a)*	(12,535,919)	(342,729)	(12,878,648)
At 31 March 2011 and 1 April 2011	285,676	100,236	385,912
Additions	—	9,004	9,004
Written off	—	(4,113)	(4,113)
Transfer to property, plant and equipment *(Note a)*	—	(91,597)	(91,597)
At 31 March 2012	285,676	13,530	299,206

Notes:

(a) Based on collective results of various explorations, the Directors considered the technical feasibility and commercial viability of extracting mineral resources of the Khushuut coking coal mine became demonstrable and this coal mine moved to a development phase. As a result, its corresponding exploration and evaluation assets were transferred to property, plant and equipment as mining structures and mineral properties.

(b) The remaining balance of mining and exploration rights as at 31 March 2012 mainly represents an exploration concession of around 2,986 hectares in Western Mongolia for ferrous resources. This iron ore exploration concession might be affected by the Mining Prohibition Law (the "MPL") under the preliminary list. Zvezdametrika LLC ("**Z LLC**"), a subsidiary of the Group which owns the iron ore exploration concession, received a notice from the Mineral Resources Authority of Mongolia (the "MRAM") on 27 October 2011 about the potential revocation of its exploration concession under the MPL and Z LLC was requested to submit the estimated compensation for termination of licences with supporting documents. After taking legal advice from the Group's Mongolian legal advisers, the Group decided not to respond to the MRAM's request. The Group legal advisers have confirmed that their interpretation of the relevant legislation is that, following determination and removal of any overlap with prohibited areas and making revisions to the coordinates of the licenced area, the mineral licence will remain valid less the overlapping areas. The Group is not currently operating within what it considers to be the overlapping areas. According to the best knowledge of the Group, there was no revocation of its licences as at 31 March 2012. The management also considered that even if the licences were revoked due to the MPL, the Mongolian government would pay a reasonable compensation to the Group. Hence, the management concluded that there is no impairment on the corresponding exploration and evaluation assets as at 31 March 2012 amounting to approximately HK$286 million. The implementation of the MPL represents a significant uncertainty to the Group, which might have a significant effect on the consolidated financial statements of the Group. If the Group's iron ore exploration concession was revoked due to the MPL and the Group was paid compensation significantly less than the consideration the Group paid to acquire this concession, the Group would incur a significant impairment loss on the corresponding exploration and evaluation assets.

Exploration and mining licences are granted for an initial period of 3 and 30 years respectively. The exploration licences can be extended for two successive periods of 3 years each and mining licences for two successive periods of 20 years each. During the year ended 31 March 2012, the Group has renewed all exploration and mining licences before the expiry date, except for one exploration licence, licence no. 5309, owned by MoEnCo, as the management considered that the respective exploration is no longer fruitful. As a result, the corresponding evaluation and exploration assets are written off.

(c) Others represent the geological and geophysical costs, drilling and exploration expenses incurred for concessions other than the iron ore exploration concession set out in (b).

The Group confirmed with the Forest Agency of Mongolia and the Water Authority of Mongolia that another 10 exploration/mining concessions are overlapping with the forest areas or water basin protection zones therefore might potentially be affected by MPL. However, the management considers this would not have a significant financial impact to the Group.

13. AMOUNT DUE FROM AN ASSOCIATE

As at 31 March 2011, an advance of HK$200,000,000 granted to Upper Easy Enterprises Limited was made for the purpose of securing a mineral resources project and therefore was classified as a non-current asset. The project was terminated and the advance was fully repaid during the current year.

14. TRADE RECEIVABLES

The Group allows a credit period of 30 days to its customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2012	2011
	HK$'000	*HK$'000*
1–30 days	**5,359**	—
31–60 days	**26**	—
61–90 days	**4**	—
	5,389	—

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$30,000 (2011: HK$Nil) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

15. TRADE PAYABLES

The ageing analysis of trade payables presented based on invoice date at the end of the reporting period is as follows:

	2012	2011
	HK$'000	*HK$'000*
Current to 30 days	**23,389**	23,643
31 to 60 days	**16,201**	10,441
61 to 90 days	**17,512**	1,087
Over 90 days	**—**	1,936
	57,102	37,107

16. CONVERTIBLE NOTES

The movement of the liability component and derivative component of convertible notes for the year is set out below:

	Liability component		Derivative component		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of the year	**2,592,235**	1,850,033	**106,178**	—	**2,698,413**	1,850,033
Initial recognition	**1,388,954**	570,814	**611,046**	177,981	**2,000,000**	748,795
Interest charge	**273,389**	323,711	**—**	—	**273,389**	323,711
Redemption of the Zero Coupon Convertible Note	**(2,000,000)**	—	**—**	—	**(2,000,000)**	—
Amortisation of transaction cost	**6,001**	3,001	**—**	—	**6,001**	3,001
Conversion of convertible note	**—**	(142,500)	**—**	—	**—**	(142,500)
Fair value gain on derivative component	**—**	—	**(432,016)**	(71,803)	**(432,016)**	(71,803)
Interest paid	**(27,113)**	(12,824)	**—**	—	**(27,113)**	(12,824)
At end of the year	**2,233,466**	2,592,235	**285,208**	106,178	**2,518,674**	2,698,413

