MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

The directors (the "**Directors**") of Mongolia Energy Corporation Limited (the "**Company**") announce the condensed consolidated results of the Company and its subsidiaries (together collectively referred to as the "**Group**") for the six months ended 30 September 2014 (the "**Financial Period**") together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2014

		Six months ended 30 September	
	Notes	**2014** ***HK$'000*** **(unaudited)**	2013 *HK$'000* (unaudited)
Revenue	3	—	498
Cost of sales		—	(498)
Gross loss		—	—
Other income		**894**	68
Other gains and losses	4	**(8,224)**	26,166
Other expenses		**(31,585)**	(24,557)
Administrative expenses		**(65,608)**	(107,717)
Fair value gain on derivative component of convertible notes		**20,114**	16,709
Impairment loss on exploration and evaluation assets	10	**(287,999)**	—
Impairment loss on amounts due from associates		**(4)**	(5,695)
Finance costs	5	**(85,355)**	(236,868)
Loss before taxation	7	**(457,767)**	(331,894)
Income tax expense	6	—	—
Loss for the period		**(457,767)**	(331,894)
Loss for the period attributable to owners of the Company		**(457,767)**	(331,894)
			(Restated)
Loss per share attributable to owners of the Company	8		
— basic and diluted loss per share *(HK cents)*		**(27.10)**	(19.65)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(457,767)**	(331,894)
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
— Exchange differences on translation of financial statements of foreign operations	**8,122**	(1,502)
Total comprehensive expense for the period	**(449,645)**	(333,396)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	30 September 2014 HK$'000 (unaudited)	31 March 2014 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**6,819,376**	6,733,169
Investment property	9	**—**	—
Intangible assets	9	**838,803**	852,792
Development in progress	9	**29,468**	29,468
Exploration and evaluation assets	10	**—**	285,676
Interests in associates		**—**	—
Available-for-sale financial asset		**—**	—
Other asset		**1,150**	1,150
Prepayments for exploration and evaluation expenditure		**—**	10,458
Prepaid lease payment		**15,805**	15,651
		7,704,602	7,928,364
Current assets			
Prepaid lease payment		**329**	—
Inventories		**776**	491
Other receivables, prepayments and deposits		**41,497**	22,459
Held-for-trading investments		**59,866**	56,278
Amounts due from associates		**—**	—
Cash and cash equivalents		**44,326**	48,566
		146,794	127,794
Current liabilities			
Trade payables	11	**89,364**	68,136
Other payables and accruals		**155,484**	306,572
Convertible notes and other financial liability	12	**3,452,047**	3,260,528
Advances from a Director		**963,348**	780,210
		4,660,243	4,415,446
Net current liabilities		**(4,513,449)**	(4,287,652)
Total assets less current liabilities		**3,191,153**	3,640,712
Non-current liability			
Deferred income		**12,751**	12,665
Net assets		**3,178,402**	3,628,047
Financed by:			
Capital and reserves			
Share capital		**135,131**	135,131
Reserves		**3,043,271**	3,492,916
Equity attributable to owners of the Company		**3,178,402**	3,628,047

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "**Interim Financial Reporting**" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Company and its subsidiaries (collectively referred to as the "**Group**"). As at 30 September 2014, the Group had net current liabilities of approximately HK$4,513.4 million and incurred a loss of approximately HK$457.8 million for the six months then ended.

The Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future giving that: (1) Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder who has significant influence over the Group and the chairman of the Company, has provided facilities amounting to HK$1,900 million with maturity date on 31 March 2016, of which approximately HK$936.7 million was unutilised as at 30 September 2014; and (2) the Company has reached an acceptable debt restructuring with the holders of the convertible notes and other loan providers of the Company (collectively "**Existing Lenders**"). As disclosed in Note 12 on 19 September 2014, the Company entered into subscription agreements with the Existing Lenders pursuant to which the Company conditionally agreed to issue and the Existing Lenders conditionally agreed to subscribe for new 5-year 3% convertible notes. The subscription will be used by the Company for full settlement of the outstanding principal amount and any outstanding accrued interest of the expired convertible notes and for early redemption of the principal amount and accrued interest of the unexpired convertible notes as well as the loan included in other financial liability at the completion date (the "**2014 Subscriptions**"). The completion of the 2014 Subscriptions is subject to fulfilment of certain conditions including approval from shareholders who are not involved or interested in the 2014 Subscriptions (the "**Independent Shareholders**"). The subscription agreements became unconditional upon approval by the Independent Shareholders on 12 November 2014. The 2014 Subscriptions, amounting to HK$3,467.0 million, were completed on 21 November 2014. Upon the completion of the 2014 Subscriptions, all outstanding principal amounts and accrued interests of the 3.5% GI Convertible Note included in other financial liability, the 3% CTF Convertible Note, the 3.5% OZ Convertible Note, the existing 5% CTF Convertible Note and the existing 5% GI Convertible Note (as defined in Note 12) were derecognised. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amount reported and/or disclosures set out in these condensed consolidated financial statements.

3. 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.

The Group's operating activities are focusing on the coal mining business. This operating segment has been identified on the basis of information reported to the chief operating decision maker (i.e. the executive Directors) for the purpose of resource allocation and performance assessment.

Segment revenue and result

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

For the six months ended 30 September 2014

	Coal mining *HK$'000*	**Total** *HK$'000*
Segment revenue	**—**	**—**
Segment loss	**(86,173)**	**(86,173)**
Unallocated expenses *(Note)*		**(24,361)**
Other income		**4**
Other gains and losses		**3,750**
Fair value gain on derivative component of convertible notes		**20,114**
Impairment loss on exploration and evaluation assets		**(285,742)**
Impairment loss on amount due from associate		**(4)**
Finance costs		**(85,355)**
Loss before taxation		**(457,767)**

Note:

Unallocated expenses mainly included staff costs for corporate office, office rental and legal and professional fees.

