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**MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

**CONNECTED TRANSACTION**

**MEC ASSOCIATE XINJIANG KAIYUE YUAN  
OBTAINS PRC GOVERNMENT APPROVAL  
TO INCREASE TOTAL INVESTMENT LIMIT BY  
RMB500 MILLION TO RMB700 MILLION  
TO FACILITATE RESOURCES PROJECTS  
IN XINJIANG, PRC**

MEC refers to the announcements of September 25, October 29 and October 30, 2008 (the “**Announcements**”) and the expressions and definitions therein.

**Xinjiang Kaiyue Yuan obtains Government approval**

MEC is pleased to announce that it has been informed by its 25% invested associate, 新疆凱禹源礦業有限公司 (Xinjiang Kaiyue Yuan Mineral Company Limited) (“**Xinjiang Kaiyue Yuan**”) that it has obtained Government approval to increase its total investment limit from RMB200 million to RMB700 million, that is, by RMB500 million.

**Purpose of increased total investment limit**

The increase in total investment limit by RMB500 million allows Xinjiang Kaiyue Yuan to pursue the RMB400 million required by it to invest into two projects with two geological bureaus relating to over 2 billion tonnes of demonstrated coal resources and other potential projects in Xinjiang, People’s Republic of China (“**PRC**”) as referred under the announcement of September 25, 2008 which Xinjiang Kaiyue Yuan is working towards.

**Payments MEC are to make**

MEC will, subject to the making of this announcement (1) make reimbursement of RMB12.495 million for its 25% shares of the RMB50 million of additional verified capital of Xinjiang Kaiyue Yuan from RMB150 million to RMB200 million and (2) contribute RMB25 million for its 25% share of the additional RMB100 million, out of the increased total investment limit of RMB500 million, to Xinjiang Kaiyue Yuan, as set out below.

## **Xinjiang Kaiyue Yuan**

Xinjiang Kaiyue Yuan is a wholly foreign owned enterprise set up on September 11, 2007 under the laws of PRC. Xinjiang Kaiyue Yuan is allowed to engage, amongst other approved business scopes, in coal, copper and iron related resources business under its business licence. MEC is pursuing the two joint ventures with the two geological bureaus as set out above for RMB400 million. MEC is indirectly interested in 25% of Xinjiang Kaiyue Yuan and Mr. Liu Cheng Lin is indirectly interested in the rest of the 75% of Xinjiang Kaiyue Yuan.

### **Listing Rules implications**

Mr. Liu is a substantial shareholder to MEC. Mr. Liu is indirectly interested in the rest of the 75% of Xinjiang Kaiyue Yuan. Thus, the *pro rata* contribution of RMB25 million on the part of MEC, funded through a shareholder's loan to the joint pro rata holding company, Mongolia Resources (Hong Kong) Company Limited of Xinjiang Kaiyue Yuan, is a financial assistance to a connected person for the purposes of Chapter 14A of the Listing Rules. For completeness of information, Mr. Liu will have to contribute RMB75 million as shareholder's loan for Xinjiang Kaiyue Yuan.

As the relevant ratios for the pro rata investments under the total investment limit of Xinjiang Kaiyue Yuan on the part of MEC are less than 2.5% of the applicable percentage ratios under the Listing Rules, MEC is only subject to reporting and announcement requirements under the Listing Rules.

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### **Xinjiang Kaiyue Yuan obtains Government approval**

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This is pursuant to the approval letter issued by the 新疆維吾爾自治區對外貿易經濟合作廳 (Department of Foreign Trade and Economic Cooperation of Xinjiang Uyghur Autonomous Region) to approve the increase in the registered capital and total investment limit of Xinjiang Kaiyue Yuan as follows:-

- (1) The registered capital is approved to be increased from RMB200 million to RMB400 million.
- (2) The total investment limit is approved to be increased from RMB200 million to RMB700 million.
- (3) 20% of the newly increased share capital of RMB200 million, as set out in (1) above, that is, RMB40 million, is to be contributed upon application for the new business licence and the remaining balance within 2 years from the date of the new business licence.

- (4) An application to apply for the changes to the registered capital and the total investment limit from the Department of Industry and Commerce and the Department of Foreign Exchange within one month from January 13, 2009.

The total investment limit of RMB700 million in (2) above includes the registered capital of RMB400 million as set out in (1) above. The net increase in the total invest limit is RMB500 million, being RMB700 million minus the initial registered capital of RMB200 million.

#### **Purpose of increased total investment limit**

The increase in total investment limit by RMB500 million allows Xinjiang Kaiyue Yuan to pursue the RMB400 million required by it to invest into two projects with two geological bureaus relating to over 2 billion tonnes of demonstrated coal resources and other potential projects in Xinjiang, People's Republic of China ("PRC") as referred under the announcement of September 25, 2008 which Xinjiang Kaiyue Yuan is working towards.

