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Mongolia Energy Corporation Limited

(Incorporated in Bermuda with Limited Liability)
(Stock Code: 276)

ANNOUNCEMENT

INDEPENDENT TECHNICAL REVIEW OF THE KHUSHUUT MINE

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

Mongolia Energy Corporation Limited (“**MEC**”) is an energy and resources developer, and has *inter alia* approximately 330,000 hectares of concession areas in western Mongolia for coal, ferrous and non-ferrous metal resources. These are aside from its other projects in Mongolia and Xinjiang, PRC as set out under various announcements prior to the date hereof. This announcement relates to an update of the Khushuut project over approximately 600 hectares of MEC’s concessions as set forth below.

MEC engaged John T. Boyd Company (“**Boyd**”), an independent mining and geological consultant, to provide an independent technical review of the proposed Khushuut openpit coal mine (the “**Khushuut Mine**”) in Khovd Province, Mongolia, including examining its economic viability. On October 17, 2009, MEC received the Independent Technical Review (the “**Report**”) from Boyd in which Boyd sets out its findings.

The Report was prepared based on the source data previously obtained by Boyd, the coking coal occurrence criteria, the coal quality and the pricing for the coal products provided by Fenwei and other critical assumptions provided by MEC as set out under the Report. According to the Report, as at the date thereof:

- (i) the life of mine (“**LOM**”) of the Khushuut Mine is estimated at 19 years;
- (ii) MEC has eight mining licences and one exploration licence for the total concession areas of approximately 34,380 hectares, within the vicinity of the Khushuut Mine;

- (iii) the Khushuut Mine area of approximately 600 hectares, contains approximately 156.2 hectares of coal bearing strata;
- (iv) for the 29 coal seams being identified in the Khushuut Mine, the main horizon, including the C Seam and the B Seam, accounts for all the in place coal resources estimated by Boyd;
- (v) the Indicated Coal Resource for the C Seam and the B Seam was estimated to be approximately 149 million tonnes in accordance with the JORC Code;
- (vi) the total ROM coal resources at the Khushuut Mine was estimated to range between 134.7 million to 140.9 million tonnes at the assumed price for the Blended Product between US\$60 to US\$135 FOB at the mine;
- (vii) the float portion of the C Seams ranges from primary coking coal to blend coking coal (meager lean and meager types). The float portion of the B Seam ranges from meager lean to meager to lean types of coal, and depending on the availability of premium coking coals from C Seam, some tonnage of the meager lean type from the B Seam may be blended into coking products;
- (viii) the Khushuut Mine is suitable for openpit mining method;
- (ix) MEC is building the roadway (the “**Khushuut Road**”) to link the Khushuut Mine to the Yarant Border Station (“**Chinese Border**”) at the Mongolia-Chinese border, a distance of approximately 310 kilometres. Construction of the foundation is substantially complete. The total cost for the foundation portion of the road is approximately US\$125,000,000 (equivalent to HK\$975,000,000). During 2010, MEC will resolve any final base construction matters, and at its option, complete the road surfacing for an estimated US\$71,000,000 (equivalent to HK\$553,800,000);
- (x) the total capital expenditure for developing the Khushuut Mine, excluding the construction of the Khushuut Road, was estimated to be US\$202,939,000 (equivalent to HK\$1,582,924,200) over a period of two years, with US\$101,149,000 (equivalent to HK\$788,962,200) for the first year and US\$101,790,000 (equivalent to HK\$793,962,000) for the second year, based on the development of an 8.0Mtpa operation by the fourth year;
- (xi) MEC is also considering a build-own-operate-transfer (“**BOOT**”) arrangement for the coal preparation plant (“**CPP**”), the construction cost of which is estimated to be approximately US\$60,000,000 (equivalent to HK\$468,000,000) based on an 8.0Mtpa operation;
- (xii) the total capital expenditure to be incurred on equipment, including both initial and replacement expenditure, for mining at the Khushuut Mine over its 19 years LOM for an eventual 8.0Mtpa operation was estimated to be US\$449,300,000 (equivalent to HK\$3,504,540,000). MEC intends to engage an experienced international mining contractor to manage and conduct the mining operations, who will be responsible for the majority of the above equipment capital expenditure; and

(xiii) the total cash operating cost to be incurred for developing the Khushuut Mine over its 19 years LOM for an eventual 8.0Mtpa operation was estimated to be US\$2,850,450,000 (equivalent to HK\$22,233,510,000).