For the six months ended 30 September 2013

	Coal mining *HK$'000*	Total *HK$'000*
Segment revenue	498	498
Segment loss	(88,254)	(88,254)
Unallocated expenses *(Note)*		(44,899)
Other income		29
Other gains and losses		27,084
Fair value gain on derivative component of convertible notes		16,709
Impairment loss on amounts due from associates		(5,695)
Finance costs		(236,868)
Loss before taxation		(331,894)

Note:

Unallocated expenses mainly included staff costs for corporate office, office rental and legal and professional fees.

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

	30 September 2014 *HK$'000*	31 March 2014 *HK$'000*
Coal mining	**7,778,036**	7,702,022

4. OTHER GAINS AND LOSSES

	Six months ended 30 September 2014 *HK$'000*	2013 *HK$'000*
Fair value gain on held-for-trading investments	**3,588**	25,734
Loss on write off of property, plant and equipment	**(6,674)**	—
Net exchange (loss) gain	**(4,748)**	432
Others	**(390)**	—
	(8,224)	26,166

5. FINANCE COSTS

	Six months ended 30 September 2014 *HK$'000*	2013 *HK$'000*
Interest on borrowings wholly repayable within five years:		
Interest on:		
— Advances from a Director	**31,531**	20,916
— Convertible notes after remeasurement	**48,346**	—
— Other financial liability	**5,478**	1,482
Effective interest expense on convertible notes	**—**	214,470
	85,355	236,868

6. INCOME TAX EXPENSE

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

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

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 periods as the Group has no assessable profit for either period.

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Six months ended 30 September 2014 HK$'000	2013 HK$'000
Amortisation of intangible assets	**15,450**	15,962
Depreciation of property, plant and equipment	**10,559**	11,692
Less: loss on suspension of production (included in other expenses)	**(18,322)**	(24,043)
	7,687	3,611
Cost of inventories	**—**	498
Employee benefit expenses, including Directors' emoluments	**27,746**	39,874
Operating lease rentals in respect of land and buildings	**3,812**	6,619

8. LOSS PER SHARE

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

	Six months ended 30 September 2014 HK$'000	2013 HK$'000
Loss attributable to owners of the Company, as used in the calculation of basic and diluted loss per share	**(457,767)**	(331,894)

	Six months ended 30 September 2014 '000	2013 '000 (Restated)
Number of shares		
Number of ordinary shares in issue for the calculation of basic and diluted loss per share	**1,689,137**	1,689,137

Note:

The number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the consolidation of shares which forms part of the capital reorganisation exercise and became effective on 13 November 2014 (see note 14(a)).

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

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY, INTANGIBLE ASSETS AND DEVELOPMENT IN PROGRESS

Property, Plant and Equipment

During the six months ended 30 September 2014, the Group spent approximately HK$52,197,000 (2013: HK$2,929,000), HK$37,959,000 (2013: HK$68,321,000), HK$4,719,000 (2013: HK$1,375,000) and HK$4,131,000 (2013: HK$1,768,000) on mining structures, construction in progress, plant, machinery and other equipment and motor vehicles respectively.

During the six months ended 30 September 2014, HK$47,317,000 (2013: HK$1,363,000) construction in progress was completed and HK$9,320,000 (2013: Nil) and HK$37,997,000 (2013: HK$1,363,000) were reclassified as mining structures and plant, machinery and other equipment respectively.

Investment Property

During the six months ended 30 September 2013, the Group disposed of the investment property located in Beijing, the People's Republic of China (the "**PRC**") to an independent third party.

Intangible Assets

The intangible assets consist of software and exclusive right of use of the paved road.

There are no significant capital expenditures spent in the intangible assets for the six months ended 30 September 2014 (2013: Nil).

Development in Progress

In connection to the exclusive right of use of paved road set out in above intangible assets, another section of the road of approximately 30 km is under construction and therefore remains as a development in progress and included in the cash generating unit with other Khushuut Related Assets (as defined below) for impairment assessment purpose.

There is no addition of development in progress for the six months ended 30 September 2014 (2013: Nil).

Impairment Loss Recognised on Khushuut Related Assets

The commercial production of Khushuut Coal Mine in Western Mongolia halted since October 2012 due to the dispute with the former sole mining contractor as disclosed in note 13 and the relevant mining services agreement had been terminated. During the six months ended 30 September 2014, the Group has entered into mining services agreements with two newly appointed mining contractors to provide topsoil and overburden removal services and coal extraction services for the Khushuut Coal Mine. Trial production has been started in September 2014.

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, the Khushuut Related Assets are treated as a cash generating unit, 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. The Directors instructed the Independent Valuer to use the information and assumptions provided by the newly appointed mining contractor, including cost structure and production capacity of the Khushuut Related Assets. In pursuant to the impairment review, no impairment is required during the current interim period.

Mining Prohibition Law in Mongolia

On 16 July 2009, the Parliament of Mongolia enacted the Mining Prohibition Law (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 (the "**Defined Prohibited Areas**"). 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. It also states that any previously granted licences that overlap the Defined Prohibited Areas will be terminated within five months following the enactment of the law.

The MPL further states that affected licence holders shall be compensated but details as to how the compensation is determined have not been specified in the MPL and the Mongolian government has not yet released any further guidance on how to interpret the MPL. The Mineral Resources Authority of Mongolia (the "**MRAM**") has provided a list of licences that overlap with the Defined Prohibited Areas under the MPL.

