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## MONGOLIA ENERGY CORPORATION LIMITED

蒙古能源有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

**VERY SUBSTANTIAL ACQUISITION  
FURTHER ACQUISITION IN WESTERN MONGOLIA  
OF FURTHER MINE AREAS OF AROUND 32,000 HECTARES  
(APPROXIMATELY 1/3rd THE SIZE OF HONG KONG SAR)  
WITH COAL RESOURCES ESTIMATED AT BETWEEN 1 TO 2 BILLION TONNES  
ALONG WITH OTHER FERROUS RESOURCES AND NON-FERROUS RESOURCES  
SUBJECT TO EXPLORATION FOR EVENTUAL COMMERCIAL EXPLOITATION**

**CHANGE TO ONE CONDITION PRECEDENT FOR COMPLETION  
UNDER INITIAL ACQUISITION IN WESTERN MONGOLIA  
OF INITIAL MINE AREAS OF OVER 34,000 HECTARES  
(APPROXIMATELY 1/3rd THE SIZE OF HONG KONG SAR)  
WITH COAL RESOURCES ESTIMATED AT 2.4 BILLION TONNES  
SUBJECT TO EXPLORATION FOR EVENTUAL COMMERCIAL EXPLOITATION**

### RESUMPTION OF TRADING

#### THE FURTHER ACQUISITION

**Further Mine Areas for coal, ferrous and non-ferrous metals.** The Company is pleased to announce that, on May 29, 2007, following further negotiations after the Letter of Intent was signed, the Company and its indirect wholly owned subsidiary, the Purchaser, entered into the Further Agreement with the Guarantor and the Seller's Group (beneficially owned by the Guarantor). Under the Further Agreement, the Seller has agreed to (procure the Mining Company (a Seller's Group Member)) to sell, and the Purchaser has agreed to purchase, the Further Mine Areas under the Further Acquisition. The Further Mine Areas are being acquired for Exploration for Coal Resources, Ferrous Resources and Non-Ferrous Resources and eventual Commercial Exploitation.

**Size of Further Mine Areas (around 1/3rd the size of Hong Kong SAR).** The Further Mine Areas are around 32,000 hectares in size (around 1/3rd the size of Hong Kong SAR) and located in Khovd province, western Mongolia as with the earlier Initial Mine Areas being acquired by the Company under the Initial Acquisition of over 34,000 hectares as set out under the Circular. Thus, the Further Acquisition approximately doubles the areas being acquired by the Company in western Mongolia to around 66,000 hectares (around 2/3rd the size of Hong Kong SAR) for Exploration and eventual Commercial Exploitation.

**Coal Resources of Further Mine Areas (1 to 2 billion tonnes).** In terms of Coal Resources under the Further Mine Areas, the Science Academy under the Institute of Geology and Mineral Resources of Mongolia has confirmed as of the date of the Further Agreement, that based on Russian geologists' geological assessment of most of the Further Mine Areas conducted during the 1960's that there are between 1 billion to 2 billion tonnes of Coal Resources. Further, the geology of the Further Mine Areas sits on Permian rock formation as with the geology over the Initial Mine Areas under the Initial Acquisition. This estimate is subject to Exploration.

**Combined Coal Resources of all Mine Areas (3.4 to 4.4 billion tonnes).** Accordingly, the combined Coal Resources under the Initial Acquisition and the Further Acquisition are between 3.4 billion to 4.4 billion tonnes of Coal Resources. This is the aggregate of the 1 to 2 billion tonnes Coal Resources figure for the Further Mine Areas as set out above and the 2.4 billion tonnes Coal Resources figure for the Initial Mine Areas as set out under the Circular. These estimates are subject to Exploration.

**Exploration Licences can be converted to 70-year Mining Licences.** The Further Acquisition will be effected by way of a transfer of four (4) Exploration Licences over the Further Mine Areas along with the Mining Assets, (if any) from the Mining Company to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law). The Exploration Licences have a 9-year duration from their respective licence dates as set out below. Mongolian legal counsel has advised that there is no legal impediment to converting such Exploration Licences to 70-year Mining Licences with a corresponding 70-year Mining Period subject to compliance with the Minerals Law. Accordingly, the Company has hired an in-house Mongolian lawyer based at the Company's recently established office in Mongolia, to attend to legal formalities relating to the conversion of the Exploration Licences to Mining Licences along with overall compliance with the Minerals Law and other rules and regulations of Mongolia.

#### **EXPLORATION ACTIVITIES TO BE CARRIED OUT BY THE GROUP**

**In-house expertise for Exploration and Commercial Exploitation.** The Group shall carry out the Exploration of the Further Mine Areas with the Exploration Company. The Company's CEO was formerly the Executive Director – Asia Pacific of the Technical Adviser and the Company has the in-house expertise to co-ordinate all aspects as to the Exploration and Commercial Exploitation. The initial Exploration Expenses are estimated to be HK\$72 million based on the fee quotes as of the date hereof by the Exploration Company over the Further Mine Areas. The Group intends to carry out Exploration immediately after the approval of the Further Acquisition by the requisite Shareholders at the SGM set out below. The initial Exploration Expenses will be satisfied by the Company's internal resources.

#### **CONSIDERATION, RESOURCES FEES AND EXPLORATION PAYMENTS**

**Up-front nominal Consideration.** During negotiations with the Guarantor, the Guarantor has rationalized that he is confident that the Initial Acquisition will complete. Accordingly, he will eventually be an indirect and substantial Shareholder of the Company. Thus, the Guarantor has agreed, under the Further Agreement, for the Seller to transfer the Exploration Licences to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law) at a nominal Consideration of US\$1.00 from the Purchaser to the Seller. This is intended to be to and for the benefit of the Company. However, the Guarantor requires that in case the Company chooses in its absolute discretion to conduct Exploration and when Resources are demonstrated that there should be "pay as demonstrated" Resources Fees and when the Company in its discretion choose to actually use such demonstrated Resources or part thereof for Commercial Exploitation that there should be "pay as used" Exploitation Payments. These are set out as follows:

**"Pay as demonstrated" Resources Fees.** Following Completion of the Further Acquisition and within 30 days after the relevant Exploration for the Resources, or such part thereof as acceptable to the Purchaser, has determined by the Exploration Company in accordance with the International Standards that there are Coal Resources, Ferrous Resources and Non-Ferrous Resources, as the case may be, the Purchaser will pay the Seller, subject to compliance with applicable regulatory requirements, the Resources Fees for the relevant Coal Resources, Ferrous Resources and Non-Ferrous Resources, as the case may be, as follows:

- (a) Coal Resources Fees: HK\$2.00 per tonne for the Coal Resources by way of Loan Note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment;
- (b) Ferrous Resources Fees: 0.5% of the Prevailing International Market Price for the relevant Ferrous metal of the quality and type by way of Loan Note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment; and
- (c) Non-Ferrous Resources Fees: 0.5% of the Prevailing International Market Price for the relevant Non-Ferrous metal of the quality and type by way of Loan Note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment.