The Report provides general confirmation of the viability of the openpit mine method to be used for the Khushuut Mine. The level of mine planning is considered to be pre-feasibility. As recommended by Boyd in the Report, MEC has commissioned Shenyang Design Institute to proceed with a detailed design for an initial phase of a 3.0Mtpa mining operation. Boyd agrees that a phased approach to development of the Khushuut Coal Mine is a reasonable approach. MEC expects to complete phase 1 planning with appointment of an international mining contractor for the mining operation, consummation of long-term coal supply agreement along with appointment of contractor for the BOOT of the CPP in due course. MEC is in discussions relating thereto. MEC has latitude to implement the mine plan or part thereof. MEC will consider fund raising should the appropriate opportunity present itself to MEC.

This announcement only contains a summary of the overall findings in the Report. Please refer to the full report, which is available for download from MEC's website at www.mongolia-energy.com, for further details.

The opinions expressed in the Report are only the opinions of Boyd and, unless otherwise expressly stated, do not reflect the opinions of MEC or any other experts. In addition, there is no guarantee or assurance that the quality and quantity of the actual coal production will be in accordance with the projections set out in the Report or that the actual capital expenditure on equipment and infrastructure or the actual cash operating cost will not exceed the estimates provided in the Report, due to the risks and uncertainties associated with the Report, the mining industry generally and Mongolia where the Khushuut Mine is operated. Please also refer to the risk factors as set out under MEC's circulars of March 22, 2007 and June 25, 2007.

As the matters referred under this announcement may or may not be consummated, shareholders and investors shall exercise due care when dealing in the securities of MEC.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

Mongolia Energy Corporation Limited ("MEC") is an energy and resources developer, and has *inter alia* approximately 330,000 hectares of concession areas in western Mongolia for coal, ferrous and non-ferrous metal resources. These are aside from its other projects in Mongolia and Xinjiang, PRC as set out under various announcements prior to the date hereof. This announcement relates to an update of the Khushuut project over approximately 600 hectares of MEC's concessions as set forth below.

MEC engaged Boyd, an independent mining and geological consultant, to provide an independent technical review of the Khushuut Mine, including examining its economic viability. On October 17, 2009, MEC received the Report from Boyd, in which Boyd sets out its findings. Set out below is a brief summary of the Report, the full Report is available at MEC's website at www.mongolia-energy.com, and which should be referred to as this announcement is a summary thereof.

SUMMARY OF THE REPORT

Source Data and Critical Assumptions

The Report was prepared based the source data previously obtained by Boyd, the coking coal occurrence criteria, the coal quality and the pricing for coal products provided by Fenwei and other critical assumptions provided by MEC as set out under the Report. As at the date thereof, the LOM of the Khushuut Mine is estimated to be 19 years as from commencement and the annual raw coal production is assumed to be as follows:

Year	In-Place Blended Product
	<i>(Tonnes)</i>
1	500,000
2	3,000,000
3	5,000,000
4 to 19 (full production)	8,000,000

Licences

As at the Report date, MEC has eight mining licences for the total concession areas of approximately 2,655 hectares and one exploration licence for an area of approximately 31,725 hectares, which in total is approximately 34,380 hectares, within the vicinity of Khushuut Mine.

All eight mining licences are valid for an initial period of 30 years from the date of issuing such licences, subject to the right of MEC to extend such licences for two consecutive periods of 20 years each, with a maximum term of 70 years in aggregate. The exploration licence is valid for an initial period of three years, subject to the right of MEC to extend such licence for two consecutive periods of three years each, with a maximum term of nine years in aggregate. The Khushuut Mine area of approximately 600 hectares contains approximately 156.2 hectares of coal bearing strata.