As at 30 September 2014, four mining concessions (licence nos. 2913A, 4322A, 11888A and 15289A) owned by MoEnCo LLC ("**MoEnCo**"), a wholly-owned subsidiary of the Company, have overlapping areas described under the MPL, where mineral exploration and mining are prohibited. The Group's 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 licensed 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 management, there was also no revocation of these licences as at 30 September 2014. The management also considers 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 further impairment, other than those provided in relation to Khushuut Related Assets as at 31 March 2014. The implementation of the MPL represents a significant uncertainty to the Group, which might have a significant effect on the condensed consolidated financial statements of the Group. If the Group's affected mining concessions were revoked due to the MPL and the compensation received by the Group was significantly less than the carrying amount of the related assets, the Group would incur a significant impairment loss on the related assets.

10. EXPLORATION AND EVALUATION ASSETS

	Mining and Exploration Rights *(Note a)* *HK$'000*	Others *(Note b)* *HK$'000*	Total *HK$'000*
COST			
At 1 April 2013	285,676	7,014	292,690
Additions	—	5,616	5,616
Written off	—	(12,630)	(12,630)
At 31 March 2014	**285,676**	**—**	**285,676**
Additions	**—**	**2,323**	**2,323**
Impairment loss recognised in profit or loss	**(285,676)**	**(2,323)**	**(287,999)**
At 30 September 2014	—	—	—

Notes:

(a) The balance of mining and exploration rights as at 30 September 2014 solely 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 MPL under the preliminary list. Zvezdametrika LLC ("**Z LLC**"), a wholly-owned subsidiary of the Company which owns the iron ore exploration concession, received a notice from the MRAM during the year ended 31 March 2010 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's 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 licensed 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 management, there was no revocation of its licences as at 30 September 2014.

As at 30 September, 2014, only limited exploration works have been done on the iron ore concession. During the six months ended 30 September 2014, the condition of the iron ore market in China has become considerably more unfavorable due to the significant drop in iron ore prices and the continuing fall in demand. In view of the present market sentiment, the development and production costs are expected to be high which will unlikely to achieve a positive return for the Group. Further, the exploration and the ongoing development of the iron mine would require additional capital by the Group and increase the Group's financial pressure in addition to the need for its coal mining business. Based on the aforesaid, the management is of the view that it is not in the Group's interest to develop and retain the iron mine and has decided to concentrate the Group's resources on the re-commencement of commercial production of the Khushuut Coal Mine. In view of the present pessimistic business outlook of the iron ore industry and the significant capital investment required to develop the iron ore concession, the management of the Group is of the opinion that it is likely to be difficult to identify a potential purchaser to acquire the iron ore concession in its current condition (also taking in account the uncertainties of the application of the MPL to the concession), before the exploration license expires in October 2015. Also, based on the research performed by management during the period, there are minimal transactions in the market in Mongolia for iron ore concessions due to the fact that current market conditions are making it uneconomic for market participants to invest in smaller iron ore concessions (in particular those in more remote regions without established infrastructure). The management has therefore determined that the recoverable amount of this iron ore exploration concession is likely to be minimal and has decided that the entire carrying amount was impaired during the six months ended 30 September 2014. Management has further decided that it is not appropriate to recognise any potential compensation that may ultimately arise from the application by the Mongolian government of the MPL.

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

As at 30 September 2014, the Group confirmed with the Ministry of Environment and Green Department of Mongolia that 2 exploration/mining concessions are overlapping with the forest areas or water basin protection zones and therefore might potentially be affected by the MPL (At 31 March 2014: 2). However, the management considers this would not have a significant financial impact to the Group.

(c) Exploration and mining licences are granted for an initial period of 3 and 30 years respectively. The exploration licences can be extended for three successive periods of 3 years each and mining licences for two successive periods of 20 years each. During the six months ended 30 September 2014, the Group has written off all costs related to the exploration and mining licences including those mentioned in (b) above as the management considers that the respective exploration licences are no longer fruitful. As a result, the corresponding evaluation and exploration assets are written off.

11. TRADE PAYABLES

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

	30 September 2014 *HK$'000*	31 March 2014 *HK$'000*
0 to 30 days	**22,803**	14,642
31 to 60 days	**851**	806
61 to 90 days	**—**	—
Over 90 days	**65,710**	52,688
	89,364	68,136

12. CONVERTIBLE NOTES AND OTHER FINANCIAL LIABILITY

	30 September 2014 *HK$'000*	31 March 2014 *HK$'000*
Convertible notes		
— not yet expired *(Note a)*	**434,421**	2,454,535
— expired with extension *(Note b)*	**2,695,515**	489,360
Other financial liability *(Note c)*	**322,111**	316,633
	3,452,047	3,260,528

Notes:

(a) Convertible notes not yet expired

The movement of the debt and derivative components of convertible notes for the period/year is set out below:

	Debt component		**Derivative component**		**Total**	
	30 September 2014 *HK$'000*	31 March 2014 *HK$'000*	**30 September 2014** *HK$'000*	31 March 2014 *HK$'000*	**30 September 2014** *HK$'000*	31 March 2014 *HK$'000*
At beginning of the period/year	**2,400,116**	2,851,129	**54,419**	96,811	**2,454,535**	2,947,940
Interest charge	**22,730**	264,716	**—**	—	**22,730**	264,716
Interest payable included in other payable	**(10,072)**	(145,151)	**—**	—	**(10,072)**	(145,151)
Amortisation of transaction cost	**—**	3,233	**—**	—	**—**	3,233
Fair value gain on derivative component	**—**	—	**(20,114)**	(42,392)	**(20,114)**	(42,392)
Reclassified	**(2,012,658)**	(793,638)	**—**	—	**(2,012,658)**	(793,638)
Loss on remeasurement of the debt component	**—**	219,827	**—**	—	**—**	219,827
At end of the period/year	**400,116**	2,400,116	**34,305**	54,419	**434,421**	2,454,535

