

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 276)

MEC CONSORTIUM WINS INTERNATIONAL TENDER WITH THE GOVERNMENT OF MONGOLIA OVER PETROLEUM EXPLORATION BLOCK ERGEL-XII OF AROUND 1.1828 MILLION HECTARES (11,828 SQ. KM) IN THE EAST GOVI BASIN NEARBY INNER MONGOLIA

CONNECTED TRANSACTION

RESUMPTION OF TRADING

MEC consortium wins international tender

MEC is pleased to announce that, following its earlier announcement of August 18, 2008, MEC as a 20% consortium member, was informed yesterday that the MEC consortium won the international tender with the Government of Mongolia over Petroleum Exploration Block Ergel-XII. The petroleum block is around 1.1828 million hectares (11,828 sq. km.) in the East Govi Basin, nearby Inner Mongolia. The tender was implemented through the Mineral Resources and Petroleum Authority of Mongolia (MRPAM). From MEC's perspective, MEC is pleased with this high level of international co-operation with the Government of Mongolia.

The tender terms

Under the successful tender terms, the MEC consortium will pay a negligible land surface rental fee per annum for the petroleum block. The MEC consortium will also be responsible to explore for oil and gas and pay for all exploration related expenses. When oil and gas is produced, the Government of Mongolia will be entitled to a royalty payment and the MEC consortium will be entitled to cost recovery for the exploration and production expenses, subject to a cap, from the gross oil and gas produced. The net oil and gas production after these payments shall then be shared amongst the MEC consortium and the Government of Mongolia, with the Government of Mongolia having a larger share than the MEC consortium on the net basis of the oil and gas production. The detailed commercial terms will be subject to confidentiality undertakings under the production sharing contract ("PSC") to be finalized. In any event, from a commercial perspective is highly confidential information to international competitors.

The duration of the concession

In accordance with international practice, the MEC consortium and the Government of Mongolia will enter into a PSC for the grant of the concession and sharing of the benefits in accordance with the successful tender terms. Under the usual form of the PSC with the Government of Mongolia, the MEC consortium will have initially a 5-year period (with up to

two further 2-year period extensions) for exploration for oil and gas and thereafter, depending on the presence of discovery, for a further 20-year period (with up to two further 5-year period extensions) for recovery of oil and gas from any commercial discovery wells. This is subject to the terms of the final PSC and its ratification by the Government of Mongolia.

Co-Operation with CNPC Group

The MEC consortium shall call upon 中國石油大慶石油管理局 (CNPC Daqing Petroleum) under an agreement of December 12, 2007 between MEC and CNPC Daqing Petroleum to assist the MEC consortium's activities on petroleum exploration and research, including through any appropriate affiliates of CNPC Daqing Petroleum. As mentioned, the MEC consortium is entitled to cost recovery under the exploration and production, subject to a cap, from the gross oil and gas produced.

Details of the Petroleum Exploration Block

The Petroleum Exploration Block Ergel-XII is located at Dornogovi province of Mongolia. The size of the block is around 1,182,800 hectares (11,828 sq km). It is 150 km away, at the closest point, from the border with China at the Zamyn-uud/Erlan crossing with Inner Mongolia and the general area has rail and road transport infrastructure. The geological structure of the basin area of the petroleum block is of a Lacustrine (that is, of a lake) formation with geological ages varying from Jurassic to Lower Cretaceous and Upper Cretaceous periods. It is in the same geological basin as East Govi Basin over which there has already been discovery of oil under two oilfields, 75km away, also located within the East Govi Basin. The MEC consortium will conduct exploration for discovery of oil and gas wells with the assistance of the CNPC Daqing Petroleum including through any appropriate affiliates of CNPC Daqing Petroleum, as mentioned above, and other expert consultants from time to time.

