



MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

MEC ENTERS INTO CO-INVESTMENT OPPORTUNITY AGREEMENT FOR POTENTIAL ACQUISITION OF ENERGY AND RESOURCES OPPORTUNITIES IN XINJIANG, PRC

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

Co-Investment Opportunity for energy and resources projects in Xinjiang, PRC with the originator of the concessions in Mongolia which MEC has invested into

The Company (“**MEC**”) is pleased to announce that on August 13, 2007, MEC entered into the Co-Investment Opportunity Agreement (the “**Agreement**”) with the Guarantor and the Seller’s Group (beneficially owned by the Guarantor) (as defined below) under which MEC was granted the contractual right, but not the obligation, to co-invest with the Seller’s Group into 20% (the “**Relevant Percentage**”) of any actual business opportunities (“**Business Opportunities**”) under the Projects (defined below) secured by the Seller’s Group within a two years’ period as from the date of the Agreement (the “**Relevant Period**”).

The consideration (“**Consideration**”) from MEC to the Seller for the Seller to procure the Guarantor and the Seller’s Group to enter into and be bound by this Agreement is US\$100.00.

The Seller’s Group is at an advanced stage of confidential negotiations to acquire energy and resources projects (the “**Projects**”) in Xinjiang Autonomous Region, PRC (“Xinjiang”). The Seller’s Group has represented and warranted to MEC during the preliminary discussions with MEC that the size of the Projects will be at least comparable with and will probably exceed the size of the current energy and resources projects of MEC in Mongolia under the concessions which were acquired and being acquired by MEC from other groups of companies beneficially owned by the Guarantor as set out under the circulars of MEC dated March 22, 2007 and June 25, 2007.

Synergy with the energy and resources business of MEC in Mongolia and gaining a foothold in Xinjiang

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.

Absolute discretion on MEC as to whether to participate in any Business Opportunity in Xinjiang

Upon a Business Opportunity arising, under the terms of the Agreement, the Seller will be obliged to inform MEC in good faith and in a timely manner of such Business Opportunity arising. MEC will then in its sole and absolute discretion within 30 days thereafter decide whether to participate in the Relevant Percentage of a Business Opportunity. Under the transaction documents (“**Transaction Documents**”) to be stipulated by MEC in good faith, MEC will be required (1) to be responsible for the Relevant Percentage of the costs and expenses incurred (as a reimbursement to the Seller or as the Seller shall direct) as well as the Relevant Percentage of the costs and expenses to be incurred in relation to a Business Opportunity (2) to pay such mutually agreed consideration for the Relevant Percentage, which may be modeled upon the “pay as demonstrated” and “pay as used” payments to the Seller, in the amount of HK\$2.00 and HK\$10.00 for per tonne of coal resources and 0.5% and 2.5% of prevailing international market price for per tonne of other resources respectively, in accordance with the terms of the latest commercial acquisition in Mongolia by MEC as set out under MEC’s circular of June 25, 2007. Further, the Transaction Documents shall be conditional, amongst other requirements of MEC, upon (3) compliance with the applicable rules and regulations under the Listing Rules governing MEC (4) satisfactory legal and technical due diligence to MEC and (5) such other reasonable authorizations, approvals and permits required by MEC.

Representation of Seller’s Group

The Seller’s Group may, as from the date of the Agreement, assist MEC to enter into various letters of intent and agreements for the benefits of the Seller’s Group and MEC, on the basis that MEC is entitled to fully represent the interests of MEC and the Seller’s Group on all energy and resources Projects in Xinjiang and MEC may in its sole and absolute discretion consider whether to do so for the benefit of itself and/or the Seller’s Group.

Caution when dealing in the shares of MEC

As there is no assurance of a Business Opportunity arising or that MEC will acquire any Business Opportunity or that the Transaction Documents will be concluded, shareholders and investors of MEC should exercise caution when dealing in the shares of MEC.

Implication under the Listing Rules

Upon MEC’s exercise of any rights to acquire a Relevant Percentage of a Business Opportunity, the co-investment by MEC under the Business Opportunity may constitute a notifiable transaction for MEC under the Listing Rules. MEC will comply with the Listing Rules requirements by disclosure and/or seeking approval from shareholders as and when appropriate.

THE CO-INVESTMENT OPPORTUNITY AGREEMENT

On August 13 2007, MEC entered into the Co-Investment Opportunity Agreement (the “**Agreement**”) with the following parties:-

1. Mr. Liu Cheng Lin (the “**Guarantor**”) as the legal and beneficial owner of the Seller’s Group (as defined below).
2. Eagle Vast International Limited (the “**Seller**”), a company incorporated under the laws of British Virgin Islands legally and beneficially owned by the Guarantor.
3. High Champ Investments Limited (the “**Target Company**”), a company incorporated under the laws of British Virgin Islands and a wholly owned subsidiary of the Seller, which together with the Seller comprise the “**Seller’s Group**”.
4. Mongolia Energy Corporation Limited (“**MEC**”), a company incorporated under the laws of Bermuda and whose shares are listed and traded on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

under which MEC was granted the contractual right, but not the obligation, to co-invest with the Seller’s Group into 20% (the “**Relevant Percentage**”) of any actual business opportunities (“**Business Opportunities**”) under the Projects (defined below) secured by the Seller’s Group within a two years’ period as from the date of the Agreement (the “**Relevant Period**”).