Analysed for reporting purposes as:

	30 September 2014 HK$'000	31 March 2014 HK$'000
Current liabilities *(Note)*	**434,421**	2,454,535
Non-current liabilities	**—**	—
	434,421	2,454,535

Note:

In November 2013, as the Company defaulted on the redemption of certain convertible notes on the maturity date which triggered the Company's potential early redemption obligation under all other existing convertible notes, the liabilities relating to the HK$200 million 5% convertible note issued to Golden Infinity Co., Ltd. ("**Golden Infinity**")(the "**5% GI Convertible Note**") and HK$200 million 5% convertible note issued to Chow Tai Fook Nominee Limited ("**CTF**") (the "**5% CTF Convertible Note**") and HK$2 billion 3% convertible note issued to CTF (the "**3% CTF Convertible Note**") have been reclassified as current liabilities during the year ended 31 March 2014.

(b) Convertible notes expired with extension

3% CTF Convertible Note with maturity date 16 June 2014

During the six months ended 30 September 2014, the 3% CTF Convertible Note expired on 16 June 2014 and the Company had not redeemed the principal and repaid the interest thereon on its maturity, therefore, the Company was in breach of the redemption requirement under the 3% CTF Convertible Note. CTF had agreed to grant the Company a moratorium on repayment of the outstanding principal and interest under the expired note from 16 June 2014 to 12 August 2014 ("**Moratorium Period**") and the Moratorium Period had been further extended to 19 September 2014. As at 30 September 2014, the 3% CTF Convertible Note with carrying amount of HK$2.2 billion was unsecured and carried interest at a coupon rate of 3%.

3.5% convertible note with maturity date 12 November 2013

The 3.5% convertible notes with principal amount in aggregate of HK$466.8 million (the "**3.5% OZ Convertible Note**") was due on 12 November 2013 and its repayment date was extended to a period of six months until 12 May 2014 with a fixed interest rate of 3.5% per annum. The repayment date of the 3.5% OZ Convertible Note is further extended to 19 September 2014.

(c) Other financial liability

As at 30 September 2014, the amount represents the 3.5% convertible note to Golden Infinity with a principal value of HK$300 million (the "**3.5% GI Convertible Note**") which was reclassified from convertible notes to other financial liability on its maturity during the year ended 31 March 2014. The loan is unsecured and bears fixed rate of 3.5%.

On 19 September 2014, the Company entered into the subscription agreements with CTF, Golden Infinity and the holders of the 3.5% OZ Convertible Note, who conditionally agreed to subscribe for new 5-year 3% convertible notes at the subscription price which would be used for full settlement of the outstanding principal amount and accrued interest of the 3.5% GI Convertible Note included in the other financial liability, the 3% CTF Convertible Note, the 3.5% OZ Convertible Note and for early redemption of the outstanding principal amount and accrued interest of the existing 5% CTF Convertible Note and the existing 5% GI Convertible Note, subject to fulfilment of certain conditions including approval from Independent Shareholders. The subscription agreements became unconditional upon approval by the Independent Shareholders on 12 November 2014. The 2014 Subscriptions, amounting to HK$3,467.0 million, were completed on 21 November 2014.

13. CONTINGENT LIABILITIES

During the year ended 31 March 2013, the Company and MoEnCo have disputed about the scope of services provided by the former sole mining contractor and disagreed on the amount charged and the quality of services provided under the former mining contract and accordingly, refused to settle the contractor fees as claimed by the former sole mining contractor.

The former sole mining contractor issued two writ of summons on 14 February 2013 and 30 May 2013 claiming for the total sum of approximately HK$93.7 million of which approximately HK$50.0 million (2013: HK$50.0 million) has been provided for in the condensed consolidated financial statements as at 30 September 2014. Based on the opinion provided by legal counsel of the Company, the Directors consider that the payment of the remaining balance is not probable. During the six months ended 30 September 2014 and up to the date of this announcement, apart from the former sole mining contractor's intention to proceed, there was no development.

14. SUBSEQUENT EVENTS

The following events took place subsequent to 30 September

(a) On 19 September 2014, the board of the Directors proposed to put forward to the shareholders the Capital Reorganisation comprising (1) the share consolidation whereby every four issued existing shares of par value of HK$0.02 each would be consolidated into one consolidated share of par value of HK$0.08 each ("**Share Consolidation**"); (2) the reduction of the par value of the issued consolidated shares from HK$0.08 each to HK$0.02 each by cancelling the paid-up capital to the extent of HK$0.06 on each issued consolidated share (the "**Capital Reduction**"); (3) cancelling of the entire amount standing to the credit of the share premium account of the Company (the "**Share Premium Reduction**"); and (4) the transfer of the credit arising from the Capital Reduction and the Share Premium Reduction to the accumulated losses of the Company. The Capital Reorganisation became effective on 13 November 2014. Accordingly, the computation of loss per share in Note 8 has been adjusted for the consolidation of shares for both periods.

(b) As mentioned in Note 1, the Company had reached an acceptable debt restructuring with the Existing Lenders and entered into the 2014 Subscriptions. The 2014 Subscriptions were completed on 21 November 2014. Details of the 2014 Subscriptions are set out in the announcement of the Company dated 19 September 2014 and the circular of the Company dated 24 October 2014. The convertible notes issued by the Company contain both debt and conversion option components. At the date of issue, both the debt and conversion option components are recognised at fair value. In subsequent periods, the debt component is carried at amortised cost using the effective interest method and the conversion option derivative is measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. The Directors are in the process of assessing the potential financial impact of the transaction.