#### **Payments MEC are to make**

MEC will, subject to the making of this announcement (1) make reimbursement of RMB12.495 million for its 25% share of the RMB50 million of additional verified capital of Xinjiang Kaiyue Yuan from RMB150 million to RMB200 million and (2) contribute RMB25 million for its 25% share of the additional RMB100 million, out of the increased total investment limit of RMB500 million, to Xinjiang Kaiyue Yuan.

In relation to the reimbursement of RMB12.495 million, as set out under the October 30, 2008 announcement, MEC completed the acquisition of 25% interest and the related shareholder's loan in Mongolian Resources (Hong Kong) Company Limited, the holding company ("**Holding Company**") of Xinjiang Kaiyue Yuan based on the then verified registered capital of RMB 150.02 million of Xinjiang Kaiyue Yuan. The Supplement further provided that upon verification of the fully paid up RMB200 million registered capital of Xinjiang Kaiyue Yuan, MEC would reimburse the *pro rata* balance of the increase, that is, RMB12.495 million, within 7 days of such verification. As the updated business licence of Xinjiang Kaiyue Yuan confirms the registered paid up capital to be RMB200 million, MEC would reimburse RMB12.495 million as soon as possible pursuant to the terms of the Supplement.

In relation to the additional RMB100 million, out of the increased total investment limit of RMB500 million, to Xinjiang Kaiyue Yuan, the shareholders of the Holding Company, ultimately Mr. Liu Cheng Lin and MEC, have resolved on January 16, 2009, to contribute an additional funding of RMB100 million to Xinjiang Kaiyue Yuan on a *pro rata*, several and interest free bases to their respective shareholdings in the Holding Company by way of shareholders' loan, being RMB40 million to meet part of the newly increased registered capital and RMB60 million as an additional buffer for the general working capital for any possible projects in Xinjiang, PRC. MEC is therefore required to advance RMB25 million, being 25% of RMB100 million and Mr. Liu Cheng Lin is required to advance RMB75 million, being 75% of RMB100 million in relation to the shareholders' loan.

#### **Reasons for the shareholders' loan**

The Group is focused on building its energy and related resources business.

The RMB25 million shareholder's loan from MEC is to satisfy the requirements of the

Government approval and also for the general working capital of Xinjiang Kaiyue Yuan which is pursuing the joint ventures with the geological bureaus and other potential projects in Xinjiang, PRC. The RMB25 million shareholder's loan will be satisfied by MEC's internal resources.

The shareholder's loan is an aspect of implementation of investment of resources related projects in Xinjiang, PRC, the bases of which were already set out under the announcement of September 25, 2008. The participation of 25% interest in the Xinjiang Kaiyue Yuan, as set out under the September 25, 2008 announcement, will provide an opportunity to MEC to expand its coal resources business from western Mongolia to Xinjiang, PRC. This compliments MEC's business strategy for business expansion from western Mongolia gradually across the border to Xinjiang, PRC. In view of the above and the provision of shareholders' loan a on *pro rata* basis, the directors of MEC, including the independent non-executive directors, are of the view that the shareholders' loan, on a *pro rata*, several and interest free bases will reduce the financial burden of Xinjiang Kaiyue Yuan at the start up stage and to facilitate its development, which is fair and reasonable and in the interest of MEC and its shareholders as a whole.

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### **Listing Rules implications**

Mr. Liu is a substantial shareholder to MEC. Mr. Liu is indirectly interested in the rest of the 75% of Xinjiang Kaiyue Yuan. Thus, the *pro rata* contribution of RMB25 million on the part of MEC, funded through a shareholder's loan to the joint *pro rata* holding company, Mongolia Resources (Hong Kong) Company Limited of Xinjiang Kaiyue Yuan, is a financial assistance to a connected person for the purposes of Chapter 14A of the Listing Rules. For completeness of information, Mr. Liu will have to contribute RMB75 million as shareholder's loan for Xinjiang Kaiyue Yuan.

As disclosed in the announcement of September 25, 2008 and October 30, 2008, Xinjiang Kaiyue Yuan's (1) registered capital and total investment limit were both at RMB200 million but it (2) proposed to invest a further RMB400 million under two joint ventures with two geological bureaus. Thus, Xinjiang Kaiyue Yuan needed to increase its total investment by at least RMB400 million to accommodate item (2). The current increased total investment limit of RMB700 million was thus already contemplated and aggregated under items (1) and (2) of RMB600 million and an additional RMB100 million amount is aggregated under the current announcement for the purposes of calculation of MEC's 25% *pro rata* share. Thus, any *pro rata* payment towards the total investment limit of RMB700 million will no longer require further aggregation by reasons of all relevant aggregations having already been made.

As the relevant ratios for the *pro rata* investments under the total investment limit of Xinjiang Kaiyue Yuan on the part of MEC are less than 2.5% of the applicable percentage ratios under the Listing Rules, MEC is only subject to reporting and announcement requirements under the Listing Rules.

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

Hong Kong, January 20, 2009.

*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 <sup>OBE, JP</sup>, Mr. Tsui Hing Chuen, William <sup>JP</sup> and Mr. Lau Wai Piu are independent non-executive Directors.*