The Consortium Agreement

The MEC consortium was established under the consortium agreement of July 31, 2008 made between MEC and Mr. Liu Cheng Lin ("**Mr. Liu**"). Under the consortium agreement, MEC is a 20% consortium member and Mr. Liu is an 80% consortium member, with rights and obligations on a pro rata basis. In accordance with the terms of the tender, the MEC consortium's minimum commitment over the next 5 years for exploration and other related expenses is around US\$52,770,000, not including any production expenses for any discovery wells during this period, if any, which is anticipated to be funded by the gross oil and gas produced. MEC will share 20% of this commitment, or around US\$10,554,000. The MEC consortium is implemented through a 20(MEC):80(Mr. Liu) shareholding in a holding company called MoOiCo LLC established in Mongolia. Under the consortium agreement, all costs and expenses, profits are on pro rata basis and no upfront payment by MEC is required.

Reasons for entering into the Consortium Agreement

MEC's energy and resources projects in Mongolia are in the western part of Mongolia. The invitation by Mr. Liu for MEC to participate in the MEC consortium provides an opportunity to MEC to expand into an energy project in the southern part of Mongolia. This may open up further opportunities for energy and related resources projects in the southern part of Mongolia. Further, the southern part of Mongolia is also in the vicinity of Inner Mongolia and has in general a transport infrastructure better than other areas of Mongolia. To MEC's understanding there is also in general a high demand for energy and resources in Inner Mongolia as part of the PRC. Thus, the project opens up another potential market area for MEC, that is, Inner Mongolia, PRC. In terms of the project itself, there was international competition for the

tender. This reflects the global international demand for oil and gas. Also, in terms of exposure, MEC's 20% share of the exploration commitment is manageable from the internal resources of MEC and recoverable from any gross oil and gas produced. Thus, MEC believes that this project represents an attractive opportunity for MEC.

In view of the estimated exploration commitment and the market opportunities mentioned above, the directors, including the independent non-executive directors, are of the view that the present transaction is fair and reasonable and in the interest of the Company and the shareholders as a whole.

Listing Rules implication

Mr. Liu is a substantial shareholder to MEC and hence a connected person under the meaning of the Listing Rules. The consortium agreement between MEC and Mr. Liu constitutes a connected transaction to MEC under Chapter 14A of the Listing Rules.

The successful tender sets out the basis to determine the capital commitment of MEC under the consortium agreement of around US\$10,554,000 (as referred above). As this amount is less than 2.5% of the applicable percentage ratios under the Listing Rules applicable to MEC, this announcement complies with the announcement requirement under the Listing Rules. Further, as the consortium agreement is subject only to compliance with the Listing Rules requirements by MEC, and this announcement complies with such requirement, the consortium agreement is now unconditional and binding upon the parties thereto.

Caution when dealing with the shares and securities of MEC

The PSC has procedurally to be finalized and ratified by the Government of Mongolia and shareholders and investors should exercise caution when dealing in the shares and securities of MEC.

Resumption of trading

At the request of MEC, trading in the shares of MEC was suspended with effect from 9.42 a.m. on September 12, 2008. An application has been made by MEC to the Stock Exchange for resumption of trading in the shares with effect from 9:30 a.m. on September 16, 2008.

MEC consortium wins international tender

MEC is pleased to announce that, following its earlier announcement of August 18, 2008, MEC as a 20% consortium member, was informed yesterday (as at the end of trading) that the MEC consortium won the international tender with the Government of Mongolia over Petroleum Exploration Block Ergel-XII. The petroleum block is around 1.1828 million hectares (11,828 sq. km.) in the East Gobi Basin, nearby Inner Mongolia. The tender was implemented through the Mineral Resources and Petroleum Authority of Mongolia (MRPAM). From MEC's perspective, MEC is pleased with this high level of international co-operation with the Government of Mongolia.