Analysed for reporting purposes as:

	2012	2011
	HK$'000	*HK$'000*
Current liabilities *(Note)*	**12,310**	1,996,516
Non-current liabilities	**2,506,364**	701,897
	2,518,674	2,698,413

Note: The amount includes coupon interest payable to the note holders within one year.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor's report for the year ended 31 March 2012 has been modified but without qualification, an extract of which is as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Notes 15 and 19(b)* to the consolidated financial statements. The Group owns a number of mining concessions included in mineral properties of approximately HK$9,092 million in Western Mongolia for coal mining, four of which the Mineral Resources Authority of Mongolia have notified the Group are within the area designated on a preliminary basis as land where mineral exploration and mining are prohibited under the Mining Prohibition Law (the "**MPL**") as well as an exploration concession of approximately HK$286 million in Western Mongolia for iron ore. According to the MPL, the affected licence holders, including the Group, are to be compensated but the details of the compensation are not currently available. If any of these mining concessions and/or exploration concession is revoked due to the MPL and the compensation received by the Group is significantly less than the carrying amounts of these concessions, the Group might incur a significant impairment loss on the related mineral properties or exploration and evaluation assets. The ultimate outcome of this matter cannot presently be determined. The management concluded that, other than the impairment loss recognised during the year due to a change of the business plan as set out in Note 3^ to the consolidated financial statement, no impairment that result from the MPL is required to be recognised in the consolidated financial statements.

In addition, we draw attention to Note 1# to the consolidated financial statements which indicates that as at 31 March 2012, the Group's current liabilities exceeded its current assets by approximately HK$509.8 million. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, including from the substantial shareholder and chairman of the Company. If the finance is not available, the Group would be unable to meet its obligations as and when they fall due. This condition along with other matters set forth in Note 1# to the consolidated financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

* Being Note 12(b) in this results announcement

^ Being Note 3 in this results announcement

\# Being Note 1 in this results announcement

FINAL DIVIDEND

The Directors do not recommend payment of a final dividend for the year ended 31 March 2012 (2011: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on 30 August 2012 and the notice of the 2012 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Our principal project is the Khushuut Coking Coal Project. The Khushuut Coal Mine is located approximately 1,350 km west of Ulaanbaatar in the aimag (province) of Khovd in Western Mongolia. The Khushuut Coal Mine is about 311 km from the Xinjiang Takeshenken border, connecting by the Khushuut Road built by us.

During the financial year ended 31 March 2012 (the "**Financial Year**"), we achieved completion of the Khushuut Road, secured the approval from the government authorities for the use of the road and commenced commercial coal shipment thereafter.

BUSINESS REVIEW

Khushuut Coking Coal Project

Khushuut Coal Resources

During the Financial Year, we had not conducted resources update program to our Khushuut coal deposit. Therefore, our JORC in-place resources remain the same, i.e. approximately 141,456,000 tonnes (44,503,000 tonnes measured and 96,953,000 tonnes indicated).

As disclosed in our previous reporting, we have several mining and exploration licences which might be affected by the Mining Prohibition Law (the "**MPL**"). Our mining operation in the Khushuut Coal Mine and exploration activities under our concessions were conducted as usual and had not been affected by the MPL during the Financial Year.

We have instructed our Mongolian legal adviser to conduct enquiry with The Mineral Resources Authority of Mongolia (the "**MRAM**") regarding the validity of our licences. We were informed that all our mining and exploration licences are valid and in effect and none of them is within the list of the MPL. However, we were informed that some of our licences have been overlapping with the watershed and forestry areas which may have the potential in future to be adopted by the Mongolian government pursuant to the MPL.

According to our Mongolian legal adviser, an overlapping area may be removed and the affected licence still be valid and not subject to revocation if after the co-ordinates change, the licence could still fulfill the requirements under the Minerals Law of Mongolia.

Our Khushuut coal resources and operation mainly consist of six mining licences. Based on the location currently put forth by the Water Authority and Forest Authority, we only have two mining licences with slight overlapping areas with the water basin protected zones. If these overlapping areas are resumed by the Mongolia government under the MPL, based on our review and opinion by our independent technical adviser, will not have a material effect on our Khushuut resources and operation.

Please refer to the paragraph of Mining Prohibition Law for further details.

Khushuut Road

The Khushuut Road is approximately 311 km from our Khushuut Coal Mine stretching westward to the Yarant border (Mongolia side) and Takeshenken border (Xinjiang side). It is a two-lane asphalted road of 7 meters width and side shoulder of 1.5 meters each. It has 17 bridges constructed along the road and the loading capacity of the road is 85 tonnes per truck. The Khushuut Road is our main route for exporting coal products to the People's Republic of China (the "**PRC**"). We contracted the road foundation work in 2008 and road surface pavement work in April 2010.

The approval for the use of the Khushuut Road was granted by the Mongolian government in December 2011. We formally commenced transporting coal products from our mine site via the Khushuut Road to Xinjiang shortly after the approval.

Our operating subsidiary, MoEnCo LLC ("**MoEnCo**"), entered contracts with local road construction and maintenance companies for the winter period, through to March 2012. These contracts were for winter road clearance and maintenance. We are now in process of negotiation for revised contracts for summer maintenance and road upgrades.

