

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



MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

DISCLOSEABLE TRANSACTION ESTABLISHMENT OF A JOINT VENTURE COMPANY AS AN INVESTMENT VEHICLE FOR FUTURE ACQUISITION OF ENERGY AND RELATED PROJECTS IN XINJIANG, CHINA

The Joint Venture Company

The Company (“MEC”) is pleased to announce that on August 31, 2007, MEC (as “Party A”) entered into a joint venture agreement (the “**Joint Venture Agreement**”) with Mount Billion Group Limited (as “Party B”) and Mr. Liu Cheng Lin (as “Party B Guarantor”), who legally and beneficially owns 100% of Party B, to establish Upper Easy Enterprises Limited (the “**Joint Venture Company**”) owned as to twenty percent (20%) by Party A and eighty percent (80%) by Party B. This distribution is in accordance with the terms and provisions of certain co-investment opportunity agreement as detailed under MEC’s announcement of August 13, 2007 (the “**Announcement**”).

Purpose of the Joint Venture Company

The Joint Venture Company is intended to be an investment vehicle to acquire certain energy and related projects in Xinjiang, China (collectively the “**Project**”) with the view of maximizing the returns of Party A and Party B (together the “**Parties**”) under the Joint Venture Agreement. The Project shall be secured within six (6) months from the date of the Joint Venture Agreement and MEC will make an announcement by such time as to whether the Project has proceeded ahead.

Obligations of the Parties under the Joint Venture Agreement

Party A (and/or its nominee) is required, under the terms of the Joint Venture Agreement, to contribute HK\$200 million equivalent of RMB into the Joint Venture Company in the form of a loan (“**Party A’s Contribution**”). Party B (and/or its nominee) is required, under the terms of the Joint Venture Agreement, to contribute services rendered outside Hong Kong, in securing a Project for the Joint Venture Company, using up to Party A’s Contribution to the Joint Venture Company.

The value of the Project and determination of resources

The Project shall have a value of at least HK\$1 billion on such basis acceptable to Party A, which namely will be HK\$12.00 for per tonne of coal resources and 3% for per tonne of other resources by reference to prevailing international market price as determined by Party A on such basis in good faith. The amount of the resources for determining the value of the Project under this Joint Venture Agreement shall be the resources figures confirmed by a relevant team under China Coal Geology Bureau or such other exploration company selected with the advice from John T. Boyd Company as overall independent technical adviser of Party A as selected by Party A in good faith.

Adjustments in case of excess and shortfall value

In the event that the value of the Project exceeds HK\$1 billion, under the terms of the Joint Venture Agreement, Party A has the right to elect on a *pro rata* basis to pay Party B for the excess (based on equity ratio) or to adjust the shareholding of Party A in the Joint Venture Company (based on Party A's Contribution and the value of the Project). In the event that the value of the Project is below HK\$1 billion, under the terms of the Joint Venture Agreement, Party A may elect not to proceed ahead with the transaction and be refunded the Party A's Contribution (with interest at HIBOR+2.5% per annum) with Party B Guarantor as deficiency guarantor, or to adjust Party A's shareholding in the Joint Venture Company (based on Party A's Contribution and the value of the Project).

Discloseable Transaction

The entering into the Joint Venture Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing details of the Joint Venture Agreement will be dispatched to the shareholders of MEC as soon as practicable in accordance with the requirements of the Listing Rules.

Caution and dealing in shares of MEC

As there is no assurance of the acquisition of any Project under the Joint Venture Agreement shareholders and investors of MEC should exercise caution when dealing with the shares of MEC.

INTRODUCTION

The Company ("MEC") is pleased to announce that on August 31, 2007, MEC (as "**Party A**") entered into a joint venture agreement (the "**Joint Venture Agreement**") with Mount Billion Group Limited (as "**Party B**") and Mr. Liu Cheng Lin (as "**Party B Guarantor**") (who legally and beneficially owns 100% of Party B) to establish Upper Easy Enterprises Limited (the "**Joint Venture Company**") owned as to twenty percent (20%) by Party A and eighty percent (80%) by Party B. This distribution is in accordance with the terms and provisions of the co-investment opportunity agreement as detailed under MEC's announcement of August 13, 2007 (the "**Announcement**").

