MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

INSIDE INFORMATION

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

The board of directors of the Company (the "**Board**") wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that the unaudited gross profit of the Group for the five-month period ended 31 August 2021 (the "**Review Period**") based on the latest management accounts was approximately HK$376.1 million. The management of the Company expects there would be a significant increase in gross profit for the six-month period ended 30 September 2021 when compared to the last corresponding period (30 September 2020: HK$99.5 million) ("**Last Corresponding Period**"). The unaudited revenue of the Group for the Review Period based on the latest management accounts was approximately HK$853.2 million while it was HK$268.9 million for the Last Corresponding Period.

The increase in gross profit under the Review Period is principally due to our comparatively poor performance in the Last Corresponding Period. Since the outbreak of COVID-19 in both Mongolia and China in 2020, border closures of both countries took place frequently which impacted our coal export efficiency. With the gradual improvement in the disease preventive measures and the implementation of seven-day opening of the borders for shipping since February this year, we were able to boost our coal export volume from Mongolia to China under the Review Period.

The financial results for the six-month period ended 30 September 2021 of the Group (the "**2021 Interim Results**") is uncertain at present moment due to the review exercises for the recoverable amount assessment on Khushuut mine and the fair value changes on derivative components of convertible notes issued in March 2020 which are still underway. These exercises will only be finished at an advanced stage shortly before the publication of the 2021 Interim Results. However, these accounting items are non-cash in nature and will not affect the cash flow of the Group.

The Company is still in the process of finalising the 2021 Interim Results. The information contained in this announcement is a preliminary assessment made by the Board based on information currently available to the Group, including the latest unaudited consolidated management accounts, which have not been audited or reviewed by the independent auditor or the audit committee of the Company and is subject to adjustments or amendments. Detailed financial information and performance of the Group for the 2021 Interim Results is expected to be published in November 2021.

Business update

Due to the heavy and intensive use of the Khushuut Road for shipping in the past, in particular during the Review Period, there were worn-out conditions on the road. We were required to carry out road repair and enhancement works in September 2021 to fulfil the Mongolia standards. Coal delivery to our customers in China were seriously interrupted during this period. The road enhancement works were completed in early October 2021.

However, due to the recent escalation of the COVID-19 in Mongolia and reported cases in the Xinjiang areas, the Chinese government requested to escalate the pandemic protection requirements at our coal shipping border this month. Accordingly, the border has been temporarily closed and our coal export to China has to be halted. There is no current timetable as to when the border will be reopened and it depends on controlling measures taken between the two governments and their negotiations. If the coal export suspension is prolonged, it will have an adverse impact on the sales and cashflow of the Group. Under these circumstances not under our control, our performance in the second half of the financial period this year would be full of challenge.

We will closely monitor the developments and publish further announcements as and when appropriate.

Shareholders of the Company 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, 29 October 2021

As at the date of this announcement, the board of directors of the Company comprises eight directors, including Mr. Lo Lin Shing, Simon, Ms. Yvette Ong, Mr. Lo, Rex Cze Kei and Mr. Lo, Chris Cze Wai as executive directors, Mr. To Hin Tsun, Gerald as non-executive director, and Mr. Tsui Hing Chuen, William JP, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank as independent non-executive directors.