Mine Production

The Khushuut Road was commissioned in December 2011. Before that the coal production on-site was kept at a minimum quantity level as large production before the road approval would cause the mined run-of-mine (ROM) coal to oxidize and not suitable for export to our customers.

Mine Infrastructure and Equipment

The customs bonded yard and weighbridge area at the mine site were completed during the Financial Year.

The customs bonded yard is now an official customs clearance zone with permanent customs and State Professional Inspection Agency (SPIA) officers signed off by the Mongolian government. The customs officials will be present at our mine site to seal trucks loaded with our coal products to facilitate the shipping process.

We will commence our laboratory upgrade shortly for our coal samples analysis to be taken on-site before shipping, and this will enhance the stability of our coal quality to our customers. The laboratory upgrade will additionally facilitate the analysis of increased quantities of samples which in turn allows for the projected phased increase in production and coal sales.

Coal Processing

Currently, our coking coal will undergo the screening process before selling to our customers until a comprehensive coal processing facility is in place.

Two sets of screening equipment are used to process the Khushuut ROM coal before it is shipped to our customers. The throughputs of this equipment range from 150 to 200 tonnes of ROM coal per hour. The screening process removes parting (non-coal) materials which are greater than 50 mm in size. Plans are to eventually increase the level of coal processing with a washing plant at the Khushuut mine site. When this happens all non-coal materials mined with the coal will be removed and transportation costs will be substantially lowered. Until then, the mine will continue using the existing screening process to remove as much of the non-coal materials and minimize the transportation costs.

As disclosed under the paragraph of Results Analysis, one of the major factors contributed to the significant impairment loss during the Financial Year was due to a change made to the Group's mine infrastructure plan. This related to the continued delay of obtaining a water permit resulting in delay in construction of a coal processing plant at the Khushuut mine site. To address this and in order to improve our coal processing power and quality of our coal, we have planned to build a coal washing plant in Xinjiang before a permanent washing plant is set up in the Khushuut mine site. The proposed washing plant will have an initial annual coal washing capacity of 1,500,000 tonnes. We are working with Shandong Energy Xinwen Mining Group Co., Ltd. ("**Xinwen Mining Group**") to assist us in this project. Xinwen Mining Group will provide one-stop assistance in this project from initial planning up to construction completion. Thereafter, Xinwen Mining Group will provide management services for the operation of the washing plant.

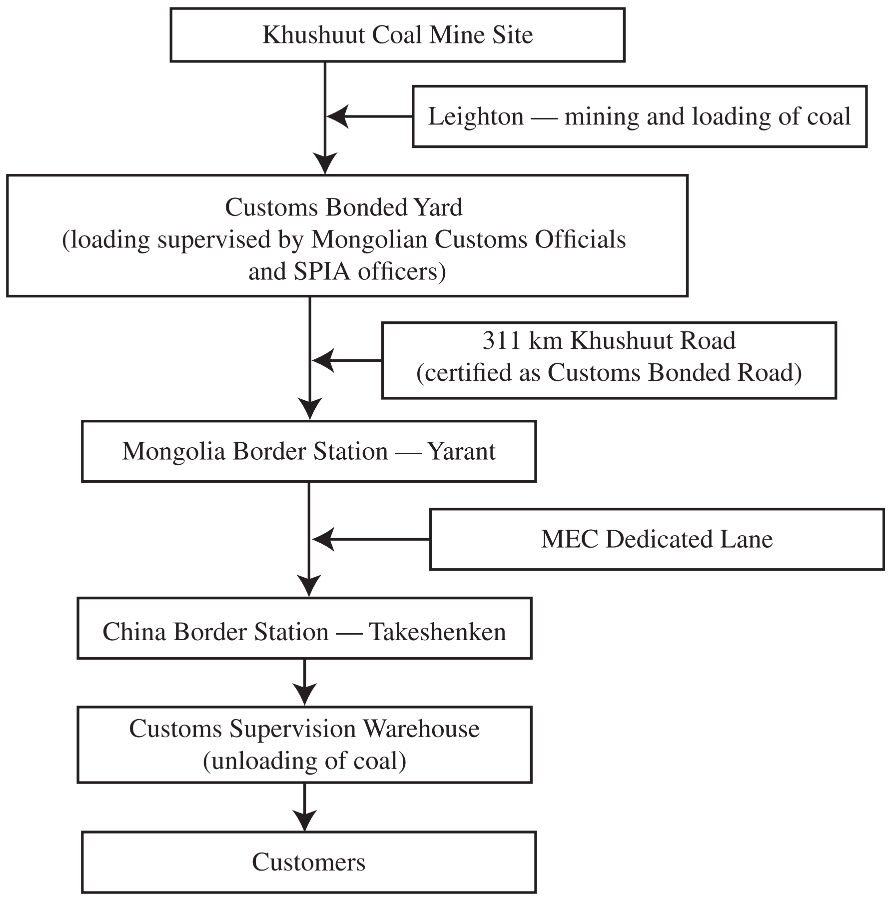
A suitable place for building the washing plant in Xinjiang has been identified. We are liaising with the Xinjiang local government for the permit of the land use right and a preliminary proposal has been submitted to the local government for consideration. As the set up of the Xinjiang washing plant may take time, to address our coal processing power in immediate term, we have just signed up with a PRC coal trading company having a washing plant in Xinjiang so that we can commence our washing process as soon as possible.

