



MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

AGREEMENT WITH CHINA RAILWAY NO. 1 ENGINEERING GROUP COMPANY LIMITED (中鐵一局集團有限公司) RELATING TO THE FEASIBILITY STUDY OF THE KHUSHUUT RAILWAY

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

THE AGREEMENT WITH CHINA RAILWAY NO.1 ENGINEERING GROUP COMPANY LIMITED

The Company (“MEC”) is pleased to announce that by an agreement (the “**Agreement**”) entered by MEC on December 7, 2007 with China Railway No. 1 Engineering Group Company Limited (中鐵一局集團有限公司) (“CREC”), CREC agreed, to study the feasibility (the “**Feasibility Study**”) of the design and construction of a railway, from the concession areas of MEC in Khushuut in western Mongolia to the Chinese border with Xinjiang, PRC (the “**Khushuut Railway**”).

TIMING AND A CO-OPERATION

The Feasibility Study will commence following relevant approval in Mongolia being obtained. There are two routes being considered for the Khushuut Railway by CREC. The intention of MEC is to work with CREC to obtain the Feasibility Study on an as soon as practicable basis.

During this time, MEC and CREC shall discuss the details relating to the co-operation of building the Khushuut Railway and any other topics of interests. The preferred model from MEC’s perspective for the building of the Khushuut Railway is a built-operate-transfer model. Further agreements for building the Khushuut Railway are required between the parties after the Feasibility Study which will absorb the upfront costs of the Feasibility Study expended by CREC.

THE KHUSHUUT ROAD

The timing for the building of the Khushuut Railway, where viable, is likely to take a number of years, as to be detailed under the Feasibility Study. As such, the Khushuut Railway is intended to compliment and not to replace upgrading of the existing road between the mine areas in Khushuut with the border of Xinjiang, PRC (the “**Khushuut Road**”).

The latest progress relating to the Khushuut Road is that the route for the upgrading of the Khushuut Road has been approved. This will be followed by detailed design and engineering study and further approvals prior to upgrading of the Khushuut Road, which may involve some building work depending on the detailed study.

BACKGROUND OF CREC

CREC is a wholly-owned subsidiary of China Railway Group Limited (a company listed in Hong Kong with stock code 390). Its principal business includes design and construction of railways, highways and city railways in the PRC and abroad. As of the date of this Agreement, CREC is not a connected person to the best knowledge of the directors of MEC under the definitions of the Listing Rules.

IMPLICATION UNDER THE LISTING RULES

If further agreements are entered into between the parties in relation to the design and construction of the Khushuut Railway constituting notifiable transactions for MEC under the Listing Rules, MEC will comply with the Listing Rules requirements by disclosure and seeking approval from shareholders as and when appropriate.

CAUTION WHEN DEALING IN THE SHARES OF MEC

As there is no assurance that the feasibility of the Khushuut Railway is viable and the design and construction of the Khushuut Railway will proceed ahead, shareholders and investors should exercise caution when dealing in the shares of MEC.

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RELATIONSHIP WITH CREC

The relationship with CREC is from Mongsorce Limited, a British Virgin Islands company, majority owned and controlled by Mr. Liu Cheng Lin. Mongsorce Limited is owner of certain other concessions in Mongolia and has a business relationship with MEC.

MEC is in preliminary discussions with Mr. Liu Cheng Lin identifying details of the concessions for a potential acquisition of an interest therein subject to further due diligence and commercial terms

As such, Mongsorce Limited has kindly procured the entry into the Agreement, in the form of an assumption and release under an earlier agreement dated July 30, 2007 between Mongsorce Limited and CREC.

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

Hong Kong, December 7, 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.