The Purchaser is confident that within the 5-year maturity for the Loan Note, Commercial Exploitation of the Resources shall have taken place and the Purchaser shall be in a position to satisfy the Loan Note from the Purchaser's own internal resources. In fact, the Purchaser has the absolute discretion relating to Exploration and intends to only to explore the Resources that it believes will be eventually put to Commercial Exploitation within the tenor of the Loan Note.

**“Pay as used” Commercial Exploitation payments.** Following Exploration and determination by the Purchaser in its sole and absolute discretion to conduct Commercial Exploitation of the relevant Resources or part thereof (Coal Resources, Ferrous Resources and the Non-Ferrous Resources, as the case may be), the Purchaser shall pay the Seller, subject to compliance with applicable regulatory requirements, further Exploitation Payments quarterly in arrears, based on the quality and quantity of the actual Resources sold under Commercial Exploitation for the quarter prior to quarter during which payment is to be made, as follows:

- (a) Coal Resources Exploitation Payments: HK\$10.00 per tonne;
- (b) Ferrous Resources Exploitation Payments: 2.5% of the Prevailing International Market Price for the relevant Ferrous Metal of the quality and type or the actual sales price, whichever the lower; and
- (c) Non-Ferrous Resources Exploitation Payments: 2.5% of the Prevailing International Market Price for the relevant Non-Ferrous Metal of the quality and type or the actual sales price, whichever the lower.

The Purchaser is confident that it will be able to pay for the Commercial Exploitation Payments as the Resources would have been sold at the open market already and the Company does not intend to extend any credit terms for the sale of resources.

**The commercial basis.** The commercial basis of the above figures was arrived after commercial negotiations. The Company approached the commercial negotiations in relation to the Coal Resources based on the HK\$12.00 per tonne figure under the Initial Acquisition (for seller’s windfall payment thereunder). In relation to the other Resources the 3% figure (being the aggregate of 0.5% under the “pay as demonstrated” resources fee and 2.5% under the “pay as used” Commercial Exploitation payments) was based on the HK\$12.00 per tonne figure for Coal Resources being more or less approximately 3% of the price range for thermal coal of a medium quality and grade which sells into China at or around HK\$400 per tonne. From the Company’s perspective, during the negotiations, if the 3% figure was successfully negotiated, the Company would view such a conclusion to be an attractive outcome. This is in the context that the other Resources are of higher values which is a reflection of the scarcity of supply for which normally a higher figure would be expected by the Company. As such, the Directors view is that the above figures for the Consideration, Resources Fees and Exploitation Payments are fair and reasonable.

#### **RISK FACTORS**

There are several possible risk factors which may be faced by the Company: (i) cyclical nature of the coal, ferrous and non-ferrous metals markets and fluctuations in their prices, (ii) significant and continuous capital investment, (iii) policies and regulations, (iv) country risk, and (v) environmental protection issue, which are discussed below.

#### **CHANGE OF ONE CONDITION PRECEDENT UNDER INITIAL ACQUISITION**

**Issue.** It is a condition precedent under the Initial Acquisition that completion of the Initial Acquisition is conditional upon the Initial Mine Areas “having 300 million tonnes of Reserves, comprising 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves as certified by the Technical Adviser”.

**The Supplement.** Under the Supplement, the Company and the Guarantor have inter alia agreed to a change to the condition precedent set out above to completion of the Initial Acquisition being conditional upon the Initial Mine Areas “having 300 million tonnes of resources along with an undertaking to be provided by the Guarantor to the Company as at Completion that the Coal Mine shall have 300 million tonnes of Reserves, comprising 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves to the satisfaction of the Technical Adviser within 120 days from the undertaking” meaning that the Reserves figures are to be certified by the Technical Adviser. Under the Supplement, in the event of failure to comply with the undertaking, the Company may seek damages and/or specific performance of the undertaking by the Guarantor which remedies the Company believes are sufficient as the Initial Mine Areas will have substantial amount of coal resources at or over 300 million tonnes.

**General introduction.** In mining explorations, in most cases in which a company intending to enter an exploration project will start the process by acquiring title to the exploration concession. The company will then hire an exploration company to demonstrate the coal resources. The company will at the same time work out its business plan. The business plan for a company exploring for coal resources may include coal distribution, building of power plants and/or liquefying coal (all of which the Company may also consider). To implement the business plan of the company, the company will enter various agreements with suppliers, builders, end users and other persons. These suppliers, builders, end users and other persons will normally deal with the company on the basis that the company has title to the concession and preferably coal resources which should have been demonstrated. The commercial terms of the various agreements with the suppliers, builders, end users and other persons will be raw data for a reserves report (where required) by the company. This is because a reserves report requires a commercial analysis of the coal resources.

**Rationale.** Accordingly, in relation to the Exploration over the Initial Mine Areas, the Company has determined that for 300 million tonnes of Reserves to be demonstrated, the most practical process is for (1) 300 million tonnes of resources to be demonstrated by the Exploration Company, then (2) for the Company to acquire title to the Initial Mine Areas in order for the Company to deal with various suppliers, builders, end users and other persons then (3) for the Company to enter into various commercial contracts with various suppliers, builders, end users and other persons and (4) then for the raw commercial data to determine the Reserves figures of at least 300 million tonnes of coal Reserves having been demonstrated. The Company's reference to the above being the most practical process is because in its discussions with various suppliers, builders, end users and other persons in China, the consistent issues are whether the Company owned the Initial Mine Areas and the amount of resources demonstrated by the Exploration Company. In fact, in general discussions with various suppliers, builders, end users and other persons relating to the Company's business plan relating to building coal fired generation facilities (that is, power plants) and power lines for inter-connection with the electricity grid to Xinjiang which is consistent with the energy focus of the Company, the counterparties located in China have required the Company to demonstrate that it owns the Initial Mine Areas and the amount of resources demonstrated by the Exploration Company. Accordingly, the Company now realizes that it must own the Initial Mine Areas along with the coal resources therein by reason of these commercial realities. As such, completion of the Initial Acquisition with a follow up Reserves report will, in the view of the Directors of the Company, to be fair and reasonable and in fact a practical necessity for practical entry into the Chinese market. In fact, the main rationale for the Supplement is not the acceleration of completion of the Initial Mine Area but rather the realities following discussions with various Chinese counterparties and with the advice from the CEO.

**Conditions Precedent.** In fact, following discussions initiated by the Company with the Guarantor, the Guarantor has agreed, after arm's length negotiations, that such a change be a Condition Precedent to the Further Acquisition of the Further Mine Areas in view of the benefits in and to the Company, which the Company actively propounded and convinced the Guarantor during negotiations relating to the Supplement. In addition, following approach after entry into the Further Agreement and the Supplement, Golden, Dragon, CTF and the Placing Agent have all provided consent to the Supplement and completion of the subscriptions and placements based on the revised condition precedent under the Initial Acquisition.