Coal Resources

As at the Report date, for the 29 coal seams being identified in the Khushuut Mine, the main horizon, including the B Seam and the C Seam, accounts for all the in place coal resources estimated by Boyd.

In relation to the coal resources of the Khushuut Mine that extend to a depth of 400 metres and, as at the Report date, the Indicated Coal Resources for the C Seam and the B Seam were estimated to be approximately 102 million tonnes and 47 million tonnes respectively, with a total of approximately 149 million tonnes, in accordance with the JORC Code, as supplemented by the criteria for defining assurance of existence in Paper 88-21, the Geological Survey of Canada. Such Indicated Coal Resources consist of both premium coking coal and weathered coal and include mineable coals to a minimum Overburden depth of 5 metres.

Indicated Coal Resources					
Seam	Hectares	Average Thickness (metre)	In-place ⁽¹⁾ Coal Seam Tonnes ('000)	Burden ⁽²⁾ (Bcm-000)	Burden Ratio (Bcm/Tonne)
C	118.7	29.1	101,739	657,790	6.5
B	156.2	13.8	47,498	78,716	1.7
			149,237	736,506	4.9

Note:

- (1) Includes in-seam partings up to 0.3 metre thick.
(2) Material mined under the coal seams to allow for a 35-degree slope.

Coal Quality

As at the Report date, the total available ROM coal resources at the Khushuut Mine was estimated to range between 134.7 million to 140.9 million tonnes, at the assumed price for the Blended Product between US\$60 to US\$135 FOB at the mine and a strip ratio ranging from 4.26 to 4.58, based on the Whittle model and related software (version 4.1).

Scenario	ROM Tonnes ('000)	Strip Ratio (BCM/Tonne)
Low Price Case ⁽¹⁾	134,721	4.26
Medium Price Case ⁽²⁾	137,914	4.47
High Price Case ⁽³⁾	140,885	4.58

Note:

- (1) the price of Blended Product assumed to be US\$60 per tonne, FOB mine site
(2) the price of Blended Product assumed to be US\$92 per tonne, FOB mine site
(3) the price of Blended Product assumed to be US\$135 per tonne, FOB mine site

Due to the limited data and the material variation shown in the analyses, the coal quality for the C and B Seams is currently considered as “inferred”. The indicative quality of the C and B Seams, based on the arithmetic average of available drill core samples and the 1.40 float analyses, is as follows:

Seam	Moisture (Ad) %	Ash (dry) %	Volatile (daf) %	G (Roga) Index	
				Min	Max
C (1.40 float)	0.85	6.77	18.00	0	99
B (1.40 float)	1.05	7.95	20.92	0	77

The float portion of the C Seam ranges from primary coking coal to blend coking coal (meager lean and meager types). The float portion of the B Seam ranges from meager lean to meager to lean types coal and, depending on the availability of premium coking coals from C Seam, some tonnage of meager lean from B Seam may be blended into coking products.

Mining Method

The openpit mining method is suitable for the Khushuut Mine. Utilisation of hydraulic excavators and large off-highway end-dump trucks will allow multiple mining faces for coal production, which is necessary to produce an acceptable blended coal product and to maximise the recoverable coal resource, at the lowest cost. The conventional openpit operation using diesel-powered equipment should be used due to the remoteness of the site, geology of the deposit, limited skilled workforce and the need to maintain multiple pits.

Infrastructure

In order to facilitate access to the Khushuut Mine, MEC is building the Khushuut Road to link the Khushuut Mine to the Chinese Border at the Mongolia-Chinese border, a distance of approximately 310 kilometres. As at the Report date, construction of the foundation is substantially complete. The total cost for the foundation portion of the road is approximately US\$125,000,000 (equivalent to HK\$975,000,000). During 2010, MEC will resolve any final base construction matters, and at its option, complete the road surfacing for an estimated US\$71,000,000 (equivalent to HK\$553,800,000).

