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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT

TERMINATION OF THE OVERBURDEN REMOVAL SERVICES

This announcement is made by Mongolia Energy Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

We refer to the Company’s announcement dated 30 April 2015 relating to the temporary suspension of the overburden removal works. Soon after the suspension, we discussed the working plans with the overburden removal contractor in relation to the overburden removal works, taking into account the current sliding coal market conditions which have impacted our financial conditions. We proposed a slash in overburden removal works from now until 31 December 2015 and the settlement method of their service fees so as to alleviate our operating expenses and cash outflow.

However, both parties are unable to reach a mutually acceptable solution regarding the relevant arrangement. As we anticipate that the weak coal market will continue, in order to save our operating expenses, we issued a notice of termination to the overburden removal contractor on 25 May 2015 to terminate the overburden removal contract pursuant to the terms of the relevant mining agreement. The termination will be effective on 24 July 2015. Based on our Mongolian legal advice, we may require to pay US\$1 million indemnity to the contractor if we terminate the contract for convenience under the said agreement. In addition, we may, at our option, purchase any useful mining equipment from the contractor up to an extent of US\$4 million at our selection. The decision is to respond to the oversupply of coal in the People’s Republic of China and to reduce production in light of the weak market conditions.

Apart from the above, prior to termination, the outstanding mining service fees of the overburden removal contractor is estimated to be US\$7 million, we will discuss with the contractor further for amicable settlement terms.

In the meantime, we have also requested the coal extraction works to stop temporarily for the time being. We will discuss with the mining extraction contractor for a revised planning acceptable to us. We will continue to export coking coal from our existing accumulated stockpiles on-site. However, if we are unable to reach a mutually acceptable planning with our mining extraction contractor, we will consider other alternative measures including deployment of our own team to perform the mining works.

The measures taken are intended to preserve our cash position to ensure we have sufficient working capital for our business in the ordinary course. The Company will continue to review its coal operations in the prevailing economic climate. In addition, the termination of the services of one of the mining contractors and the current market conditions will affect the mine plan which may impact the valuation of the Group's mining assets resulting in non-cash impairment loss for this financial year. Further announcement will be made when necessary and in compliance with the requirements of the Listing Rules.

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

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

Hong Kong, 26 May 2015

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.