## **GENERAL**

Based on the amount of the Coal Resources estimated at between 1 billion to 2 billion tonnes the amount of the Resources Fees is between HK\$2 billion to HK\$4 billion. The Resources Fees of the other Resources cannot be determined until after Exploration. Accordingly, the Further Acquisition constitutes a very substantial acquisition on the part of the Company pursuant to Rule 14.06 of the Listing Rules. Moreover, the Further Acquisition is conditional on the Supplement becoming effective. The SGM will be convened to seek approval of the requisite Shareholders for (i) the Further Acquisition and the transactions contemplated therein; and (ii) the Supplement. Each of Golden, Dragon and CTF, its beneficial owners and their respective associates will abstain from voting in all relevant resolutions. The Guarantor, Seller's Group Members and the Seller's Group Members under the Initial Acquisition and their respective associates shall abstain from voting if they have any interest in the Company prior to the SGM.

A circular containing, among other things, further details of the Further Acquisition and the Supplement, the notice of the SGM, and other matters as required under the Listing Rules, where applicable, will be despatched to the Shareholders as soon as practicable.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9.30 a.m. on May 29, 2007. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on May 31, 2007.

## **A. THE FURTHER ACQUISITION**

### **1. THE PARTIES AND THE DATE**

Further to the Letter of Intent as announced on May 15, 2007, the Company is pleased to announce that on May 29, 2007, the Further Agreement was entered into by the following parties:–

- (1) Seller – Shine Ocean International Limited, a company incorporated in the British Virgin Islands with limited liability as seller;
- (2) Purchaser – Mongolia Energy Corporation (Singapore) Pte Ltd, a company incorporated in Singapore with limited liability and an indirect wholly owned subsidiary of the Company and as purchaser;
- (3) Mining Company – MBGHL LLC, a company incorporated in Mongolia with limited liability and wholly owned by the Holding Company and as beneficial owner of the Further Mine Areas which Further Mine Areas are the target of the Further Acquisition by the Purchaser;
- (4) Guarantor – Mr. Liu Cheng Lin as guarantor of the obligations of the Seller’s Group;
- (5) The Company – Mongolia Energy Corporation Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange as performance guarantor of the obligations of the Group; and
- (6) Holding Company – Mega Bright Group Holdings Limited, a company incorporated in Hong Kong with limited liability and wholly owned by the Seller as a passive holding company of the Mining Company;

upon which, the Seller agrees (to procure the Mining Company (a Seller’s Group Member)) to sell, and the Purchaser agrees to purchase, under the Further Acquisition, the Further Mine Areas, by way of a transfer of the Exploration Licences to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law) along with a transfer of the Mining Assets relating to the Further Mine Areas to the Purchaser or its nominee.

Apart from the fact that the Guarantor will become a shareholder of the Company upon completion of the Initial Acquisition, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Guarantor and the Seller’s Group Members is a third party independent of the Group and not connected persons of the Group.

## 2. ASSET TO BE ACQUIRED

The Further Mine Areas (except Licence no. 8994X which is located adjacent to the Initial Mine Areas) are located in Khovd province, western Mongolia approximately within a 100 km radius from the Initial Mine Areas and will serve as a feeder to the Initial Mine Areas in relation to the Coal Resources where coal fired generation facilities (that is, power plants) and power lines for inter-connection with the electricity grid to Xinjiang is being studied. As at the date of this announcement, as advised by the Mongolian legal counsel, the Seller owns the Exploration Licences (through the Mining Company), granted by the Mongolian government. The Purchaser will acquire the Further Mine Areas from the Seller by acquiring the Exploration Licences (from the Mining Company) along with any Mining Assets. The details of the Exploration Licences are summarized in the table below:

Licence (Licence no.)	The Exploration Licences			Licence valid period#
	Location	Mine Area (Hectare)*	Licence date	
8976X	Western Mongolia	26,033	December 17, 2004	9 years
8994X	Western Mongolia	39	December 20, 2004	9 years
11628X	Western Mongolia	3519	April 3, 2006	9 years
11724X	Western Mongolia	2112	April 28, 2006	9 years
Total Hectares		<u>31,703</u>		

\* (Note: 1 Hectare = 10,000 square metres. That is an area of 100m x 100m).

# The Exploration Licences are for 3 years with two further extensions of 3 years.

The Further Mine Areas are around 32,000 hectares in size (around 1/3rd the size of Hong Kong SAR) and located in Khovd province, western Mongolia as with the earlier Initial Mine Areas being acquired by the Company under the Initial Acquisition of over 34,000 hectares as set out under the Circular. Thus, the Further Acquisition approximately doubles the areas being acquired by the Company in western Mongolia to around 66,000 hectares (around 2/3rd the size of Hong Kong SAR) for Exploration and eventual Commercial Exploitation.

In terms of Coal Resources under the Further Mine Areas, the Science Academy under the Institute of Geology and Mineral Resources of Mongolia has confirmed as of the date of the Further Agreement, that based on Russian geologist's geological assessment of most of the Further Mine Areas conducted during the 1960's that there are between 1 billion to 2 billion tonnes of Coal Resources. Further, the geology of the Further Mine Areas sits on Permian rock formation as with the geology over the Initial Mine Areas under the Initial Acquisition. When a geological survey is done, geologists essentially look at the geological age of the rock formation. The rock formation for Permian rock is around 240 million years of age and a survey of the rock formation in 1960 is a recent event in the geological time scale. This estimate is subject to Exploration.

Accordingly, the combined Coal Resources under the Initial Acquisition and the Further Acquisition are thus between 3.4 billion to 4.4 billion tonnes of Coal Resources. This is the aggregate of the 1 to 2 billion tonnes Coal Resources figure for the Further Mine Areas as set out above and the 2.4 billion tonnes Coal Resources figure for the Initial Mine Areas as set out under the Circular. These estimates are subject to Exploration.

The Further Acquisition will be effected by way of a transfer of four (4) Exploration Licences over the Further Mine Areas along with the Mining Assets, (if any) from the Mining Company to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law). The Exploration Licences have a 9-year duration from their respective licence dates as set out below. Mongolian legal counsel has advised that there is no legal impediment to converting such Exploration Licences to 70-year Mining Licences with a corresponding 70-year Mining Period subject to compliance with the Minerals Law. Accordingly, The Company has hired an in-house Mongolian lawyer based at the Company's recently established office in Mongolia, to attend to legal formalities relating to the conversion of the Exploration Licences to Mining Licences along with overall compliance with the Minerals Law and other rules and regulations of Mongolia.