In addition to the Khushuut Road, several aspects of the infrastructure will need to be completed simultaneously in order for the timely development of the Khushuut Mine, including the development of water supply and associated pipelines, the sewage and wastewater treatment, the airstrip, the camp development (including temporary housing) and the power supply (both temporary and permanent power for construction, heating and initial mine start-up). Final road and bridge construction will be needed to allow transport of heavy equipment and fuel. Secondary infrastructure construction including administration, warehouses, workshops, storehouses, fuel depots, housing and associated facilities, mine-site power distribution, secondary mine site access roads will be required with up to two years' lead time. A CPP with a capacity of processing 1,100 tonnes of raw coal per hour and 6,000 operating hours per annum will require a minimum lead time of 18 months before it is commissioned and put into operation in Mongolia. In the interim, MEC intends to produce raw coal that will be screened on site for removal of rock impurities before trucking to Xinjiang, PRC where it will be processed in a coal preparation plant.

As at the Report date, based on the development of an 8.0Mtpa mining operation, the estimated total capital expenditure to be incurred on the infrastructure for developing the Khushuut Mine, excluding the expenditure on the construction of Khushuut Road, was estimated to be US\$202,939,000 (equivalent to HK\$1,582,924,200) over a period of two years, with US\$101,149,000 (equivalent to HK\$788,962,200) for the first year and US\$101,790,000 (equivalent to HK\$793,962,000) for the second year, based on the development of an 8.0Mtpa operation by the fourth year.

MEC intends to appoint an international mining contractor and to consider a BOOT for the CPP, the construction cost of which is estimated to be approximately US\$60,000,000 (equivalent to HK\$468,000,000), based on an 8.0Mtpa operation.

Equipment

On the assumption that the openpit mining method will be used for developing the Khushuut Mine, equipment will be required for topsoil removal, drilling and blasting, Overburden excavation, haulage, coal mining, pit support and waste handling. As at the Report date, based on the development of an 8.0Mtpa mining operation, the estimated total expenditure to be incurred on equipments, including both initial and replacement expenditure, for mining at the Khushuut Mine over its 19 years LOM for an eventual 8.0Mtpa operation was estimated to be approximately US\$449,300,000 (equivalent to HK\$3,504,540,000), the details of which are as follows:

<u>Year</u>	<u>Equipment Capital Expenditure</u> (US\$'000)
1	102,500
2	2,300
3	2,300
4	3,200
5	9,000
6	49,200
7	0
8	39,150
9	102,500
10	2,300
11	2,300
12	3,200
13	9,000
14	49,200
15	0
16	39,150
17	34,000
18	0
19	0
Total:	449,300

MEC intends to engage an experienced international mining contractor to manage and conduct the mining operations. The contractor will be required to provide all mining and related equipment, as a result of which, the majority of the above equipment capital expenditure will be the responsibility of the contractor.

Cash Operating Costs

As at the Report date, the estimated total cash operating cost for developing the Khushuut Mine over the 19 years LOM for an eventual 8.0Mtpa operation was estimated to be US\$2,850,450,000 (equivalent to HK\$22,233,510,000), the detail of which is as follows:

Cash Operating Cost (Direct Mine Cost Allocated by Process)	Total <i>(US\$'000)</i>
Waste Removal	1,658,960
Mining	111,763
Coal Processing	257,875
Administration & Other Mine	295,456
Summary of Direct Mine Cash Cost	2,324,054
Total Other Cash Mining Costs	526,396
Total Cash Mining Cost	2,850,450

The operating cost estimates above exclude national taxes and non-cash costs, for example, depreciation, depletion, project financing, sunk costs, and include royalties at 5.0% export sales and local and provincial taxes.

CONCLUSION

The Report provides general confirmation of the viability of the openpit mine method to be used for the Khushuut Mine. The level of mine planning is considered to be pre-feasibility. As recommended by Boyd in the Report, MEC has commissioned Shenyang Design Institute to proceed with a detailed design for an initial phase of a 3.0Mtpa mining operation. Boyd agrees that a phased approach to development of the Khushuut Coal Mine is a reasonable approach. MEC expects to complete phase 1 planning with appointment of an international mining contractor for mining operation, consummation of long-term coal supply agreement along with appointment of contractor for the BOOT of the CPP in due course. MEC is in discussions relating thereto. MEC has latitude to implement the mine plan or part thereof. MEC will consider fund raising should the appropriate opportunity present itself to MEC.