INTERIM DIVIDEND

The Directors do not recommend payment of an interim dividend for the Financial Period (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Our principal project is the Khushuut Coking Coal Project in Western Mongolia.

During the Financial Period, we remained focused on optimizing our coal production process and enhancing coal quality to make preparation for our coal production by the end of this year. The installation of main operative part of the washing plant in Xinjiang was completed during this period and is under test runs.

We have gained the continuing financial support from our convertible noteholders by entering into three subscription agreements with them in September. By eliminating the short term financial pressure, we could concentrate our resources in the development of our Khushuut Coking Coal Project.

RESULTS ANALYSIS

Revenue

During the Financial Period, the Group did not undergo any commercial operations, thus there was no recognition of revenue (2013: HK$0.5 million) and cost of sales (2013: HK$0.5 million).

Other Expenses

The commercial coal production of Khushuut Coal Mine came to a halt since October 2012, thus all related expenses incurred in Khushuut Coal Mine of HK$31.6 million (2013: HK$24.6 million) for the Financial Period were grouped under other expenses.

Administrative Expenses

The administrative expenses reduced by around 39% to HK$65.6 million (2013: HK$107.7 million) were mainly due to the following reasons:

(i) A reduction of staff costs due to no equity-settled share-based payment relating to share options granted by the Company during the Financial Period (2013: HK$13.4 million); and

(ii) In 2013, a one-off PRC property tax liabilities, penalty and surcharge for late payment relating to the disposal of a PRC investment property for approximately HK$6.6 million.

Impairment Loss on Exploration and Evaluation Assets

As disclosed in the announcement of the Company dated 30 May 2014, the Group intended to dispose of an exploration concession in Western Mongolia for ferrous resources. Up to the date of this announcement, no potential purchaser of this exploration concession had been identified. The development of the iron mine has not been started with only a limited exploration work has been done. The condition of the iron ore market in China has become unfavorable due to the significant drop on iron ore prices and the continuing fall on demand. In view of the present market sentiment, the development and production costs are expected to be high which will unlikely to achieve a positive return for the Group. Further, the exploration and the ongoing development of the iron mine would require additional capital by the Group and increase the Group's financial pressure in addition to the need for its coal mining business. Based on the aforesaid, the management is of the view that it is not the Group's interest to develop and retain the iron mine. In view of the pessimistic business outlook of the iron ore industry and there are minimal transactions in the market in Mongolia for iron ore concessions due to the fact that current market conditions are making it uneconomic for market participants to invest in smaller iron ore concessions, the management believed that it would be difficult to identify a potential purchaser to acquire the iron ore concession that is subject to the Mining Prohibition Law of Mongolia, before the exploration license expires in October 2015. The management has therefore determined that the recoverable amount of this iron ore exploration concession to be minimal and the entire amount was impaired during the Financial Period.

Impairment Review on Khushuut Related Assets (the "Mine Assets")

An impairment review was undertaken at the end of the Financial Period. By reference to a report prepared by an independent valuer, no impairment loss was required during the Financial Period. Same as previous years, the independent valuer adopted a value-in-use calculation approach to obtain the fair value of the Mine Assets as at 30 September 2014 and the major changes comparing to previous valuation as at 31 March 2014 were:

(i) The discount rate was 17.21% (At 31 March 2014: 18.5%). The decrease as at 30 September 2014 was due to the slight improvement in market environment which reduced the related risk premium and;

(ii) Estimated production costs were revised downward based on the latest information.

The Company believes that the estimates/assumptions applied in the assessment of recoverable amount by the independent valuer are reasonable. However, these estimates/assumptions are subject to significant uncertainties and judgments. The Company has made its best estimates of all relevant factors to be included in the value-in-use model based on the current available information. 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 period.

Finance Costs

According to the Company's accounting policy, finance costs arising from convertible notes are charged at effective interest rate on the debt component of respective convertible notes. The Company's default on redemption of the OZ Convertible Note in November 2013 triggered the Company's early redemption obligation under the 3% CTF Convertible Note and 5% GI & CTF Convertible Note. Accordingly, these convertible notes had been re-measured to their redemption amount and thereafter all related interest costs are being charged at respective coupon rate instead of respective effective interest rate. During the Financial Period, the interest costs in respect of all defaulted and unexpired convertible notes were charged at coupon rates within the range of 3% to 5% (2013: Effective interest rate within the range of 14.38% to 18.22%). This accounted for the dropped in finance costs during the Financial Period.

BUSINESS REVIEW

Coal Sales and Operation

During the Financial Period, there was no raw coking coal sold due to our coal production halt.

Coal Processing Infrastructures

During this period, we remained focused on optimizing our coal production process and enhancing coal quality by the erection of a dry coal processing plant in the Khushuut Coal Mine and building of a coal washing plant in Xinjiang, the PRC.

The on-site Dry Coal Processing Plant

The building of the dry coal processing plant (DPP) has been completed. The remaining ancillary work was the building of a dust and wind protection wall around the DPP.

The purpose of the dust and wind protection wall is to control the wind flow around the coal yard so that the amount of airborne dust is reduced during coal processing. It is 12 meters tall, around 1,160 meters long, and will be built around three sides of the DPP in Khushuut. The erection of the dust and wind protection wall was completed in November 2014.

The operation of the DPP under the test runs was satisfactory.