Apart from the above, we will continue to prove a suitable place with sufficient water source to the Mongolian government to set up our coal washing plant and preparation plant in the proximity to our mine site.

Transportation and Logistics

Xinjiang is our primary market for our coking coal products. As the Khushuut Road has been completed and commissioned, road transportation through trucks is the model of shipping our coal products out from our Khushuut Coal Mine to customers in Xinjiang.

The logistic flow of shipping coal out from our mine site is shown below:



We have engaged five transportation contractors to provide coal hauling services to us. These contractors together provide a trucking fleet of approximately 180 trucks for our coal hauling services. Based on our available information, the average loading per truck is around 60 tonnes of coal.

However, not all of these trucking companies provide exclusive services to us and the number of trucks available will fluctuate due to a variety of factors such as mechanical break down, repair and accidents, and the business of the contractors. In order to increase transportation capacity, improve reliability and reduce transportation costs for our operation, we entered into agreement in March 2012 to acquire 80 trucks and 129 trailers. We intend to invite our transportation contractors to provide overall management to our own trucks and to provide one-stop coal hauling services for our operation. We will continue to monitor the sufficiency of our trucking fleet from time to time to bring it in line with the expansion of our operation.

The trucking fleet ships our coal products to the Xinjiang Takeshenken border and unloads at the nearby Customs Supervision Warehouse. The customers pick up our coal at this location via their own trucks for further washing and use.

We have built a dedicated lane connecting the Mongolian Yarant border and the Xinjiang Takeshenken border which is for our exclusive use. This will ensure we have a smooth and speedy customs clearance which will otherwise be delayed by other border users. The borders work eight hours per day and five days per week. We will continue our effort to coordinate the government officials of both sides to expand the operational hours of the borders.

Customers and Sales

We have a long term coal supply contract with Bayi Steel. We did not actively look for customers because we were only in the trial production stage in the past year. With the commissioning of the Khushuut Road, we formally commenced commercial production and delivery of our products. We will take an active role to expand our customer base to coincide with our gradual ramp-up of coal production.

During the Financial Year, we shipped approximately 17,350 tonnes of coking coal to our customer.

The selling price of our coal during this initial period was expected to be unstable. This was partly due to our screening facility and coal selection process were at an early development stage which caused substantial amount of non-coal partings and ash mixed among the coal products, and this lowered the selling price through adjustment after the washing process. Further, we are selling processed raw coal products until a comprehensive coal processing facility is in place, and the actual pricing is negotiated with our customers based on various factors including recovery rate from the screened coal to clean coal, ash content, washing and transportation costs, etc. Therefore, it is one of our prime objectives to improve our coal processing capabilities and set up our washing plant as soon as possible to improve the quality and value of our coal products. We will also improve our on-site laboratory set up to better control the quality of our coal before shipping to our customers.

Support from the Local Governments for Our Project

On 27 October 2011, we entered into a co-operation agreement with Darvi Soum. The purpose of this agreement is to enhance co-operation between us and the local government and to provide successful implementation of our projects and investments planned by MoEnCo. In return, we are required to support their vocational training and education of unemployed people, to establish a fund for local support, to provide coal needs and job opportunities for the local people.

Also on 12 December 2011, we entered into a similar co-operation agreement with Tsetseg Soum.

Village Relocation Project and Community Issues

Village Relocation

As discussed in the interim report, there are certain villagers and herders living in the vicinity of our Khushuut mine site and this causes health and safety concerns regarding our operation. We have an agreement with the local government to help relocate these villagers to other locations away from our operational zone.

We submitted the resettlement action plan for the proposed Khushuut village relocation to Khovd aimag in December 2011. During the aimag civil representative meeting held in December 2011, a decision was made to relocate Khushuut village center to the territory of Tsetseg soum and 800 hectares of land was allocated for that purpose.

At the same time, we have requested Khovd aimag to set up a relocation action plan implementation working committee in order to solve compensation issues of the affected people such as relocation-related compensation, winter and spring animal shelters compensation in a comprehensive manner.

Community Issues

As part of our corporate responsibility, we take an active part in the local community development as part of our business involvement. During the Financial Year, we continued to supply free coal (coal not suitable for export purpose) from our mine to the local community to help the people overcome the long cold winter. We made donations to kindergartens in Khushuut village, Darvi and Tsetseg soums; supported the teachers financially to attend training programs and to visit schools; invested up to 150 million Mongolian Turgrik for remodeling a culture center in Tsetseg soum.

We will continue to make reasonable donations and provide support to the sectors of education, health and agriculture for the purpose of supporting local citizens' lives and jobs.

Exploration Activities

Licences

We had one exploration licence expired and two mining licences suspended during the Financial Year. The Company now has ten mining licences and ten exploration licences in western and northern Mongolia, including Khushuut, Gants Mod, Olon Bulag, Govi-Altai, Bayan-Ulgii and Khuvsgul that cover an area of approximately 335,000 hectares.