### 3. SUMMARY OF THE FURTHER ACQUISITION

Subject to the fulfillment of the Conditions Precedents described below, the Company has (through the Purchaser) agreed to acquire and the Seller has agreed to sell (through procuring the Mining Company) the Further Mine Areas along with the transfer of the Mining Assets, by way of transfer of the Exploration Licences, for a nominal Consideration of US\$1.00. After Completion, the Purchaser shall pay to the Seller, payments from time to time of the Resources Fees and the Exploitation Payments.

### 4. THE CONSIDERATION, RESOURCES FEES AND EXPLOITATION PAYMENTS AND THEIR BASES

*Up-front nominal Consideration.*

During negotiations with the Guarantor, the Guarantor has rationalized that he is confident that the Initial Acquisition will complete. Accordingly, he will eventually be a substantial Shareholder of the Company. Thus, the Guarantor has agreed, under the Further Agreement, for the Seller to transfer the Exploration Licences to the Purchaser's or its nominee (namely, a Mongolian company as required under the Minerals Law) at a nominal Consideration of US\$1.00 from the Purchaser to the Seller. This is intended to be to and for the benefit of the Company. However, the Guarantor requires that in case the Company chooses in its absolute discretion to conduct Exploration and when Resources are demonstrated that there should be "pay as demonstrated" Resources Fees and when the Company in its discretion choose to actually use such demonstrated Resources or part thereof for Commercial Exploitation that there should be "pay as used" Exploitation Payments. These are set out as follows:

*"Pay as demonstrated" Resources Fee.*

Following Completion of the Further Acquisition and within 30 days after the relevant Exploration for the Resources, or such part thereof as acceptable to the Purchaser, has determined by the Exploration Company in accordance with the International Standards that there are Coal Resources, Ferrous Resources and Non-Ferrous Resources, as the case may be, the Purchaser will pay the Seller, subject to compliance with applicable regulatory requirements, the Resources Fees for the relevant Coal Resources, Ferrous Resources and Non-Ferrous Resources, as follows:

- (a) Coal Resources Fees: HK\$2.00 per tonne for the Coal Resources by way of Loan Note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment;
- (b) Ferrous Resources Fees: 0.5% of the Prevailing International Market Price for the relevant Ferrous metal of the quality and type by way of Loan Note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment; and
- (c) Non-Ferrous Resources Fees: 0.5% of the Prevailing International Market Price for the relevant Non-Ferrous metal of the quality and type by way of Loan Note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment.

The Purchaser is confident that within the 5-year maturity for the Loan Note, Commercial Exploitation of the Resources shall have taken place and the Purchaser shall be in a position to satisfy the Loan Note from the Purchaser's own internal resources. In fact, the Purchaser has the absolute discretion relating to Exploration and intends to only to explore the Resources that it believes will be eventually put to Commercial Exploitation within the tenor of the Loan Note.

*“Pay as used” Commercial Exploitation Payment.*

Following Exploration and determination by the Purchaser in its sole and absolute discretion to conduct Commercial Exploitation of the relevant Resources or part thereof (Coal Resources, Ferrous Resources and the Non-Ferrous Resources, as the case may be), the Purchaser shall pay the Seller, subject to compliance with applicable regulatory requirements, further Exploitation Payments quarterly in arrears, based on the quality and quantity of the actual Resources sold under Commercial Exploitation for the quarter prior to quarter during which payment is to be made, as follows:

- (a) Coal Resources Exploitation Payments: HK\$10.00 per tonne;
- (b) Ferrous Resources Exploitation Payments: 2.5% of the Prevailing International Market Price for the relevant Ferrous Metal of the quality and type or the actual sales price, whichever the lower; and
- (c) Non-Ferrous Resources Exploitation Payments: 2.5% of the Prevailing International Market Price for the relevant Non-Ferrous Metal of the quality and type or the actual sales price, whichever the lower.

The Purchaser is confident that it will be able to pay for the Commercial Exploitation Payments as the Resources would have been sold at the open market already and the Company does not intend to extend any credit terms for the sale of resources.

*The commercial basis.*

The commercial basis of the above figures was arrived after commercial negotiations. The Company approached the commercial negotiations in relation to the Coal Resources based on the HK\$12.00 per tonne figure under the Initial Acquisition (for seller’s windfall payment thereunder). In relation to the other Resources the 3% figure (being the aggregate of 0.5% under the “pay as demonstrated” resources fee and 2.5% under the “pay as used” Commercial Exploitation payments) was based on the HK\$12.00 per tonne figure for Coal Resources being more or less approximately 3% of the price range for thermal coal of a median quality and grade which sells into China at or around HK\$400 per tonne. From the Company’s perspective, during the negotiations, if the 3% figure was successfully negotiated, the Company would view such a conclusion to be an attractive outcome. This is in the context that the other Resources are of higher values which is a reflection of the scarcity of supply for which normally a higher figure would be expected by the Company. As such, the Directors view is that the above figures for the Consideration, Resources Fees and Exploitation Payments are fair and reasonable.

*Terms of the Loan Note*

The terms of each of the Loan Note issued in respect of each payment of Resources Fees are as follows:

Principal amount:	The relevant amount of the Resources Fees from time to time in accordance with the Further Agreement
Maturity:	The fifth (5th) anniversary from the date of issue of the Loan Note
Transferability:	The Loan Note is not transferable
Interest rate:	A simple interest rate of 3.0% per annum payable outside Hong Kong
Security:	No security will be provided by the Purchaser in respect of its obligations under the Loan Note
Repayment:	At the sole discretion of the Purchaser, the Loan Note or such part thereof may be repaid earlier. Otherwise, payment of principal and interest of Loan Note is upon its maturity

The terms of the Loan Note provide a degree of flexibility for the Company to acquire the Further Mine Areas in that it will not create any immediate cash flow problem to the Company.

The Directors are of the opinion that the Consideration, Resources Fees, and Exploitation Payments and the terms of the Loan Note are fair and reasonable after taking into account the bases set forth above, and that the entering into of the Further Agreement is in the interest of the Group and the Shareholders as a whole.



## **5. CONDITIONS PRECEDENT**

Completion of the Further Acquisition is conditional upon:

- (a) The Exploration Licences which are lawfully held in the name of the Mining Company having been transferred to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law).
- (b) The certification by the Science Academy of Mongolian under the Institute of Geology and Mineral Resources of Mongolia certifying that the Further Mine Areas contain approximately 1 billion to 2 billion tonnes of Coal Resources, which has been obtained as of the date of the Further Agreement.
- (c) The requisite Shareholders' approval (at the SGM of the Company) in the form of passing of relevant resolutions at the SGM approving the Further Acquisition and the Transaction contemplated under the Further Agreement.
- (d) All requisite agreements, consents and documents as advised by the various legal counsels or otherwise required by the Purchaser for the Further Acquisition are obtained including as required under the Listing Rules.
- (e) The transfer of the physical possession of the Further Mine Areas and the Mining Assets (if any), to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law).
- (f) Legal opinions to the satisfaction of the Purchaser from Mongolian, Hong Kong and British Virgin Islands legal counsels, if required by the Purchaser.
- (g) The Purchaser's due diligence on such matters relating to the Further Mine Areas and the Further Acquisition to its satisfaction in good faith.
- (h) The entry into the Supplement and the requisite Shareholders' approval.
- (i) Such further documents and/or information and/or Consents required by the Purchaser by reasons of circumstances arising after the entry into the Further Agreement and requested in writing three (3) Business Days prior to the Completion.