The tender terms

Under the successful tender terms, the MEC consortium will pay a negligible land surface rental fee per annum for the petroleum block. The MEC consortium will also be responsible to explore for oil and gas and pay for all exploration related expenses. When oil and gas is produced,

the Government of Mongolia will be entitled to a royalty payment and the MEC consortium will be entitled to cost recovery for the exploration and production expenses, subject to a cap, from the gross oil and gas produced. The net oil and gas production after these payments shall then be shared amongst the MEC consortium and the Government of Mongolia, with the Government of Mongolia having a larger share than the MEC consortium on the net basis of the oil and gas production. The detailed commercial terms will be subject to confidentiality undertakings under the production sharing contract (“PSC”) to be finalized. In any event, from a commercial perspective is highly confidential information to international competitors.

The duration of the concession

In accordance with international practice, the MEC consortium and the Government of Mongolia will enter into a PSC for the grant of the concession and sharing of the benefits in accordance with the successful tender terms. Under the usual form of the PSC with the Government of Mongolia, the MEC consortium will have initially a 5-year period (with up to two further 2-year period extensions) for exploration for oil and gas and thereafter, depending on the presence of discovery, for a further 20-year period (with up to two further 5-year period extensions) for recovery of oil and gas from any commercial discovery wells. This is subject to the terms of the final PSC and its ratification by the Government of Mongolia. The PSC will allow MEC consortium to explore the block and there is no separate permit needed.

Co-Operation with CNPC Group

The MEC consortium shall call upon 中國石油大慶石油管理局 (CNPC Daqing Petroleum) under an agreement of December 12, 2007 between MEC and CNPC Daqing Petroleum to assist the MEC consortium’s activities on petroleum exploration and research, including through any appropriate affiliates of CNPC Daqing Petroleum. This is unlikely to include CNPC (Hong Kong) Limited (stock code: 135) which as with CNPC Daqing Petroleum is a member of the CNPC group of companies. As mentioned, the MEC consortium is entitled to cost recovery under the exploration and production, subject to a cap, from the gross oil and gas produced. For the avoidance of doubt, the MEC consortium will have to conclude an agreement with CNPC Daqing Petroleum prior to any actual assistance by CNPC Daqing Petroleum. Thus, at this stage there are no contractor’s terms available.

Details of the Petroleum Exploration Block

The Petroleum Exploration Block Ergel-XII is located at Dornogovi province of Mongolia. The size of the block is around 1,182,800 hectares (11,828 sq km). It is 150 km away, at the closest point, from the border with China at the Zamyn-uud/Erlian crossing with Inner Mongolia and the general area has rail and road transport infrastructure. The geological structure of the basin area of the petroleum block is of a Lacustrine (that is, of a lake) formation with geological ages varying from Jurassic to Lower Cretaceous and Upper Cretaceous periods. It is in the same geological basin as East Govi Basin over which there has already been discovery of oil under two oilfields, 75km away, also located within the East Govi Basin. The MEC consortium will conduct exploration for discovery of oil and gas wells with the assistance of the CNPC Daqing Petroleum including through any appropriate affiliates of CNPC Daqing Petroleum, as mentioned above, and other expert consultants from time to time.

The Consortium Agreement

The MEC consortium was established under the consortium agreement of July 31, 2008 made between MEC and Mr. Liu Cheng Lin (“**Mr. Liu**”). Under the consortium agreement, MEC is a 20% consortium member and Mr. Liu is an 80% consortium member, with rights and

obligations on a pro rata basis. In accordance with the terms of the tender, the MEC consortium's minimum commitment over the next 5 years for exploration and other related expenses is around US\$52,770,000 (which is provided by the professional team of the consortium with their expertise and taking into account the geological information of the petroleum block), not including any production expenses for any discovery wells during this period, if any, which is anticipated to be funded by the gross oil and gas produced. As any production expenses will only be incurred in the event that the project is feasible for commercial production following the results of exploration, at this stage, there is no estimate as to the level of any production expenses for ascertaining the commitment levels of MEC in relation to such commercial production. For avoidance of doubt, the MEC consortium did not tender on the basis that there was any need to pay any up-front premium for obtaining the project. MEC did fund US\$400,000 on August 14, 2008, as a provision for pro rata expenses for tendering this project. The sum of US\$52,770,000 commitment under the tender is to be spent on exploration expenses, save and except for US\$400,000 for restoring natural land surface. MEC will share 20% of this commitment, or around US\$10,554,000. The MEC consortium is implemented through a 20(MEC):80(Mr. Liu) shareholding in a holding company called MoOiCo LLC established in Mongolia. Under the consortium agreement, all costs and expenses, profits are on pro rata basis and no upfront payment by MEC is required.