Licence 5309X

Exploration on this licence failed to find any mineralization that would justify turning all or a portion of the exploration licence into a mining licence. Consequently, this exploration licence was allowed to expire on 16 January 2012.

As this is not a licence under the Khushuut Coking Coal Project and no substantial value has been assigned to this licence, the expiration of this licence does not have any material impact on our asset value and operation.

Licences 11889A and 11890A

According to our analysis, these licence areas contain coal which is high in ash and is not of coking coal quality, thus, it is not an economically viable product for export.

These licences are not part of the Khushuut Coking Coal Project. Taking into account the quality of the coal found, location and potential market, these licences do not possess potential synergistic effect on our present coking coal operation. Since no substantial value has been assigned to them, there is no material impact on our asset value and operation.

Exploration

Exploration work conducted on the exploration licences during the Financial Year consisted of geological reconnaissance and surface mapping work and core drilling and core sample analysis.

Reconnaissance and mapping work was carried out on exploration licences 5309X, 7460X, 8976X, 11515X, 11628X, 11724X and 12315X. From this work several coal and metals "targets" were identified. These "targets" will be investigated further during the 2012 field season.

Three separate drilling programs were conducted during the 2011 field season. Two were on exploration licence 11719X and one was on exploration licence 12126X. One of the 11719X drilling programs targeted a coal prospect and the other targeted copper/gold prospect. The 12126X drilling program targeted a coal prospect. The results of all three drilling programs were disappointing that the holes drilled did not find the coal and/or the copper/gold mineralization as anticipated.

Planned Exploration Programs in 2012

Plans are to do some trenching and analytical work on the "targets" that were identified during the previous year's field reconnaissance and mapping work. Also plans are to drill 19 holes on exploration licence 7460X and the adjacent mining licence 2913A. The major drilling program is targeting coal resources.

Legal and Political Aspects

Mining Prohibition Law

On 16 July 2009, the Parliament of Mongolia enacted the MPL which prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas and areas adjacent to rivers and lakes. Under the MPL, new exploration licences and mining licences overlapping the defined prohibited areas will not be granted, while previously granted licences that overlap the defined prohibited areas will be terminated within five months following the adoption of the law. The MPL further states that affected licence holders shall be compensated. Pursuant to the MPL, the Mongolian government was supposed to define the boundaries of the relevant prohibited areas by 16 October 2009 but it had not done so by the prescribed time.

The government of Mongolia adopted Resolution No. 299 (the "**Resolution 299**") on 17 November 2010 which sets out the procedures to be used in granting compensation to holders of mineral licences affected by the MPL. The purpose of Resolution 299 is to remove any overlapping with prohibited areas and make any necessary changes to the coordinates of the licence area or revoke the licence if deemed necessary, and grant compensation to the licence holder.

Under Article 17.4 of the Minerals Law of Mongolia adopted on 8 July 2006 (the "**Minerals Law**"), the size of area granted by an exploration licence must not be less than 25 hectares but must not exceed 400,000 hectares. Under Article 24.4.1 of the Minerals Law, mining area shall have the shape of a polygon with borders that are straight lines, not less than 500 metres in length, oriented north-south and east-west. In this connection, if a mineral licence is compliant with the respective provisions of the Minerals Law following determination and removal of any overlapping areas with prohibited areas under the MPL and the making of relevant revisions to the coordinates to such mineral licence, then such mineral licence will remain valid less the overlapping area.

Article 3.1 of Resolution 299 provides that compensation shall be granted for the area which overlaps with the prohibited areas under the MPL.

On 8 June 2011, the Government of Mongolia adopted Resolution No. 174, which provides a list of "partially established boundaries" within which alluvial gold mining operations are prohibited under the MPL. Our Mongolian legal advisers confirmed that none of our licences are within the list and our licences are clear under the MPL. They do not aware of any other list that has been adopted by the government of Mongolia.

The MPL may potentially revoke those licence areas which are currently set out as water basins, water basin protection zone and forested areas. Our Mongolian legal adviser advised us that some of our licences have been overlapping with the forest and head water areas, please refer to our licence list in the 2012 Annual Report. Although none of our licences is within the official list under the MPL, the Mongolian government may issue definitive coordinates for such water basins and forested areas, and should the Mongolian government do so, further evaluation will be necessary.

Foreign Investment Regulation Law

According to our legal adviser, the Mongolian government has passed the Regulation of Foreign Investment in Business Entities of Strategic Importance ("**Foreign Investment Regulation Law**"). The purpose of this law is to regulate relations concerning investment to business entities operating in sectors of strategic importance by foreign investors.

The Foreign Investment Regulation Law identifies three sectors as being of strategic importance to the economy, human development and national security of Mongolia (Foreign Investment Regulation Law, Article 5.1). These sectors include minerals; bank and finances; and media and communication.

In simple terms, any transactions by a foreign investor to acquire one-third or more of the shares of a business entity ("**Strategic Person**") operating in a strategic sector, or any agreement to control the management or operation of a Strategic Person, the prior approval of the Mongolian government is needed (Foreign Investment Regulation Law, Article 6.1).

In the event the foreign investor's equity interest exceeds 49% of the share capital of a Strategic Person and such investment exceeds 100 billion Mongolian Turgrik (approximately US$75 million), the Parliament of Mongolia will decide whether to grant permission.