## **6. COMPLETION OF THE FURTHER ACQUISITION**

Completion of the Further Acquisition shall take place on the 3rd Business Day following the Conditions Precedent being satisfied to the satisfaction of the Purchaser. The Completion shall be completed on or before the Latest Completion Date.

## **7. CUSTODY OF THE EXPLORATION LICENCES**

As at the date of this Announcement, the Seller (through the Mining Company) has deposited the Exploration Licences with the Purchaser's Mongolian legal counsel. The Seller (through the Mining Company) authorizes the Purchaser to transfer legal title to the Exploration Licences to the Purchaser's nominee established in Mongolia and will render all assistance as the Purchaser requires in good faith to enter into any and all documents for such purpose, as and when the Purchaser deems appropriate, at any time, whether on or prior to Completion.

## **8. GUARANTEE BY THE GUARANTOR**

The Guarantor unconditionally and irrevocably guarantees to the Company the due and punctual payment and performance by the Seller's Group Members of its obligations under the Further Agreement and the Transaction Documents and undertakes to indemnify and keep indemnified the Company against all losses, damages, costs and expenses of whatsoever nature which the Company may suffer or incur by reason of any default or delay on the part of each Seller's Group Member in the payment or performance of any of its obligations under the Further Agreement and the Transaction Documents. The Guarantor further undertakes to the Company to procure each Seller's Group Member's performance of its obligations under the Further Agreement and the Transaction Documents as and when they fall due and in case of default to assume the performance obligations of each Seller's Group Member.

## **9. PERFORMANCE GUARANTEE BY THE COMPANY**

The Company undertakes to the Guarantor to procure the each Group Member's performance of its obligations under the Further Agreement and the Transaction Documents as and when they fall due and in case of default to assume the performance obligations of the each Group Member.

## **10. NON-COMPETITION**

Each Seller's Group Member agrees that during the Non-Competition Period (of 5 years from the date of the Further Agreement), it shall not directly or indirectly compete with the Company, the Purchaser or the Purchaser's nominee in relation to coal mining, ferrous metal and non-ferrous exploration and commercial exploitation in Mongolia and the PRC which actually or potentially competes with any Group Member's Exploration and Commercial Exploitation activities at the Further Mine Areas.

## **11. EXPLORATION AND COMMERCIAL EXPLOITATION TO BE CARRIED OUT BY THE GROUP**

Following Shareholders' approval (at the SGM of the Company), the Purchaser will conduct Exploration over the Further Mine Areas as soon as practicable for the Coal Resources, the Ferrous Resources and the Non-Ferrous Resources and to incur all necessary Exploration Expenses as the Purchaser in its sole and absolute discretion deems appropriate and the Seller (through the Mining Company) shall render all assistance as the Purchaser requires in relation to the Exploration works, including to provide the Purchaser with such further documents and/or information as required by the Purchaser from time to time.

Following Exploration over the Further Mine Areas for the Coal Resources, the Ferrous Resources and the Non-Ferrous Resources, and the determination in the sole and absolute discretion of the Purchaser that the Commercial Exploitation shall commence, the Purchaser shall incur all necessary expenses for Commercial Exploitation as the Purchaser in its sole and absolute discretion deems appropriate and the Seller (through the Mining Company) shall render all assistance as the Purchaser requires in relation to the Commercial Exploitation, including to provide the Purchaser with such further documents and/or information as required by the Purchaser from time to time.

The Group shall carry out the Exploration of the Further Mine Areas with the Exploration Company. The Company's CEO was formerly the Executive Director – Asia Pacific of the Technical Adviser and the Company has the in-house expertise to co-ordinate all aspects as to the Exploration and Commercial Exploitation. The credential of the Technical Adviser can be seen in the Circular. It was the technical adviser for China Shenhua's global offering in 2005. The initial Exploration Expenses are estimated to be HK\$72 million based on the fee quotes as of the date hereof by the Exploration Company over the Further Mine Areas. The Group intends to carry out Exploration immediately after the approval of the Further Acquisition by the requisite Shareholders at the SGM set out below. The initial Exploration Expenses will be satisfied by the Company's internal resources.

## **B. THE INFORMATION ABOUT THE GROUP, THE SELLER'S GROUP**

### **1. PRINCIPAL ACTIVITIES OF THE GROUP**

The Company, formerly known as New World Cyberbase Limited, was established in August 1999 and headquartered in Hong Kong. Through the purchase of coal mine in western Mongolia under the Initial Acquisition, the Group is in a strong position to capitalize on the demands of China, including for coal, coal products and energy along with other resources.

Subject to the completion of the Initial Acquisition and the Completion of the Further Acquisition, the aggregate mine areas acquired by the Group will be around 66,000 hectares (2/3rd the size of Hong Kong SAR).

In addition, the Group is also engaged in property investments in Hong Kong and aircraft charter services which the Group will continue to engage in after the Completion.

### **2. PRINCIPAL ACTIVITIES OF THE SELLER'S GROUP**

The Guarantor wholly owns the Seller's Group. The Guarantor is further acting as guarantor of the obligations of the Seller's Group under the Further Agreement as set out in A8 above. The Guarantor is a private business person based in Beijing, PRC and spends most of his time living in Beijing. The Guarantor previously acquired control of undeveloped real estate in various locations in the PRC, including in Shenyang, and intended to become a joint venture party with an appropriate developer partner. The Guarantor is also a party to the Initial Acquisition and upon completion of the Initial Acquisition, the Guarantor will become a Shareholder of the Company.

The Seller is a holding company incorporated by the Guarantor in the British Virgin Islands with limited liability and whose activities are limited to holding of the Holding Company. The Holding Company is a passive holding company incorporated in Hong Kong with limited liability whose activities are limited to holding of the Mining Company. The Mining Company is a passive holding company incorporated in Mongolia with limited liability and whose activity is limited to holding the Exploration Licences.

## C. REASONS FOR THE FURTHER ACQUISITION

The search for sources of energy amongst nations and enterprises is a global phenomenon. With coal, aside from the energy prospects, there is the further opportunity to extract various other by-products as international commodities. The PRC market is a global consumer of coal and for which there is a shortage of this irreplaceable form of energy. For example, prices for coal and coal products have been rising in the PRC. In view of the continued economic growth and accelerated industrialization and urbanization in the PRC and the development of the global economy, coal and other natural resources will have its sustained demand. The position is similar for other ferrous and non-ferrous metals.