Coal Washing Plant in Xinjiang

In September 2014, installation of all processing equipments of the coal washing plant were completed. We conducted a series of test runs in September immediately thereafter. All civil construction works were completed in October 2014. For this purpose, we exported approximately 3,200 tonnes of raw coking coal from our Khushuut Coal Mine to Xinjiang for trial testing at the end of September 2014. The results of the test runs for the coal washing plant have been satisfactory so far.

These coal processing infrastructures will complement our coal production process and enhance the coal quality as and when we resume production. If everything runs smooth, these infrastructures will formally put into operation upon coal production.

Mining and Other Contractors

We appointed an overburden removal contractor in April 2014 and a coal extraction contractor in July 2014 to prepare for our coal production by the end of the year. The overburden removal contractor is principally required to provide blasting, removal of topsoil and overburden covering the coal to be extracted for the subsequent coal mining to take place. The principal job of the coal extraction contractor is to provide coal extraction services after the coal seam is exposed. It also provides loading and haulage of extracted coal services on the mine site. Both contractors are now working at the Khushuut Coal Mine in preparation of the forthcoming full scale commercial export. In September, approximately 570,000 bank cubic meters (bcm) of overburden had been stripped by the overburden removal contractor and 140,000 tonnes of raw coal had been extracted by the coal extraction contractor.

Apart from these field work contractors, we have also appointed five external coal trucking companies with a total of over 120 heavy-duty trucks to provide coal transportation services for our coal export.

Other Site Constructions and Preparations

Yarant border area preparation

The Mongolian customs requested us to build certain minor facilities including a disinfection tank, an inspection platform, and to improve section of the road at the Mongolian Yarant border to prepare for the forthcoming export of coal. We appointed our coal extraction contractor to carry out these additional works and it had completed building the disinfection tank, the exit road enhancement works and the inspection platform at the end of September 2014. MoEnCo could use these complemented facilities to facilitate the traffic flow and improve the export process in coal export.

Khushuut Road

Rain storm had caused damages to different sections of the 311 km Khushuut Road at the end of June 2014. The road repairing works to fix these damages was commenced in September 2014 and we expect to complete by the end of this year. Apart from the road repairing works, we had engaged a contractor to provide road clearing and maintenance services for the Khushuut Road during winter season.

Customers and Sales

Due to our continued halt of coal production, we did not actively market for new customers during the Financial Period. Although we have not looked for new customers, we proactively liaised with our existing customer regarding our preparation progress.

Licences Matters

We continued to adopt prudent expenditure policy and had returned 10 non-potential exploration and mining licences to the government of Mongolia during the Financial Period. The giving up or return of these licences will not have any material impact on the Group's financial condition and results of operation.

As disclosed in our announcement dated 30 May 2014, we planned to dispose of exploration concession for ferrous resources our in Bayan-Ulgii. Up to the date of this announcement, no potential purchaser of this deposit had been identified, and we will continue to look for a potential purchaser. As at 30 September 2014, an impairment loss was recognised in respect of this exploration concession. Please refer to the paragraph of Results Analysis for detailed information.

Legal and Political Aspects

During the Financial Period, the government of Mongolia continued to roll out its reforms with a view to reversing certain legislative enactments that had dampened effect on the confidence of foreign investors. Apart from the notable Investment Act which came into force on 1 November 2013 and a number of other enactments, the Mongolian government amended its Minerals Law on 1 July 2014 to provide a more stable investment environment for investors in the mining sector.

The amendments to the Minerals Law (the "**Amendments**") bring about the following changes, among others, to improve the existing legal framework relating to mining:

(a) A mineral deposit having a potential impact on the economic and social development of Mongolia or one of its regions would have the possibility of being determined as a "mineral deposit of strategic importance". Such classification would allow the Mongolian government to participate in certain percentage of ownership in the deposit. Under the Amendments, mineral deposits which are influential at regional level are removed from the scope of "strategic deposits", leaving only those deposits with national significance. This change has made the definition of strategic deposits clearer and restrictive. In this regard, our Khushuut deposit is less susceptible to be determined as a "strategic deposit" in the future;

(b) The interim moratorium for not granting new exploration licences was lifted. The Mongolian government will start to grant new exploration licences again to investors interested to pursue exploration activities in Mongolia; and

(c) The maximum area which may be licensed under a single exploration licence was reduced from 400,000 to 150,000 hectares. In addition, an exploration licence (save for those licences for radioactive minerals) which used to have a life span of nine years (a three-year term which could be extended for two times), may now be extended for three times, meaning that an exploration licence may have a total duration of twelve years. We anticipate such move will enable more investors to participate in the stagnant mineral sector.

The changes under the Amendments are expected to boost foreign and domestic investment. These demonstrate the determination of the Mongolian government to restore confidence of investors in the mining sector.

Disputes with Contractors

With Leighton

Two writs of summons were taken out by Leighton in 2013 claiming the Company for MNT12.2 billion (Mongolian Tugrik) (approximately HK$57.3 million) and MNT7.7 billion (approximately HK$36.4 million) respectively.

In September 2013, we received the mediation notices from Leighton. According to these notices, Leighton proposed a stay of proceedings pending the mediation. The mediation has yet to proceed. We have recently received a notice of intention to proceed from the legal representative of Leighton. Apart from this, there is no development.

With a Xinjiang contractor

MoEnCo used to have a Chinese contractor (SJ) in Xinjiang, PRC, to provide coal washing and blending services for MoEnCo in the form of co-operation for three years. The contract was signed by MoEnCo and SJ in June 2012 and the purpose was to improve the unsatisfactory coking coal delivered to and sat in Xinjiang by blending our coal with SJ's. The blended products would then subsequently be washed for sale in Xinjiang.