The Foreign Investment Regulation Law also applies to offshore transactions that ultimately relate to a Strategic Person. It is not clear as to how this requirement will be implemented in the case of publicly traded companies or companies with complex upstream structures.

Our legal adviser is of the view that the Foreign Investment Regulation Law will not be applied retrospectively. However, our mining and exploration activities are in the minerals sector and any future transactions may be affected by the Foreign Regulation Law.

Political Development

As discussed in the interim report, the last parliamentary election of Mongolia would take place in the middle of 2012.

The Parliament of Mongolia is the highest organ of State Power and the legislative power is vested solely in the Parliament. As a supreme government organ, the Parliament is empowered to enact and amend laws, ratify international agreements, and declare a state emergency.

The Mongolian Parliament used to adopt a policy to welcome international investors to invest and develop its mining sector, and have favourable policies on mining developers. However, there were certain changes and restrictions recently to control or limit investment in this sector, as seen from the MPL and the Foreign Investment Regulation Law. We hope the future investment climate is clearer after the election.

RESULTS ANALYSIS

Revenue

The Group commenced commercial production near the close of this Financial Year thus a low level of sales activities was recorded. The revenue of HK$6.2 million (2011: Nil) represented by a sales volume of approximately 17,350 tonnes of coal shipped to our customers at an average selling price of HK$357 per tonne.

Impairment Loss Recognised on Khushuut Mine Related Assets ("Mine Assets")

A non-cash impairment charge of HK$4.6 billion was made in this Financial Year in respect of Mine Assets. This impairment did not impact cash flow during the year. The impairment related to (i) mining structures, mining properties and construction in progress grouped under property, plant and equipment; (ii) exclusive right of use of paved road under intangible assets; and (iii) development in progress.

The impairment charge was based on an impairment analysis performed by an independent qualified valuer (the "**Independent Valuer**"). The Independent Valuer adopted a value in use model, that is, a discounted cash flow analysis to assess the recoverable amount of the Mine Assets. The recoverable amount is equivalent to the present values of a series of future cash flows expected to be generating over the mine life of the Khushuut mine operation given at a specified discounted rate. The determination of future cash flows is dependent on a number of factors, including but not limited to, future coal prices, the amount of measured and indicated coal resources in Khushuut mine, the cost of bringing the project into production, production schedule, scale of production, production costs, capital expenditures and etc. The value in use model will also take into account factors such as legal and environmental regulations in Mongolia. The independent appraisal on the Mine Assets concluded that the recoverable amount of the Mine Assets was significantly lower than its carrying value. The major factor contributed to the significant impairment charge was due to a change made to the Group's mine infrastructure plan. The continued delays of obtaining water permit for the coal processing plant caused a serious delay in construction of a coal processing plant at the Khushuut mine site. The Company has planned some interim measures to partially counteract the negative impact caused by such delay. In particular, a coal washing plant will be built in Xinjiang, the Group's target market, but with a smaller washing capacity than the original plan in Khushuut. This change has a significant impact on the cash inflow to be generated from the Khushuut mine operation. Thus, in comparing Mine Asset's recoverable amount to its carrying value, a HK$4.6 billion impairment loss was measured and was allocated to various relevant balance sheet items.

The Company believes that the estimates/assumptions applied in the assessment of recoverable amount by the Independent Valuer are reasonable. However, such estimates/assumptions are subject to significant uncertainties and judgments. The Company has made its best estimate of all relevant factors to be included in the value in use model based on current conditions. However, it is possible that the underlying estimates/assumptions can be changed significantly and further impairment charges/reversal of charges may be required in future periods.

Staff Costs

Total staff costs (excluding non-cash equity-settled share-based payments) was HK$63.1 million (2011: HK$73.6 million). The dropped was resulting from the streamlining of management functions in Hong Kong head office.

Other Gains and Losses

Fair value gain on derivative component amounting HK$432.0 million (2011: HK$71.8 million) was recorded. It was mainly arising from the new HK$2 billion convertible note issued during the year. The convertible note contains two components, a liability component and a derivative component. The derivative component was initially recorded at fair value at its issue date and re-measured at the end of the year. The resulting change in fair values was then recognized through the consolidated income statement.

Other Expenses

Other expenses increased sharply to HK$205.1 million (2011: HK$107.2 million). The following main items accounted for the increase:

(a) Exploration costs of HK$18.0 million incurred during the year not qualified for capitalization as exploration and evaluation assets (2011: Nil);

(b) Write-down of inventories to net realizable value of HK$75.0 million (2011: Nil). There are two key factors contributing to the write-down of inventories (i) the Khushuut mine operation was still at its infancy stage of production therefore the scale of production did not ramp up to its optimum level; and (ii) unprocessed coal was sold during the year to our customers at a lower price as a matter of fact that our customers would have to wash and process the coking coal themselves. These combined factors accounted for the requirement to write-down the carrying amount of the coal inventory to its net realizable value; and

(c) Cost of sales of HK$20.5 million (2011: Nil). The average cost of sales per tonne was HK$1,182.