Following the announcement of the Initial Acquisition, the Company assembled a global professional team including the recruitment of Mr. James J. Schaeffer, Jr., the former Executive Director – Asia Pacific of the Technical Adviser, as the Company's CEO, Mr. Mohan Datwani, the former partner of Paul Hasting, Janosky & Walker, as Company's general counsel and Mr. Ren Xiang as the Company's consultant, showing the Company's commitment in the mining and energy related business.

Following the approval by the Shareholders with regard to the Initial Acquisition, the Company wishes to enlarge its mine areas. The Further Acquisition represents a good opportunity for the Company to enlarge its mine areas, which if completed, will double the size of its mine areas from over 34,000 hectares to around 66,000 hectares (2/3rd the size of Hong Kong SAR). The Further Acquisition will expedite the expansion of the Company's business in the mining and energy sectors. The Company will initially be focused upon the Coal Resources.

The nominal Consideration of US\$1.00 for the Further Acquisition and the payment terms for the Resources Fees and the Resources Exploitation Payments (by way of Loan Note) provide a degree of flexibility for the Company to acquire the Further Mine Areas in a way not to create any immediate cash flow problem to the Company. The pace for Exploration and Commercial Exploitation is at the Company's discretion by responding to market demands.

In view of the above, the Board considers the Further Acquisition and the entering into of the Further Agreement is in the interest and to the benefit of the Group and the Shareholders as a whole. The Board also considers the terms of the Further Agreement are on normal commercial terms and fair and reasonable.

## D. RISK FACTORS

Possible risk factors which may be faced by the Company are as follows:

### **Cyclical nature of coal markets, Ferrous and Non-Ferrous metals markets and fluctuations in coal, Ferrous and Non-Ferrous metal prices**

As a significant percentage of the revenue of the business under the Further Acquisition will be derived from coal and coal-related operations part of the Company's future business and results of operations may dependent on the international supply of and demand for coal. The fluctuations in supply and demand are caused by numerous factors beyond the Company's control, which include, but not limited to:

- (i) Global and domestic economic and political conditions and competition from other energy sources; and
- (ii) The rate of growth and expansion in industries with high coal demand, such as steel and power industries.

There is no assurance that the international demand for coal and coal-related products will continue to grow, or that the international demand for coal and coal-related products will not experience excess supply.

With regard to Ferrous and Non-Ferrous metals, whether they will contribute significantly to the Company's revenues will largely depend on the types of Ferrous and Non-Ferrous metals found in the Further Mine Areas and on the demand and supply of the appropriate metals's in the markets and will be subject to similar market risks as with coal.

### **Significant and continuous capital investment**

The mining business requires significant and continuous capital investment; the major mine exploration and coal production projects may not be completed as planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for the business under the Further Acquisition may significantly exceed the Company's budgets because of various factors beyond the Company's control, which in turn may affect the Company's financial condition.

### **Policies and regulations**

The mining business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the mine development and coal production projects may adversely affect the Company.

### **Country risk**

The Company is entering a business in Mongolia. There can be a risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in Mongolia. The change of political and economic conditions in Mongolia may adversely affect the Company.

### **Environmental protection policies**

The mining and exploration business is subject to Mongolian environmental protection law and regulations. If the Company fails to comply with existing or future environmental laws and regulations, the Company may be required to take remedial measures, which could have a material adverse effect on our business, operations, financial condition and results of operations

## **E. CHANGE TO ONE CONDITION PRECEDENT FOR COMPLETION UNDER INITIAL ACQUISITION**

It is a condition precedent under the Initial Acquisition that completion of the Initial Acquisition is conditional upon the Initial Mine Areas “having 300 million tonnes of Reserves, comprising 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves as certified by the Technical Adviser”.

Under the Supplement the Company and the Guarantor have inter alia agreed to a change to the condition precedent set out above to completion of the Initial Acquisition being conditional upon the Initial Mine Areas “having 300 million tonnes of resources along with an undertaking to be provided by the Guarantor to the Company as at Completion that the Coal Mine shall have 300 million tonnes of Reserves, comprising 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves to the satisfaction of the Technical Adviser within 120 days from the undertaking” meaning that the Reserves figures are to be certified by the Technical Adviser. Under the Supplement, in the event of failure to comply with the undertaking, the Company may seek damages and/or specific performance of the undertaking by the Guarantor which remedies the Company believes are sufficient as the Initial Mine Areas will have substantial amount of coal resources at or over 300 million tonnes.

In mining explorations, in most cases in which a company intending to enter an exploration project will start the process by acquiring title to the exploration concession. The company will then hire an exploration company to demonstrate the coal resources. The company will at the same time work out its business plan. The business plan for a company exploring for coal resources may include coal distribution, building of power plants and/or liquefying coal (all of which the Company may also consider). To implement the business plan of the company, the company will enter various agreements with suppliers, builders, end users and other persons. These suppliers, builders, end users and other persons will normally deal with the company on the basis that the company has title to the concession and preferably coal resources which should have been demonstrated. The commercial terms of the various agreements with the suppliers, builders, end users and other persons will be raw data for a reserves report (where required) by the company. This is because a reserves report requires a commercial analysis of the coal resources.

Accordingly, in relation to the Exploration over the Initial Mine Areas, the Company has determined that for 300 million tonnes of Reserves to be demonstrated under the Technical Report, the most practical process is for (1) 300 million tones of resources to be demonstrated by the Exploration Company, then (2) for the Company to acquire title to the Initial Mine Areas in order for the Company to deal with various suppliers, builders, end users and other persons then (3) for the Company to enter into various commercial contracts with various suppliers, builders, end users and other persons and then, (4) for the raw commercial data to determine the Reserves figures of at least 300 million tones of coal Reserves having been demonstrated. The Company's reference to the above being the most practical process is because in its discussions with various suppliers, builders, end users and other persons in China, the consistent issues are whether the Company owned the Initial Mine Areas and the amount of resources demonstrated by the Exploration Company. In fact, in general discussions with various suppliers, builders, end users and other persons relating to the Company's business plan relating to building coal fired generation facilities (that is, power plants) and power lines for inter-connection with the electricity grid to Xinjiang which is consistent with the energy focus of the Company, the counterparties located in China have required the Company to demonstrate that it owns the Initial Mine Areas and the amount of resources demonstrated by the Exploration Company. Accordingly, the Company now realizes that it must own the Initial Mine Areas along with the coal resources therein by reason of these commercial realities. As such, completion of the Initial Acquisition with a follow up Reserves report will, in the view of the Directors of the Company, to be fair and reasonable and in fact a practical necessity for practical entry into the Chinese market. In fact, the main rationale for the Supplement is not the acceleration of completion of the Initial Mine Area but rather the realities following discussions with various Chinese counterparties and with the advice from the CEO.