Party A acquires its twenty percent (20%) equity in the Joint Venture Company by a capital contribution to the Joint Venture Company of US\$1.00 for one (1) share in the issued and paid up share capital of the Joint Venture Company. Party B acquires its eighty percent (80%) equity in the Joint Venture Company by a capital contribution to the Joint Venture Company of US\$4.00 for four (4) shares in the issued and paid up share capital of the Joint Venture Company.

THE JOINT VENTURE AGREEMENT

Date: August 31, 2007

Parties:

1. MEC (as Party A)
2. Mount Billion Group Limited (incorporated under the laws of British Virgin Islands) (as Party B)
3. Mr. Liu Cheng Lin, legal and beneficial owner of 100% of Party B, as guarantor of the obligations of Party B (as Party B Guarantor)
4. Upper Easy Enterprises Limited (incorporated under the laws of British Virgin Islands) (as Joint Venture Company)

PRINCIPAL TERMS

Purpose of the Joint Venture Agreement

The Joint Venture Company as a joint investment vehicle to acquire certain energy and related projects in Xinjiang, PRC (collectively the “**Project**”), with the view of maximizing the returns to Party A and Party B (the “**Parties**”) under the Joint Venture Agreement. The Project shall be secured within six (6) months from the date of the Joint Venture Agreement and MEC will make an announcement by such time as to whether the Project has proceeded ahead.

Contributions from the Parties

MEC (as Party A) (and/or its nominee) is required, under the terms of the Joint Venture Agreement, to contribute HK\$200 million equivalent of RMB to the Joint Venture Company in the form of a loan (“**Party A’s Contribution**”). The loan will carry at an interest rate of HIBOR+2.5% per annum. MEC shall fund the payment by internal resources.

Party B (and/or its nominee) is required, under the terms of the Joint Venture Agreement to contribute services rendered outside Hong Kong, in securing a Project for the Joint Venture Company using up to Party A’s Contribution to the Joint Venture Company.

The contribution is on the basis that Party A and Party B are equity holders of 20% and 80% interest in the Joint Venture Company respectively and it is Party A's obligations to lend HK\$200 million equivalent in RMB to the Joint Venture Company and Party's B obligations to use this up to HK\$200 million equivalent in RMB to bring to the Joint Venture Company a Project with a value of HK\$1 billion.

Apart from the loan mentioned above, Party A and the Joint Venture Company are not required to contribute further sum for the acquisition of the Project with a value of HK\$1 billion.

The future funding relating to the operation of the Project shall be provided by the Parties according to their respective equity interests in the Joint Venture Company or by way of external banking facilities.

The value of the Project and determination of resources

The Project shall have a value of at least HK\$1 billion on such basis acceptable to Party A, which namely will be HK\$12.00 for per tonne of coal resources and 3% for per tonne of other resources by reference to prevailing international market price as determined by Party A on such basis in good faith. The amount of the resources for determining the value of the Project under this Joint Venture Agreement shall be the resources figures confirmed by a relevant team under China Coal Geology Bureau or such other exploration company selected with the advice from John T. Boyd Company as overall independent technical adviser of Party A as selected by Party A in good faith.

Adjustments in case of excess and shortfall value

In the event that the value of the Project exceeds HK\$1 billion, under the terms of the Joint Venture Agreement, Party A has the right to elect on a *pro rata* basis to pay Party B for the excess (based on equity ratio) or to adjust the shareholding of Party A in the Joint Venture Company (based on Party A's contribution and the value of the Project).