Finance Costs

Finance costs increased to HK$247.1 million (2011: HK$149.5 million). The reason for such increase was due to the reduction in interest capitalized to development in progress. Development in progress refers to construction in progress relating to an exclusive right of use of paved road. The construction of the road from the Khushuut mine to Yarant border was completed during the year.

FINANCIAL REVIEW

1. Liquidity and Financial Resources

During the year, the Group's capital expenditure and working capital were mainly funded by three sources (1) short term loans granted by Mr. Lo, chairman of the Company; (2) a net placing proceeds of HK$117.5 million from placement of 150,000,000 shares at a subscription price of HK$0.8 per share; and (3) a refund of HK$200 million from an associated company in respect of an aborted investment project.

A zero coupon convertible note in the principal amount of HK$2 billion issued to Chow Tai Fook Nominee Limited was matured during the year. On 15 June 2011, the Company issued a 3-year 3% coupon convertible note in the principal amount of HK$2 billion (the "**New CTF Note**") to fully redeem the zero coupon convertible note. The New CTF Note has a maturity period of three years from the issue date and can be converted into 1 ordinary share of the Company at HK$0.02 each for every HK$2 convertible note at the holder's option at any time between the issue date and maturity date.

The borrowings of the Group as at 31 March 2012 comprised convertible notes and advances from a Director amounting to HK$2,998.2 million (2011: HK$2,740.6 million). The effective interest rates of these borrowings were in the range from 5% to 16.21%. Of the total borrowings, 16.4 per cent was repayable within 12 months and the rest was falling in the 1 to 3 years range.

At year end date, the cash and bank balances were HK$85.0 million (2011: HK$10.2 million).

The liquidity ratio as at 31 March 2012 was 0.26 (2011: 0.05).

As at 31 March 2012, the Group's current liabilities exceeded its current assets by approximately HK$509.8 million. The management of the Group is confident that the Group will be capable to meet in full its financial obligations as they fall due in foreseeable future. Mr. Lo, the major shareholder and chairman of the Company, has provided sufficient facilities to meet the Group's short term funding needs. Besides, the commencement of Khushuut mine operation can bring in new revenue to the Group.

2. Investment in Listed Securities

As at 31 March 2012, the Group's held-for-trading investments comprised of equity securities listed in Hong Kong with a fair value of HK$27.1 million (2011: HK$37.6 million).

3. Charge on Group's Assets

There was no charge on the Group's assets as at 31 March 2012 (2011: Nil).

4. **Gearing Ratio**

As at 31 March 2012, the gearing ratio of the Group was 0.26 (2011: 0.17) which was calculated based on the Group's total borrowings to total assets. The increase was due to the shrinkage of total assets during the year because of the impairment loss recognized on Khushuut mine related assets.

5. **Foreign Exchange**

The Group mainly operated in Hong Kong, Mongolia and Mainland China. The Group's assets and liabilities are mainly denominated in Hong Kong dollar, United States dollar, Renminbi and Mongolian Tugrik. The Group does not have a foreign currency hedging policy. However, the management will monitor foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

6. **Contingent Liabilities**

As at 31 March 2012, the Group did not have significant contingent liabilities (2011: Nil).

OUTLOOK

During the Financial Year, we had succeeded in obtaining the approval for the use of the Khushuut Road. This marks a new era for us in our development.

Although we have commenced our commercial production, we still have a list of challenges to face in bringing us to a satisfactory point. As anticipated by us, the scale of commercial coal production was at a lower level at an initial stage, and we are aiming to increase gradually in the medium run. During the last three months of the Financial Year, after we had obtained the approval from the Mongolian government to use the Khushuut Road, we had delivered only a small quantity of coking coal to our customer. We have certain start up issues of our commercial operation. These include our screening facility and coal selection process were at an early development stage which caused substantial amount of non-coal partings and ash mixed among the coal products, as well as the technique in matching the right kind of coal quality demanded from our customer. Therefore, it is our prime objective to improve in this process. One of the solutions is to have a washing plant in place to process our raw coking coal. We are working with Xinwen Mining Group to assist us in the washing plant project in Xinjiang, the PRC. As this plant may take some time from planning to up and running, it will not be put to service in one or two years' time. To address this issue, we have signed up with a PRC coal trading company having a washing plant in Xinjiang to process our raw coking coal. This company has also agreed to act as our coal sales agent to assist us in selling our coal products directly after washing in the Xinjiang region.

Therefore, for our Khushuut operation, we will work towards increasing coal quality and stabilising the sales price by continuing to explore and invest in coal processing technology and to enhance mine engineering work. We are also in discussion with our contract miner, Leighton, regarding our scheduled production in second half of this year. We hope to ramp up our production gradually shortly.

We will also continue to improve our operation efficiency by continuing to work with the Mongolian and Chinese government authorities to increase the border capacities and operating efficiency of the trucking pool.

From a marketing perspective, we had only one PRC customer during the Financial Year. As explained, the first and foremost effort during the first half of the Financial Year was to ensure the completion of the road works of the Khushuut Road and to get the usage approved, we had not taken an active part in expanding our customer base. In the coming financial year, we will work towards enlarging our customer base and market coverage through co-operating with some coal trading companies.

In terms of exploration, we will continue to explore new resources within Mongolia mainly through working on our existing exploration licences.