SJ terminated the co-operation and lodged an arbitration application against MoEnCo and the Company for a claim of approximately RMB32 million (approximately HK$40 million), being refund of the payment it made in advance on behalf of MoEnCo (mainly tax, levy, and other costs incurred in the PRC) and loss of profit, and interest, etc. for breach of contract. The payment made in advance in the amount of approximately RMB11 million (approximately HK$13.7 million) had been provided for in our consolidated financial statements.

The arbitration was initially heard in November this year and it has been adjourned for a date to be fixed.

Others

Capital Reorganisation

On 19 September 2014, the Board proposed a capital reorganisation ("**Capital Reorganisation**") comprising:

(i) share consolidation whereby every four issued existing shares of the Company of par value of HK$0.02 each would be consolidated into one consolidated share of par value of HK$0.08 each ("**Consolidated Share**");

(ii) capital reduction whereby the par value of each issued Consolidated Share would be reduced from HK$0.08 to HK$0.02 by cancelling the paid-up capital to the extent of HK$0.06 on each issued Consolidated Share and any fractional Consolidated Share in the issued share capital of the Company arising from the share consolidation would be cancelled ("**Capital Reduction**");

(iii) share premium reduction whereby the entire amount standing to the credit of the share premium account of the Company would be cancelled ("**Share Premium Reduction**");

(iv) transfer of the credit arising from the Capital Reduction and the Share Premium Reduction to the contributed surplus account of the Company; and

(v) application of the contributed surplus account of the Company to set off the accumulated losses of the Company as permitted by the Bermuda Companies Act and the bye-laws of the Company.

The Capital Reorganisation was effective on 13 November 2014.

Change in Board Lot Size

Apart from the Capital Reorganisation, the Board also proposed to change the board lot size for trading on the Stock Exchange from 1,000 shares to 3,000 shares upon the Capital Reorganisation becoming effective.

Subscription of Convertible Notes

Upon expiry of the our 3.5% GI Convertible Note, 3% CTF Convertible Note and the SF Convertible Notes, we exercised our best endeavour to engage in negotiations with these convertible noteholders for refinancing arrangement and finally reached a mutually acceptable restructuring plan during the Financial Period.

On 19 September 2014, the Company entered into (i) a subscription agreement with Golden Infinity Co., Ltd. ("**GI Subscriber**") pursuant to which the Company conditionally agreed to issue and the GI Subscriber conditionally agreed to subscribe a 5-year 3% convertible note ("**2014 GI Convertible Note**"); (ii) a subscription agreement with Chow Tai Fook Nominee Limited ("**CTF Subscriber**") pursuant to which the Company conditionally agreed to issue and the CTF Subscriber conditionally agreed to subscribe for a 5-year 3% convertible note ("**2014 CTF Convertible Note**"); and (iii) subscription agreements with Sculptor Finance (MD) Ireland Limited, Sculptor Finance (AS) Ireland Limited and Sculptor Finance (SI) Ireland Limited ("**SF Subscribers**") pursuant to which the Company conditionally agreed to issue and the SF Subscribers conditionally agreed to subscribe for the 5-year 3% convertible note ("**2014 SF Convertible Notes**") (the subscription agreements together, the "**Subscription Agreements**").

The subscription amounts of the 2014 GI Convertible Note, the 2014 CTF Convertible Note, and the SF Convertible Notes would be used for full settlement and early redemption of the outstanding principal amounts and accrued interest under the convertible notes of the Company.

A special general meeting of the Company was held on 12 November 2014 to consider the Capital Reorganisation, the Subscription Agreements and the whitewash waiver. All the resolutions had been passed by the shareholders at the meeting. The issue of the convertible notes was completed which the 2014 GI Convertible Note, the 2014 CTF Convertible Note, and the 2014 SF Convertible Notes were issued to the relevant holders on 21 November, 2014. The aggregate principal amount of these convertible notes issued is approximately HK$3,467.0 million.

FINANCIAL REVIEW

1. Liquidity and Financial Resources

During the Financial Period, the Group's capital expenditure and working capital were funded by short term loans granted by Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), chairman of the Company.

The borrowings of the Group as at 30 September 2014 comprised convertible notes, advances from Mr. Lo and other financial liabilities amounting to HK$4,415.4 million (At 31 March 2014: HK$4,040.7 million) and all these borrowings were current liabilities.

As at 30 September 2014, the cash and bank balances were HK$44.3 million (At 31 March 2014: HK$48.6 million) and the liquidity ratio was 0.03 (At 31 March 2014: 0.03).

The Group had net current liabilities of approximately HK$4,513.4 million as at 30 September 2014. In order to address the liquidity issues, the Group had engaged in debt restructuring discussion with various convertible noteholders and other loan providers ("**Existing Lenders**") during the Financial Period. After the Financial Period, the Company and Existing Loan Providers entered into subscription agreements to which the Company agreed to issue and the Existing Loan Providers agreed to subscribe for new 5-year 3% convertible notes to replace their outstanding principal amounts and any outstaying accrued interests as at the completion date of these subscription agreements. All the subscription agreements were completed on 21 November

2014 and the aggregate principal amounts of these new 5-year 3% convertible notes were HK$3,467.0 million. Apart from the debt refinancing, Mr. Lo continues to offer his financial support to the Group during and after the Financial Period.

Accordingly, the Directors of the Company are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future and the reasons are further explained in Note 1 to the condensed consolidated financial statements.

2. Investment in Listed Securities

As at 30 September 2014, the Group's held-for-trading investments comprised of equity securities listed in Hong Kong with fair value of HK$59.9 million (At 31 March 2014: HK$56.3 million).

3. Charge on Group's Assets

There was no charge on the Group's assets as at 30 September 2014 (At 31 March 2014: Nil).