Reasons for entering into the Consortium Agreement

MEC's principal business activities are in the energy and related resources areas. MEC's business activities include the acquisition of energy and related resources projects in Mongolia and Xinjiang, PRC, including in the western part of Mongolia for exploration and eventual commercial exploitation of such projects, where viable.

The invitation by Mr. Liu for MEC to participate in the MEC consortium provides an opportunity to MEC to expand into an energy project in the southern part of Mongolia. This may open up further opportunities for energy and related resources projects in the southern part of Mongolia. Further, the southern part of Mongolia is also in the vicinity of Inner Mongolia and has in general a transport infrastructure better than other areas of Mongolia. To MEC's understanding there is also in general a high demand for energy and resources in Inner Mongolia as part of the PRC. Thus, the project opens up another potential market area for MEC, that is, Inner Mongolia, PRC. In terms of the project itself, there was international competition for the tender. This reflects the global international demand for oil and gas. Also, in terms of exposure, MEC's 20% share of the exploration commitment is manageable from the internal resources of MEC and recoverable from any oil and gas produced. Thus, MEC believes that this project represents an attractive opportunity for MEC.

In view of the estimated exploration commitment and the market opportunities mentioned above, the directors, including the independent non-executive directors, are of the view that the present transaction is fair and reasonable and in the interest of the Company and the shareholders as a whole.

MoOiCo LLC will be treated as an associated company of MEC and its results, assets and liabilities will be incorporated into the Group's consolidated financial statements using equity method of accounting.

The information on Mr. Liu

Mr. Liu is a party to the initial acquisition of the 34,000 hectares of exploration and mining concessions in western Mongolia as detailed under MEC's circulars of March 22, 2007 and June 25, 2007. There are also various other agreements entered with Mr. Liu as set forth under various announcements of MEC.

The risk factors

The risk factors set out under the circulars of March 22, 2007 and June 25, 2007 shall be applied to the present transaction with suitable modifications for oil and gas instead of coal, ferrous and non-ferrous metals resources.

Listing Rules Implication

Mr. Liu is a substantial shareholder to MEC and hence a connected person under the meaning of the Listing Rules. The consortium agreement between MEC and Mr. Liu constitutes a connected transaction to MEC under Chapter 14A of the Listing Rules.

The successful tender sets out the basis to determine the capital commitment of MEC under the consortium agreement of around US\$10,554,000 (as referred above). As this amount is less than 2.5% of the applicable percentage ratios under the Listing Rules applicable to MEC, this announcement complies with the announcement requirement under the Listing Rules. Further, as the consortium agreement is subject only to compliance with the Listing Rules requirements by MEC, and this announcement complies with such requirement, the consortium agreement is now unconditional and binding upon the parties thereto.

Caution when dealing with the shares and securities of MEC

The PSC has procedurally to be finalized and ratified by the Government of Mongolia and shareholders and investors should exercise caution when dealing in the shares and securities of MEC.

Resumption of trading

At the request of MEC, trading in the shares of MEC was suspended with effect from 9.42 a.m. on September 12, 2008. An application has been made by MEC to the Stock Exchange for resumption of trading in the shares with effect from 9:30 a.m. on September 16, 2008.

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

Hong Kong, September 12, 2008.

As at the date hereof, the Board comprises seven Directors, of which Mr. Lo Lin Shing, Simon, Mr. Liu Zhuo Wei and Ms. Yvette Ong are executive Directors, Mr. To Hin Tsun, Gerald is a non-executive Director and Mr. Peter Pun ^{OBE, JP}, Mr. Tsui Hing Chuen, William ^{JP} and Mr. Lau Wai Piu are independent non-executive Directors.