The consideration (“**Consideration**”) from MEC to the Seller for the Seller to procure the Guarantor and the Seller’s Group to enter into and be bound by this Agreement is US\$100.00.

CO-INVESTMENT OPPORTUNITY FOR ENERGY AND RESOURCES PROJECTS IN XINJIANG WITH THE ORIGINATOR OF THE CONCESSIONS IN MONGOLIA WHICH MEC HAS INVESTED INTO

The Seller’s Group is at an advanced stage of confidential negotiations to acquire energy and resources projects (the “**Projects**”) in Xinjiang Autonomous Region, People’s Republic of China (“**Xinjiang**”). The Seller’s Group has represented and warranted to MEC during the preliminary discussions with MEC that the size of the Projects will be at least comparable with and will probably exceed the size of the current energy and resources projects of MEC in Mongolia under the concessions which were acquired and being acquired by MEC from other groups of companies beneficially owned by the Guarantor as set out under the circulars of MEC dated March 22, 2007 and June 25, 2007.

ABSOLUTE DISCRETION ON MEC AS TO WHETHER TO PARTICIPATE IN ANY BUSINESS OPPORTUNITY IN XINJIANG

Upon a Business Opportunity arising, under the terms of the Agreement, the Seller will be obliged to inform MEC in good faith and in a timely manner of such Business Opportunity arising. MEC will then in its sole and absolute discretion within 30 days thereafter decide whether to participate in the Relevant Percentage of a Business Opportunity. Under the transaction documents (“**Transaction Documents**”) to be stipulated by MEC in good faith, MEC will be required (1) to be responsible for the Relevant Percentage of the costs and expenses incurred (as a reimbursement to the Seller or as the Seller shall direct) as well as the Relevant Percentage of the costs and expenses to be incurred in relation to a Business Opportunity (2) to pay such mutually agreed consideration for the Relevant Percentage, which may be modeled upon the “pay as demonstrated” and “pay as used” payments to the Seller, in the amount of HK\$2.00 and HK\$10.00 for per tonne of coal resources and 0.5% and 2.5% of prevailing international market price for per tonne of other resources respectively, in accordance with the terms of the latest commercial acquisition in Mongolia by MEC as set out under MEC’s circular of June 25, 2007. Further, the Transaction Documents shall be conditional, amongst other requirements of MEC, upon (3) compliance with the applicable rules and regulations under the Listing Rules governing MEC (4) satisfactory legal and technical due diligence to MEC and (5) such other reasonable authorizations, approvals and permits required by MEC.

REPRESENTATION OF SELLER’S GROUP

The Seller’s Group may, as from the date of the Agreement, assist MEC to enter into various letters of intent and agreements for the benefits of the Seller’s Group and MEC, on the basis that MEC is entitled to fully represent the interests of MEC and the Seller’s Group on all energy and resources Projects in Xinjiang and MEC may in its sole and absolute discretion consider whether to do so for the benefit of itself and/or the Seller’s Group.

REASONS FOR MEC ENTERING INTO THE 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, the Board is of the view that the entering into of the Agreement is in the interest of MEC and its shareholders as a whole.

PRINCIPAL ACTIVITIES OF 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, subject to an initial 300 million tonnes of coal resources being demonstrated by MEC. The estimates, subject to MEC's exploration, based on previous Soviet geologists information, is that the combined concessions which MEC has acquired and is acquiring have a combined coal resources of between 3.4 billion to 4.4 billion tonnes along with other ferrous and non-ferrous metal resources. In addition, the Group is also engaged in property investments in Hong Kong and aircraft charter services which MEC will continue to engage in.

PRINCIPAL ACTIVITIES OF THE SELLER'S GROUP

The Guarantor wholly owns the Seller's Group. The Guarantor is acting as guarantor of the obligations of the Seller's Group including the Target Company under the Agreement. The Guarantor is a private business person based in Beijing, PRC and spends most of his time living in Beijing. The 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. The Guarantor is also 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, the Guarantor will become a shareholder of MEC. The Seller's Group comprises of companies including the Target Company which are formed for acquisition of the Business Opportunities under the Projects.

CAUTION WHEN DEALING IN THE SHARES OF MEC

As there is no assurance of a Business Opportunity arising or that MEC will acquire any Business Opportunity or that the Transaction Documents will be concluded, shareholders and investors of MEC should exercise caution when dealing in the shares of MEC.

IMPLICATION UNDER THE LISTING RULES

Upon MEC's exercise of any rights to acquire a Relevant Percentage of a Business Opportunity, the co-investment by MEC under the Business Opportunity may constitute a notifiable transaction for MEC under the Listing Rules. MEC will comply with the Listing Rules requirements by disclosure and/or seeking approval from shareholders as and when appropriate.

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

Hong Kong, August 13, 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.