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**MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

**LONG TERM COAL SUPPLY AGREEMENT WITH  
BAOSTEEL GROUP XINJIANG BAYI IRON & STEEL CO. LTD.  
(寶鋼集團新疆八一鋼鐵有限公司)  
RELATING TO YEARS 2010-2020**

Mongolia Energy Corporation Limited ("**MEC**") refers to the CEO Annual Review contained under MEC's 2009 Annual Report and the reference to MEC's planned consummation of long term coal supply agreements with major Xinjiang steel and coke producers in relation to MEC's Khushuut deposit comprising approximately 149 million tonnes of JORC in-place resources, which are predominantly premium coking coal and the summary of the initial Market Study set out therein. The Khushuut deposit is located within 600 hectares of MEC's 330,000 hectares of concession areas in western Mongolia.

MEC is now pleased to announce that, following negotiations with Baosteel Group Xinjiang Bayi Iron & Steel Co. Ltd (寶鋼集團新疆八一鋼鐵有限公司) ("**Baosteel Bayi**"), a member of the Baosteel Group Corporation, MoEnCo LLC ("**MoEnCo**") has today, entered into a long term coal demand and supply agreement (the "**Agreement**") relating to the Khushuut coking coal produced between years 2010-2020. MoEnCo is an indirect wholly-owned subsidiary of MEC and the holder of the mining concessions at Khushuut, western Mongolia.

Under the Agreement, Baosteel Bayi has agreed to purchase and MoEnCo has agreed to supply to Baosteel Bayi, the Khushuut coking coal produced between the years 2010-2020. This is subject to MoEnCo's guaranteed minimum supply of (i) between 600,000 to 1,000,000 tonnes of coking coal between August 2010 to December 2011; and (ii) 1,000,000 tonnes per annum thereafter. Baosteel Bayi recited that it was willing to purchase any further accelerated and increased production of Khushuut coking coal as needed. Thus, as a minimum the Agreement relates to between 9,600,000 to 10,000,000 tonnes of Khushuut coking coal.

The intention of the parties during the negotiations was to lock in a minimum quantity of coking coal to be supplied by MoEnCo to Baosteel Bayi annually. This is now reflected under the Agreement. The parties, consistent with the long term nature of the Agreement, will finalize the supply quantity, delivery price of coal and the other delivery terms prior to commencement of supply. For the year 2010-2011 supplies, the supply terms are scheduled to be finalized on or prior to March 31, 2010. MoEnCo will work, including with Leighton, which has been selected as international contract miner, to commence production to match the obligations under the Agreement.

**As the supply terms, by necessity under a long term agreement, are required to be finalized periodically, and mining operations are subject to risk factors, shareholders and investors should exercise caution when dealing in the securities of MEC.**

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Baosteel Bayi is one of the major steel and steel products producers in the People's Republic of China. It is the major shareholder of 新疆八一鋼鐵股份有限公司 (Xinjiang Bayi Iron & Steel Co. Ltd) which is listed on the Shanghai Stock Exchange with the stock code: 600581 (please visit the website: [www.bygt.com.cn](http://www.bygt.com.cn) for further information). Baosteel Bayi is in turn owned in majority by 寶鋼集團有限公司 (Baosteel Group Corporation) which is a central state owned enterprise. Baosteel Group Corporation is the most competitive steel complex in the People's Republic of China (please visit the website: [www.baosteel.com](http://www.baosteel.com) for further information).

MEC is an energy and resources developer. In 600 of 330,000 hectares of MEC's exploration and mining concessions in western Mongolia, MEC to date has explored and demonstrated approximately 149 million tonnes of JORC in-place coal resources with substantially premium coking coal quality. MEC is now focused on commencement of mining operations of its Khushuut coking coal mine in western Mongolia. MEC is also working, following completion of the initial drilling exploration program over the iron deposit acquired recently, on the JORC resources statement and also on certain coal, copper and gold and copper prospects (please refer to MEC's Interim Report 2009 at [www.mongolia-energy.com](http://www.mongolia-energy.com) for information).

Shareholders and investors are asked to refer to the risks factors set out in our circulars of March 22 and June 25, 2007 and the CEO Annual Review contained under MEC's 2009 Annual Report and the summary of the initial Market Study set out therein

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

Hong Kong, January 18, 2010.

*As at the date hereof, the Board comprises seven Directors, of which Mr. Lo Lin Shing, Simon, Mr. Liu Zhubo 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 Pin are independent non-executive Directors.*