MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

CLARIFICATION ANNOUNCEMENT AND RESUMPTION OF TRADING

MING PAO PUBLICATION

The Company ("**MEC**") is aware of a publication of September 17, 2007 by Ming Pao on page B16. This recycles and refers to certain publication by the China Business Post which questioned why MEC is able to obtain a project in Mongolia, possibly worth US$150 billion, with such ease. Unfortunately, Ming Pao's publication does not mention this context of the publication of the China Business Post. To reiterate, the context of the China Business Post, is that for another project, which the China Business Post states is worth US$300 billion, secured by certain Russian interests, it was necessary for the Russian interests to build some 1,500 km of road to secure the project. Thus, MEC's stock is a "weird stock" as the size of MEC's project is probably half (that is US$150 billion) of the size of the Russian project, but MEC appears to have done little to secure the project. The following will demonstrate that MEC has to contribute to the people of Mongolia relating to its concessions.

WHAT MEC HAS TO DO

To clarify, as set out under the circulars of March 22, 2007 and June 25, 2007, MEC envisages building power plants in western Mongolia. As widely reported by various media in Hong Kong, MEC is at the feasibility study stage for 2x600 MW power plants. The capital commitment will be some RMB6.5 billion to build. The current target is to have both power plants built together and be up and operational as at the end of the second quarter of 2010. In addition, MEC has to upgrade certain roads as part of its 2 million tonnes mining operations (referred to in (3) below). Further, MEC is considering the feasibility of building washery and coking facilities, as there are indications, from the exploration work progress report, as set out under MEC's announcement of August 24, 2007, that there are coking coal under the over 340 million tonnes of resources in the 300 hectares out of the 66,000 hectares of mine concession purchased areas of MEC. The extent of the coking coal occurrence is being analyzed. All these provide capital investments and employment opportunities to the people of Mongolia. MEC while a commercial concern wants, as part of its corporate social responsibilities, to assist Mongolia in its developments, with due care and attention for the environment. MEC accepts the China Business Post's proposition that it must do something for Mongolia to get the concessions. MEC eventually hopes to have a constructive dialogue with the China Business Post and other media publications.

OTHER MATTERS

To deal further and systematically with the six points referred to in the selective article of Ming Pao, which the reader of this announcement is asked to refer to:

(1) **The possibility of resumption by Mongolia of the coal mine areas.** As advised by our leading law firm in Mongolia, Lehman, Lee and Xu, the Revised Minerals Law of Mongolia guarantees exploration rights and mining rights under Articles 21 and 27 respectively. The latest opinion was rendered on July 13, 2007. Generally, exploration concessions run for up to 9 years and mining concessions run for 70 years. We are not aware of any actual case of resumption or nationalization in Mongolia which risk can be subsumed under changes in policies and regulations under MEC's circular of March 22, 2002. This is to be contrasted with failure to comply with the Revised Minerals Law which can lead to revocation of concessionary rights. MEC has a team monitoring compliance with the Revised Minerals Law on a day-to-day basis. MEC takes compliance with the Revised Minerals Law as crucial to MEC's business in Mongolia.

(2) **The name of the entity certifying the 3.4 to 4.4 billion tonnes Soviet resources figures.** The issue is probably one of translation flowing from the richness of the Mongolian language which has over 800 years of history. Lehman, Lee and Xu assisted us in reviewing the two letters referring to the coal resources at 2.4 billion tonnes under our first acquisition and 1 to 2 billion tonnes of coal resources under our second acquisition (as set out under our circulars of March 22, 2007 and June 25, 2007 respectively) and translating them. They have not raised any issue relating to the letters. However, the information is subject to exploration as disclosed under our circulars of March 22, 2007 and June 25, 2007 by Team 129 of China Coal Geology Bureau, the Exploration Company, as referred therein.

(3) **The demand for coal in Xinjiang.** MEC has been able to secure certain letters of intent to sell 3.2 million tonnes of thermal coal in Xinjiang, PRC as disclosed under the announcements of April 2, 2007 and April 10, 2007. The selection of Mongolia for the coal mining business and the Xinjiang as the market place has been set out under the circular of March 22, 2007. MEC now expects to start selling coal within the second quarter of 2008. Further, the indications are that certain amount of the coal has coking characteristics. MEC is studying the potential of selling coking coal to other global consumers. In addition, MEC expects to start selling electricity as from the end of the second quarter of 2010 under MEC's scheduled 2x600 MW power plants. The aim of MEC is to maximize the returns to its shareholders and does not currently see any significant issue as to markets for its coal and energy products. MEC will start negotiations on the definitive agreements following analysis of the coal samples under the current exploration work, which includes sampling and analytical work. There are existing roads from Khovd Province to the port-of-entry of Baytag-Uliastay, at the Chinese boarder, approximately 310 km to the south and from Xinjiang, PRC there are abundant road and railway networks linking the rest of PRC and Russia and to various ports for shipment elsewhere.