The rationale to the Supplement is to facilitate the Company, through its subsidiary established in Mongolia, to obtain title to the Initial Mine Areas under the Initial Acquisitions. This is necessary to put forward the Company's business plan on an accelerated basis. For example, the Company is studying the feasibility relating to building coal fired generation facilities (that is, power plants) and power lines for inter-connection with the electricity grid to Xinjiang which is consistent with the energy focus of the Company. In order to do this, and to discuss with various counterparties, whether as suppliers, builders, and power purchasers, the Company must own the Initial Mine Areas along with the coal resources therein for its own commercial credibility. As such, the change of a completion condition of the Initial Acquisition with a follow up Reserves report will, in the view of the Company, be a sensible and commercial approach to adopt.

In fact, following discussions initiated by the Company with the Guarantor, the Guarantor has agreed, after arm's length negotiations, that such a change be a Condition Precedent to the Further Acquisition of the Further Mine Areas in view of the benefit in and to the Company, which the Company actively propounded and convinced the Guarantor during negotiations relating to the Supplement.

In addition, following approach after entry into the Further Agreement and the Supplement, Golden, Dragon, CTF and the Placing Agent have all provided consent to the Supplement and completion of the subscriptions and placements based on the revised condition precedent under the Initial Acquisition.

Based on the above the Directors are of the view that the Supplement to expedite completion of the Initial Acquisition is fair and reasonable in the interest of the Shareholders and Company as a whole.

## **F. GENERAL**

Based on the amount of the Coal Resources estimated at between 1 billion to 2 billion tonnes the amount of the Resources Fees is between HK\$2 billion to HK\$4 billion. The Resources Fees of the other Resources cannot be determined until after Exploration. Accordingly, the Further Acquisition constitutes a very substantial acquisition on the part of the Company pursuant to Rule 14.06 of the Listing Rules. Moreover, the Further Acquisition is conditional on the Supplement becoming effective. The SGM will be convened to seek approval of the requisite Shareholders for (i) the Acquisition and the transactions contemplated therein; and (ii) the Supplement. Each of Golden, Dragon and CTF, its beneficial owners and their respective associates will abstain from voting in all relevant resolutions. The Guarantor, Seller's Group Members and the Seller's Group Members under the Initial Acquisition and their respective associates shall abstain from voting if they have any interest in the Company prior to the SGM

A circular containing, among other things, further details of the Further Acquisition and the Supplement, the notice of the SGM, and other matters as required under the Listing Rules, where applicable, will be despatched to the Shareholders as soon as practicable.

## **G. SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on May 29, 2007. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on May 31, 2007.

## **DEFINITIONS**

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“Board”	means the board of Directors of the Company.
“Business Day”	means a day (other than a Saturday, Sunday and public holiday) on which banks are open for business in Hong Kong during their normal business hours.
“CEO”	means chief executive officer of the Company.
“Circular”	means the circular dated March 22, 2007 despatched by the Company to its Shareholders detailing the terms and conditions relating to the Initial Acquisition and which Initial Acquisition was sanctioned by the general meeting of the Company on April 18, 2007.
“Coal Mine”	means the Initial Mine Areas.
“Coal Resources”	means the coal Resources of the Initial Mine Areas and/or the Further Mine Areas, as the context requires or permits.
“Coal Resources Exploitation Payments”	means HK\$10.00 per tonne.
“Coal Resources Fee”	means HK\$2.00 per tonne of Coal Resources by way of Loan Note (with a 3% per annum coupon rate with 5-year maturity) as deferred payment.
“Commercial Exploitation”	means the commercial exploitation of the Mining Rights over the Initial Mine Areas and/or the Further Mine Areas as the context requires or permits.
“Company”	means Mongolia Energy Corporation Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange.
“Completion”	means completion of the Further Acquisition of the Further Mine Areas upon satisfaction of the Conditions Precedent.
“Completion Date”	means the third (3rd) Business Day following the Conditions Precedent being satisfied to the satisfaction of the Purchaser.
“Conditions Precedent”	means the conditions precedent to Completion of the Further Acquisition of the Further Mine Areas as set out under the Further Agreement.
“Consents”	includes any licence, consent, approval, authorization, permission, waiver, order, exemption, qualification, registration, certificate, authority or other approval.
“Consideration”	means the nominal consideration for the Further Acquisition comprising US\$1.00.
“CTF”	means Chow Tai Fook Nominee Limited, a company incorporated in Hong Kong with limited liability and wholly owned by Mr. Cheng Yu Tung.
“Directors”	means directors of the Company.
“Dragon”	means Dragon Noble Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Dr. Cheng Kar Shun.
“Exploitation Payments”	means as the context requires any or all of the Coal Resources Exploitation Payment, the Ferrous Resources Exploitation Payment and the Non-Ferrous Resources Exploitation Payment.

“Exploration”	means the exploration activities over the Initial Mine Areas and/or the Further Mine Areas as the context requires or permits.
“Exploration Company”	means China Geology 129 Exploration Team which provides the drilling and other aspects of exploration in accordance. The Exploration Company is also the exploration company of the Initial Mine Areas and was recommended by the Technical Adviser as having the relevant experience for conducting Exploration.
“Exploration Expenses”	means the expenses incurred by the Company in the carrying out the Exploration.
“Exploration Licences”	means the four (4) exploration licences of the Mining Company and related Exploration Rights as set out in A2 of this announcement.
“Exploration Rights”	means all exploration and related rights under the Exploration Licences and the Minerals Law including without limitation the right to conduct exploration for the relevant Resource relating to the relevant part of the Mine Areas and which Exploration Rights will eventually be converted to Mining Rights upon compliance with the Mineral Laws.
“Ferrous”	means ferrous metals.
“Ferrous Resources”	means the ferrous metal Resources of the Further Mine Areas.
“Ferrous Resources Fees”	means 0.5% of the Prevailing International Market Price for the relevant Ferrous metal of the quality and type by way of Loan Note (with a 3% per annum coupon rate with 5-year maturity) as deferred payment.
“Ferrous Resources Exploitation Payments”	means 2.5% of the Prevailing International Market Price for the relevant Ferrous metal of the quality and type or the actual sales price, whichever the lower.
“Further Acquisition”	means the acquisition by the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law) of the Further Mine Areas constituted under the Exploration Licences pursuant to the Further Agreement along with any Mining Assets.
“Further Agreement”	means the Further Agreement of May 29, 2007 entered into between the Company, the Purchaser, the Guarantor and the Seller’s Group in relation to the Further Acquisition as amended and supplemented from time to time in accordance with the provisions of the Further Agreement.
“Further Mine Areas”	means collectively the mine areas in western Mongolia as delineated by the Exploration Licences.
“Golden”	means Golden Infinity Co., Ltd, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Lo.
“Group”	means the Company and its subsidiaries, including the Purchaser.
“Group Members”	means any or all of the members of the Group.
“Guarantor”	means Mr. Liu Cheng Lin, as the sole beneficial owner of the Seller’s Group.
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong.
“Holding Company”	means Mega Bright Group Holdings Limited, a company incorporated in Hong Kong and wholly owned by the Seller as a passive holding company over the Mining Company.
“Hong Kong”	means Hong Kong Special Administrative Region of the PRC.
“Initial Acquisition”	means the acquisition of the Initial Mine Areas as set out under the Circular and sanctioned by the Shareholders at the special general meeting held on April 18, 2007.