We have noted recently the Mongolian government has tightened up its control in the newly passed Foreign Investment Regulation Law. Our Mongolian legal adviser advised that the law will aim to control foreign investments on the strategic sector of Mongolia including the minerals sector. We do not know whether the approval requirement under this law is just a procedural process or the Mongolian government will apply it stringently. It is a newly pronounced piece of law and yet how it is operated is waited to be seen. Our Mongolian legal adviser advised us that the Foreign Investment Regulation Law will not apply retrospectively. Nevertheless, it may impact us on our future expansion in acquiring prospective resources in Mongolia as we expect more lead time is required to obtain approval from the Mongolian government for new projects.

Seeing the trend and the growing importance of the Xinjiang market, we are identifying potential resources and development opportunities in the Xinjiang region apart from our current Khushuut operation. We have developed a technical China team to help us in marketing our coal products, identifying our potential strategic partners and considering potential resources opportunities.

We are actively working with various working partners on the growth of our business. Our short to medium term targets are to increase our coal quality and operating efficiency; to decrease and control our costs; and to expand the market.

This year is the first stage to build up the ground work for the Khushuut commercial operation and we have taken the first step to penetrate and market our products into the PRC market. Our unique coking coal quality has the demand from the Xinjiang market. We believe with a continuous focused effort to improve our production process, the demand for our products will likely increase significantly. If we stay on track with all our key initiatives to make our improvement, the Khushuut mine project will soon be a positive cashflow contributor to the Company.

We will continue to look for other resources investment opportunities and strategic partners in the industry for any cooperation, and to bring value and opportunities to our shareholders.

HUMAN RESOURCES

As at 31 March 2012, excluding site and construction workers directly employed by our contractors, the Group employed 218 full time employees in Hong Kong, Mongolia and Mainland China. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on a periodic basis. Apart from retirement scheme, year-end bonus and share options are awarded to the employees according to performance of the Group, assessment of individual performance and industry practice. Appropriate training programs are also offered for staff training and development.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The board of Directors (the "**Board**") recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders. The Board and the senior management of the Company recognise their responsibilities to maintain the interest of the shareholders and to enhance their values. The Board also believes a good corporate governance practice can facilitate a company in rapid growth under a healthy governance structure and strengthen the confidence of shareholders and investors.

During the year ended 31 March 2012, the Company had applied the principles of code provisions of the Code on Corporate Governance Practices contained in former Appendix 14 of the Listing Rules (the "**Former CG Code**") and had complied with the code provisions of the Former CG Code except the deviations as mentioned below:

i. Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.

   None of the existing non-executive Directors is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the Former CG Code. However, they are subject to the retirement by rotation under the bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Former CG Code.

ii. The code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting.

   The Chairman did not attend the 2011 AGM due to another business engagement. An executive Director chaired the 2011 AGM and answered questions from the shareholders. The AGM provides a channel for communication between the Board and the shareholders. A member of the audit and remuneration committee of the Company was also available to answer questions at the 2011 AGM. Other than the AGM, the shareholders may also communicate with the Company through the contact information listed on the Company's website.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Model Code for Securities Transactions by Directors (the "**Code**"), which is on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "**Model Code**"). The Code is sent to each Director on his/her initial appointment and from time to time when the same is amended or restated.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "**Employees' Guidelines**") for securities transactions by relevant employees of the Group who are likely to be in possession of unpublished price-sensitive information of the Company. To date, no incident of non-compliance of the Employees' Guidelines by the employees has been noted by the Company.

To enhance corporate governance transparency, the Code has been published on the Company's website at www.mongolia-energy.com.

During the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to and including the publication date of the annual results, all Directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published. Company Secretary and Legal and Compliance Department will send reminders prior to the commencement of such period to all Directors and relevant employees respectively.

In the period of 30 days immediately preceding and including the publication of the half year results or, if shorter, the period from the end of the relevant quarterly or half year period up to and including the publication date of the results, all Directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published. Company Secretary and Legal and Compliance Department will send reminders prior to the commencement of such period to all Directors and relevant employees respectively.

It is stipulated under the Code and/or the Employees' Guidelines that all dealings of the Company's securities must be conducted in accordance with the provisions stated therein. Under the Code, the Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company, and in the case of the Chairman himself, he must notify the designated Director and receive a dated written acknowledgement before any dealing.

All Directors have confirmed in writing that they have complied with the required standards set out in the Model Code and the Code throughout the Financial Year.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has three members, all of whom are independent non-executive Directors. Mr. Lau Wai Piu is appointed as the chairman of the Audit Committee. He has appropriate professional qualifications, accounting and related financial management expertise.

Composition of Audit Committee members:
Mr. Lau Wai Piu *(chairman of the Audit Committee)*
Mr. Peter Pun *OBE, JP*
Mr. Tsui Hing Chuen, William *JP*

The Audit Committee has reviewed the consolidated financial statements for the year ended 31 March 2012 of the Group.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.mongolia-energy.com). The annual report of the Company for the year ended 31 March 2012 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
Mongolia Energy Corporation Limited
Lo Lin Shing, Simon
Chairman

Hong Kong, 29 June 2012

As at the date of this announcement, 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.