(4) **The figures for the initial mining operations.** The figures for the initial mining operations for 2 million tonnes of coal per annum, in terms of cashflow to MEC, is RMB250 million as set out under the circular of March 22, 2007. The amount of RMB39.86 million referred to under the publication is simply the base camp construction costs for living accommodations for the exploration crew. MEC is scheduled to bring reporters, including from Ming Pao, on September 19, 2007 to September 21, 2007 to visit the mine areas under exploration for which the initial work progress report, which as set out under MEC's announcement of August 24, 2007, indicates that there are in excess of 340 million tonnes of coal resources in an area of 300 hectares out of the MEC's purchase of concession areas of around 66,000 hectares. The trip is confirmed with 14 reporters joining the trip.

(5) **The identities of the Counterparties on the Co-Operation Letters of Intent**. The position is as set out below. In summary, MEC has commenced legal proceedings on the issue. MEC believes that MEC will prevail under the litigation. The legal proceedings will not have any material impact on the financials and operations of MEC.

(6) **How can MEC obtain the concessions so easily?** The concessions were obtained after almost two months of negotiations and employment of John T. Boyd Company, a global leading mining consultancy firm, which acted as technical advisers to the Shenhua IPO in 2005, as MEC's overall technical advisers. MEC will not characterize the negotiations and acquisition as easy. Further, all legal and technical due diligence were conducted, including on-site visit by our Mongolian lawyers to the relevant Government agencies.

MEC values the opportunity to clarify the issues afforded by The Exchange under this announcement. MEC can readily understand that given the size of the project that the media will be interested. MEC trusts that if the reader of this announcement reads the original publication of the China Business Post, the issue for the China Business Post becomes clear which is how MEC can obtain a project worth up to US$150 billion with such ease. MEC has clarified the answer to this issue as set out above.

CLARIFICATION RELATING TO CO-OPERATION LETTERS OF INTENT

MEC entered into certain non-binding Co-operation Letters of Intent as set out under MEC's announcements of August 14, 2007, August 21, 2007 and September 10, 2007 (the "**Announcements**") with 中國航天技術發展總公司*, 國家電力投資總公司** and 中國石油總公司*** (the "**Counterparties**") respectively. MEC clarifies insofar as MEC is aware that (1) the Counterparties are state-owned enterprises (2) due diligence was conducted prior to the entry into the respective Co-operation Letters of Intent (3) not every state-owned enterprise has to have an English name (as the Counterparties do not have English names) and (4) there is no reference under the Announcements that the Counterparties are associated with other listed companies in Hong Kong or elsewhere. Further, MEC is not aware of any exhaustive list of state-owned enterprises under any official internet publication, which is for the person asserting such a position against MEC to bear the burden of proof. This clarification is made in response to certain internet publication on September 13, 2007 for which MEC has, after taking legal advice, commenced legal proceedings against the relevant parties. MEC believes that MEC will prevail under the litigation. The legal proceedings will not have any material impact on the financials and operations of MEC. The Board of Directors, based on the due diligence work both prior to and after the internet publication, is of the view that the Counterparties are stated-owned enterprises. Further, the Board of Directors confirms that on such basis that the contents of the Announcements are true and accurate.

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 September 14, 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of MEC's shares with effect from 9:30 a.m. on September 18, 2007.

Ming Pao Publication

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Clarification relating to Co-Operation Letters of Intent

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Caution when dealing in the shares of MEC

As there is no assurance of the consummation of any co-investments under the Co-operation Letters of Intent as set out under the Announcements, shareholders and investors of MEC should exercise caution when dealing in the Shares of MEC.

Definitions

The definitions used herein are as set out under MEC's announcements of August 14, 2007, August 21, 2007 and September 10, 2007 respectively, as applicable.

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 September 14, 2007 pending the release of this announcement. 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 September 18, 2007.

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

Hong Kong, September 17, 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.

Transliteral translations of the names of the Counterparties are as follows:–
**   "China Aerospace Technology Development Group Corporation";*
***   "State Power Investment Group Corporation":*
****   "China Petroleum Group Corporation"–*
although MEC is not aware of any English names for the Counterparties which only have Chinese names insofar as MEC is aware

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