In the event that the value of the Project is below HK\$1 billion, under the terms of the Joint Venture Agreement, Party A may elect not to proceed ahead with the transaction and be refunded the Party A's Contribution (with interest at HIBOR+ 2.5% per annum) with Party B Guarantor as deficiency guarantor, or to adjust Party A's shareholding in the Joint Venture Company (based on Party A's contribution and the value of the Project).

Performance Obligations

The Parties shall perform their respective obligations for the purpose of the Joint Venture to acquire the Project within 6 months from the date of the Joint Venture Agreement (the "**Time**").

In the event that the purpose of the Joint Venture to acquire the Project is not fulfilled by any Party within the Time for any reasons whatsoever, the Parties shall enter into all requisite agreements to unwind the transactions pursuant to this Joint Venture Agreement within one (1) month of Party A certifying to Party B that transactions pursuant to this Joint Venture Agreement should be unwound under a written notice from Party A to Party B.

In case of any unwinding of the transactions pursuant to this Joint Venture Agreement, Party A shall be entitled to full return of the Party A's Contribution (with interest at HIBOR +2.5%). Party B undertakes to provide any deficiency to Party A (and/or its nominee) in case the unwinding of any transaction under this Joint Venture Agreement is unable to provide Party A with the full amount of the Party A Contribution (with interest at HIBOR +2.5%) as at the latest date for unwinding of the transactions.

Board composition

The board of directors (“**Board of Directors**”) of the Joint Venture Company shall consist of five directors, one (1) of whom shall be appointed by Party A and four (4) of whom shall be appointed by Party B provided that:–

- (1) any disposal of the Project or any part thereof, otherwise than in the ordinary course of business, or in excess of HK\$10 million or its equivalent, requires the approval of the Parties;
- (2) any financing of the Project or any part thereof, otherwise than in the ordinary course of business, or in excess of HK\$10 million or its equivalent requires prior approval of the Parties;
- (3) all payments or incurring of obligations otherwise than in the ordinary course of business, or in excess of HK\$10 million or its equivalent requires prior approval of the Parties; and
- (4) further, any transfer of shares in the Joint Venture Company shall be approved by the Board of Directors, only after the shareholder proposing to transfer the shares has offered the other shareholders (on a pro-rata basis in case there is more than one shareholders) the shares proposing to be transferred, in a notice in writing to the other shareholders, at the proposed transfer price, and the other shareholders deciding not to take up the purchase at the proposed transfer price within 30 days of receipt of such notice of writing from the proposed transferring shareholder, whereupon the shares may be transferred to a third party at the proposed transfer price, subject to the third party entering into a deed of adherence to this Joint Venture Agreement.

Profit sharing

The Board of Directors shall procure that any Project net cashflow, to the extent permissible under applicable PRC laws and regulations, to be applied towards repayment of Party A's Contribution and interest thereon and thereafter, to be distributed to the Parties in accordance with their respective interest in the Joint Venture Company, under such distribution and dividend policy acceptable to the Parties and in the event of dispute, would be based on distribution of all sums to the extent permissible under applicable laws.

Conditions precedent

The Joint Venture Agreement requires the Parties to take all steps in good faith required of them to comply with all applicable rules, regulations and laws binding upon the Joint Venture Company.

Term

The Joint Venture Agreement shall have a term for the duration of the Project.

Guarantee

The Party B Guarantor unconditionally and irrevocably guarantees to Party A and the Joint Venture Company the due and punctual payment and performance by Party B of its obligations under this Joint Venture Agreement and undertakes to indemnify and keep indemnified Party A and the Joint Venture Company against all losses, damages, costs and expenses of whatsoever nature which Party A and/or the Joint Venture Company may suffer or incur by reason of any default or unreasonable delay on the part of Party B in the performance of any of its obligations under the Joint Venture Agreement.

As MEC has business relationship with the Party B Guarantor under previous transactions and the Party B Guarantor has provided guarantee for Party B's due performance of obligations in the Joint Venture Agreement, the directors of MEC found the risks of provision of the loan under the Joint Venture Agreement acceptable.