4. Gearing Ratio

As at 30 September 2014, the gearing ratio of the Group was 0.56 (At 31 March 2014: 0.50) which was calculated based on the Group's total borrowings to total assets.

5. Foreign Exchange

The Group mainly operates in Mongolia, Hong Kong and Mainland China. The Group's assets and liabilities are mainly denominated in Mongolian Tugrik, Hong Kong dollar, Renminbi and United States dollar. 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

The details of the Group's contingent liabilities as at 30 September 2014 are disclosed at note 13 to the condensed consolidated financial statements.

OUTLOOK

After the appointment of our field contractors, they have been working in full gear and tirelessly for our Khushuut Coal Mine. We are engaged in the test running of our coal processing facilities in Khushuut and Xinjiang respectively and other production related matters. The test runnings so far met with our satisfaction. All progress of our Khushuut Coking Coal Project is on track as planned.

In order to determine the quality of our coal and the appropriate selling price, in November, we shipped out approximately 15,000 tonnes raw coking coal from our coal mine to Xinjiang and for testing by our customer. Upon customer's satisfaction with the quality of the coal and an agreement on the selling price, we will commence commercial coal export shortly, hopefully to take place before the end of this year.

In respect of the Mongolian investment climate, after years of economic plunging, we have seen the solid determination of the Mongolian government to push its way out by introducing affirmative governmental policy and various positive legislative amendments to galvanize its mining industry.

We believe these changes will bring about economic and political stability in Mongolia which will gradually re-attract foreign investors into Mongolia. The continuous improvement has positive impact on the development of our Khushuut Coking Coal Project.

Our principal market is China. Although being affected by the global economy, we are, however, optimistic that the policies of China will continue to promote its economy and gradually support the recovery of the coking coal market. Xinjiang has abundant coking coal supply either in its area or its vicinity; however, the type of our coking coal is in short supply. Therefore, we have confidence that we will benefit from high demand of the Xinjiang market.

In view of our present progress, including our readiness for commercial coal export, and the favourable economic policy of Mongolia, the support of our convertible noteholders and our shareholders, we are optimistic of our developments.

HUMAN RESOURCES

As at 30 September 2014, the Group employed 453 full time employees in Hong Kong, Mongolia, and the PRC. 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 periodic basis. Apart from the retirement schemes, year-end bonus, and share options are awarded to the employees according to the performance of the Group, assessment of the individual's 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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the Financial Period.

CORPORATE GOVERNANCE

The Board recognises the importance of maintaining a high standard of corporate governance practice to protect and enhance the benefits of the shareholders. The Board and the management of the Company have joint responsibilities to maintain the interest of the shareholders and the sustainable development of the Group. The Board also believes that good corporate governance practices can facilitate rapid growth of a company under a healthy governance structure and strengthen the confidence of the shareholders and investors.

During the Financial Period, the Company had applied the principles of and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), save for the following deviations:

i. Under the code provision A.4.1 of the CG Code, 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 which constitutes a deviation from the code provision A.4.1 of the CG Code. However, they are subject to retirement by rotation under the Bye-laws of the Company. Therefore, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices in this respect is no less exacting than those set out in the CG Code.

ii. Code provisions A.5.1 to A.5.4 of the CG Code require a nomination committee to be set up, chaired by the chairman of the board or the independent non-executive director, and comprises a majority of independent non-executive director, to review the structure, size and composition of the board at least annually to complement the issuer's corporate strategy.

    The Company has not set up a nomination committee as required. The Board considers that it should be the responsibility of the full Board to review these matters and make decisions from time to time. The Board has already set out the criteria for selection of a Director under its internal policy. According to the Bye-laws of the Company, any newly appointed Directors are required to offer themselves for re-election at the next general meeting. Furthermore, in order to ensure a right candidate to be selected to serve the Board effectively, all shareholders have the right to nominate a Director and are encouraged to vote at re-election of the Director held at the annual general meetings ("**AGM**").

iii. Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend AGM.

    Due to another business engagement, the Chairman did not attend the 2014 AGM. An Executive Director took the chair of the 2014 AGM and answered questions raised from the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Chairman of the Audit and Remuneration Committees of the Company was also present and available to answer questions at the 2014 AGM. Other than the AGM, the shareholders may 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 Code for Securities Transactions by Directors (the "**Code**"), which are 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 (the "**Employees' Guidelines**") on terms no less exacting than the Model Code for securities transactions by relevant employees of the Group who are likely to be in possession of unpublished inside 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 and the Employees' Guidelines have been published on the Company's website at www.mongolia-energy.com.

During the period of sixty days immediately preceding and including 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 the Directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published.

During the period of thirty days immediately preceding and including the publication date 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 the 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 the Legal and Compliance Department will send reminders prior to the commencement of such period to all the 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.

The Directors are required to confirm in writing that they have complied with the required standards set out in the Model Code and the Code throughout the Financial Period. The Company has made specific enquiry to ask the Directors for this purpose and no non-compliance of the Model Code and the Code has been noted.

AUDIT COMMITTEE

The Audit Committee has three members, all of whom are independent non-executive Directors. Mr. Lau Wai Piu is the chairman of the Audit Committee. He has appropriate professional qualifications, accounting and related financial management expertise.

The Audit Committee has reviewed the unaudited interim financial information of the Group for the six months ended 30 September 2014 in conjunction with Deloitte Touche Tohmatsu ("**Deloitte**"), the Company's independent auditor. Such review does not constitute an audit on the basis of review conducted by Deloitte. The review report issued by Deloitte will be set out in the interim report of the Company.

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

Hong Kong, 26 November 2014

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