INFORMATION ON BOYD

Boyd has been providing consultancy services since 1943 and is one of the largest independent consulting firms in the world with specialists in the analysis of geology, reserves, mine planning and costs, material handling, markets, business planning, transport and environmental issues. It exclusively serves the mining, financial, utility, power and related industries and has completed over 2,000 resource and reserve audits.

FORWARD-LOOKING INFORMATION

All statements, other than statements of historical facts included in the Report and this announcement, are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These forward-looking statements reflect the current expectations, beliefs, hopes, intentions or strategies of Boyd and/or MEC (as appropriate) regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known or unknown risks and uncertainties. Accordingly, actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors, including, without limitation, (a) the inherent uncertainties in estimating resources and quality including many factors, assumptions and variables that are beyond the control of MEC; (b) the coal quality of the Khushuut Mine is classified by Boyd as “inferred”, which is the lowest level of confidence; (c) the customer requirement for the quality and quantity of coal products; (d) the size of mining equipments that can be utilised at the Khushuut Mine; (e) any failure to receive the regulatory approvals on a timely manner; (f) any change in the demand and price of commodities generally and/or coal specifically; and (g) any change in Hong Kong and other relevant securities markets.

Potential investors and shareholders of MEC should not place undue reliance on such forward-looking statements, and MEC does not undertake any obligation to update publicly or revise any forward-looking statements. Please also refer to the risk factors as set out under MEC’s circulars of March 22, 2007 and June 25, 2007.

GENERAL

This announcement only contains a summary of the overall findings in the Report. Please refer to the full report, which is available for download from MEC’s website at www.mongolia-energy.com, for further details.

The opinions expressed in the Report are only the opinions of Boyd and, unless otherwise expressly stated, do not reflect the opinions of MEC or any other experts. In addition, there is no guarantee or assurance that the quality and quantity of the actual coal production will be in accordance with the projections set out in the Report or that the actual capital expenditure on equipment and infrastructure or the actual cash operating cost will not exceed the estimates provided in the Report, due to the risks and uncertainties associated with the Report, the mining industry generally and Mongolia where the Khushuut Mine is operated.

As the matters referred under this announcement may or may not be consummated, shareholders and investors shall exercise due care when dealing in the securities of MEC.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Blended Product”	a product with a mix of 15% coal from less than 50 metres depth, 55% coal from C Seam of more than 50 metres depth, and 30% coal from B Seam of more than 50 metres depth
“Board”	the board of Directors
“Burden”	rock material removed during openpit mining to expose the mineable coal seams. Minor coal seams and individual in-seam partings (within the coal seams being recovered) measuring greater than 0.3 metre are included in the burden
“Company” or “MEC”	Mongolia Energy Corporation Limited (蒙古能源有限公司), a company incorporated in Bermuda with limited liability and whose shares are listed on the Hong Kong Stock Exchange
“Directors”	directors of the Company
“Fenwei”	Shanxi Fenwei Energy Consulting Co., Ltd., an energy consultancy firm engaged by MEC for the purpose of developing Khushuut Mine
“FOB”	free-on-board
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“HK\$”	the law currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Indicated Coal Resource”	that part of a coal resource for which tonnage, densities, shape, physical characteristics, quality, and mineral content can be estimated with a reasonable level of confidence
“JORC Code”	Australian Code for Reporting of Mineral Resources and Ore Reserves
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Mtpa”	million tonnes per annum

“Overburden”	waste material overlying a coal seam
“PRC”	the People’s Republic of China
“Report”	the Independent Technical Review prepared by Boyd for MEC in respect of the Khushuut Mine dated October 16, 2009
“ROM”	run-of-mine, which refers to the as-mined material as it leaves the mine site
“substantial shareholder”	shall have the same meaning as is provided in the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

For the purpose of illustration only, the amount denominated in US\$ has been translated into HK\$ at the exchange rate of US\$1.00 for HK\$7.8 as at the date of this announcement. Such translation has been rounded to the nearest whole number and should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

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

Hong Kong, October 19, 2009

As at the date hereof, the board of directors of the Company 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.