REASONS FOR ENTERING INTO THE JOINT VENTURE AGREEMENT

The Joint Venture Company is intended to be an investment vehicle to acquire certain energy and related projects from Xinjiang, China with the view of maximizing the returns of the Parties under the Joint Venture Agreement.

MEC has been actively considering to expand its energy and resources sector business into Xinjiang which MEC believes has synergy to MEC's current energy and resources sector business in Mongolia. This synergy arises by reason that Xinjiang will be the leading market place for the energy and resources products of MEC and gaining a foothold for eventual expansion of the market share of MEC in Xinjiang makes commercial sense to MEC.

Taking into account the bases set forth above and the terms of the Joint Venture Agreement, in particular, (i) the value of the Project is determined at a value of HK\$12.00 per tonne for coal resources and 3% of the prevailing international market price per tonne for other resources which the Board is of the view that these are very favourable terms to MEC based on the commercial model used in the acquisition of a further coal mine of 32,000 hectares in western Mongolia (as set out on page 14 of the MEC's circular dated June 25, 2007; (ii) the Company is entitled to the repayment of Party A's Contribution together with interest thereon prior to any payment of dividend to the Parties by the Joint Venture Company; and (iii) apart from the loan mentioned above, Party A and the Joint Venture Company are not required to contribute further sum for the acquisition of the Project with a value of HK\$1 billion, the Board is of the view that the entering into of the Joint Venture Agreement is in the interest of MEC and its shareholders as a whole.

The Joint Venture Company will be treated as an associated company of MEC.

INFORMATION OF THE PARTIES

MEC

MEC, formerly known as New World Cyberbase Limited, was established in August 1999 and headquartered in Hong Kong. Through the purchase of concessions in western Mongolia, MEC is in a strong position to capitalize on the demands of China, including for coal, coal products and energy along with other resources (including ferrous and non-ferrous metal resources).

MEC has already acquired the exploration concessions of around 32,000 hectares (around 1/3rd the size of Hong Kong SAR) as detailed under MEC's circular of June 25, 2007 for coal, ferrous and non-ferrous metal resources.

MEC is in the process of acquiring further exploration and mining concessions of around 34,000 hectares (another around 1/3rd the size of Hong Kong SAR) as detailed under MEC's circulars of March 22, 2007 and June 25, 2007.

In addition, the Group is also engaged in property investments in Hong Kong and aircraft charter services.

Party B and Party B Guarantor

Party B is a BVI Company wholly-owned by the Party B Guarantor. Party B Guarantor is a private business person based in Beijing, PRC and spends most of his time living in Beijing. Party B 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.

Party B Guarantor is a party to the initial acquisition of the 34,000 hectares of exploration and mining concessions which MEC is acquiring as detailed under MEC's circulars of March 22, 2007 and June 25, 2007 and upon completion of the initial acquisition, Party B Guarantor will become a shareholder of MEC.

Party B Guarantor is also a party to the further acquisition of the 32,000 hectares of exploration concessions which MEC acquired the titles on July 16, 2007.

Party B Guarantor is scheduled to become a substantial shareholder of MEC on or prior to January 30, 2008. As of the date of the Joint Venture Agreement, Party B and the Party B Guarantor are not connected persons to the best knowledge of the directors of MEC under the definitions of the Listing Rules.

DISCLOSEABLE TRANSACTION

The entering into the Joint Venture Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing details of the Joint Venture Agreement will be dispatched to the shareholders of MEC as soon as practicable in accordance with the requirements of the Listing Rules.

CAUTION AND DEALING IN SHARES OF MEC

As there is no assurance of the acquisition of any Project under the Joint Venture Agreement shareholders and investors of MEC should exercise caution when dealing with the shares of MEC.

DEFINITIONS

In this announcement, the terms defined shall have the respective meanings throughout this announcement.

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

Hong Kong, August 31, 2007.

As at the date hereof, the Board comprises six Directors, of which Mr. Lo Lin Shing, Simon 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.

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