“Initial Mine Areas”	means the areas of the coal mine of over 34,000 hectares (around 1/3rd the size of Hong Kong SAR) being acquired under the Initial Acquisition as detailed under the Circular and referred to as the “Khushuut coal mine” in Khovd province in Western Mongolia.
“Inferred Resources”	means in accordance with International Standards, the prospecting based on site inferred resources over the Initial Mine Areas and/or the Further Mine Areas as the context requires or permits.
“International Standards”	means the Guidelines to the United Nation International Framework Classification for Reserves/Resources adopted by UN ECE Committee on Sustainable Energy, Eleventh session, 21-22 November, 2001 as modified from time to time.
“Latest Completion Date”	means twelve (12) months from the date of the Further Agreement (unless extended with all parties’ agreement under the Further Agreement).
“Letter of Intent”	means the non-binding letter of intent of May 15, 2007 relating to the Further Acquisition the contents of which were announced to the public on May 15, 2007 and which letter of intent formed the basis for further negotiations and entry into the Further Agreement between the same parties to the letter of intent and referred in this announcement.
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented and/or replaced.
“Loan Note”	means as the context requires, any or all of any loan note issued by the Purchaser to the Seller for payment of the relevant Resources Fee (with a 3% per annum coupon rate with 5-year maturity) payable outside of Hong Kong.
“Minerals Law”	means the Revised Minerals Law of Mongolia adopted on 8 July 2006 as amended, modified or replaced, from time to time.
“Mining Assets”	means all tangible assets and property relating to the Further Mine Areas owned by the Mining Company of which currently there is none.
“Mining Company”	means MBGHL LLC, a company incorporated in Mongolia with limited liability and a wholly-owned subsidiary of the Holding Company.
“Mining Licences”	means the mining licences from a conversion from the Exploration Licences in accordance with the Minerals Law.
“Mining Period”	means the period which the Mine can be mined under the Mining Licences which is approximately 70 years from the date of grant of the Mining Licences under the Minerals Law.
“Mining Rights”	means all mining and related rights under the Mining Licences and the Minerals Law including without limitation the (a) right to mine the relevant Resources relating to the Mine and (b) the right to sell the mined Resources and products at international market price, at international markets.
“Mongolia”	means the independent sovereign nation of Mongolia.
“Mr. Lo”	means Mr. Lo Lin Shing, Simon, the Chairman, an executive Director and a substantial Shareholder.
“Non-Competition Period”	means a period of 5 years from the date of the Further Agreement.
“Non-Ferrous”	means non-ferrous metals.
“Non-Ferrous Resources”	means the non-ferrous metal Resources of the Further Mine Areas.



“Non-Ferrous Resources Exploitation Payments”	means 2.5% of the Prevailing International Market Price for the relevant Non-Ferrous metal of the quality and type or the actual sales price, whichever the lower.
“Non-Ferrous Resources Fees”	means 0.5% of the Prevailing International Market Price for the relevant Non-Ferrous metal of the quality and type by way of Loan Note (with a 3% per annum coupon rate with 5-year maturity) as deferred payment.
“Percentage” and “%”	means percent.
“PRC”	means the People’s Republic of China.
“Prevailing International Market Price”	means the appropriate prevailing international market price for the relevant Resources selected by the Purchaser in good faith relating to the supply of the relevant Resources of a comparable quantity, quality and delivery terms to the intended destination or on such other good faith basis as determined by the Purchaser in the event that such prevailing international market price is not ascertainable based on such other comparables selected by the Purchaser.
“Probable Reserves”	means in accordance with International Standards, the general exploration based probable reserves following prefeasibility study and economic viability analysis.
“Proved Reserves”	means in accordance with International Standards, the detailed exploration based proved reserves following feasibility study and mining report.
“Purchaser”	means Mongolia Energy Corporation (Singapore) Pte Ltd, a company incorporated in Singapore with limited liability and an indirect wholly owned subsidiary of the Company.
“Reconnaissance Resources”	means in accordance with International Standards, the reconnaissance based on site reconnaissance resources over the Initial Mine Areas and/or the Further Mine Areas as the context requires or permits.
“Reserves”	means the Proved Reserves and the Probable Reserves.
“Resources”	means the Inferred Resources and the Reconnaissance Resources.
“Resources Fees”	means as the context requires any or all of the Coal Resources Fee, the Ferrous Resources Fee and the Non-Ferrous Resources Fee.
“Seller”	means Shine Ocean International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Guarantor.
“Seller’s Group”	means the Seller, the Holding Company and the Mining Company which Seller wholly owns the Holding Company and the Holding Company wholly owns the Mining Company.
“Seller’s Group Members”	means any or all of the members of the Seller’s Group.
“Seller’s Group Members under the Initial Acquisition”	means (i) Puraway Holdings Limited, the seller under the Initial Acquisition and wholly owned by the Guarantor; (ii) MNRIG LLC, the holders of the mining licences and exploration licence under the Initial Acquisition and wholly owned by Mongolian Natural Resources Investment Group (Hong Kong) Company Limited; and (iii) Mongolian Natural Resources Investment Group (Hong Kong) Company Limited, the holding company of MNRIG LLC under the Initial Acquisition and wholly owned by Puraway Holdings Limited.
“SGM”	means the special general meeting of Company to be convened to consider and, if thought fit, approve, among other things, the Further Acquisition and the Supplement under the Further Acquisition.
“Shareholders”	means holders of the Shares.
“Shares”	means ordinary shares of HK\$0.02 each in the share capital of the Company.

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.
“Supplement”	means the supplement dated May 29, 2007 to the Initial Agreement and made <i>inter alia</i> between the Guarantor and the Company allowing for an extension of time for the preparation of a Reserves report under the Initial Acquisition.
“Technical Adviser”	means John T. Boyd and Company as technical adviser to the Company. The credentials of the Technical Adviser are set out under the Circular.
“Transaction”	means as the Further Acquisition and the transactions contemplated therein or thereby.
“Transaction Documents”	means, aside from the Further Agreement any other documents required or necessary to be entered by any Party for the purposes of consummation of the Transaction or any part thereof.

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

Hong Kong, May 30, 2007

*As at the date of this announcement, the Board comprises Mr. Lo Lin Shing, Simon and Ms. Yvette Ong are executive Directors, and 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.*

\* *For identification purposes only*

Please also refer to the published version of this announcement in South China Morning Post and China Daily.