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MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT

SHARE TRANSACTION

MEC ACQUISITION OF CONCESSION AREA FOR FERROUS RESOURCES IN WESTERN MONGOLIA

Mongolia Energy Corporation Limited (“**MEC**”) is pleased to announce that by an agreement and a supplemental agreement both dated June 24, 2009 and adopted by MEC on July 10, 2009 respectively (together the “**Agreement**”), MEC as buyer and Lenton Capital Management Limited as seller (“**Seller**”) agreed for MEC to buy and the Seller to sell 100% of the entire issued and paid up share capital of Millennium Hong Kong Group Limited (“**Target Company**”).

The Target Company owns 100% interest in Zvezdametrika LLC (the “**Concession Owner**”), a Mongolian company. The Concession Owner holds an exploration concession of around 2,986 hectares (29.86 sq. km) in Bayan-Olgii Aimag in western Mongolia (the “**Concession Area**”). The Concession Area is held under exploration licence no. 14349X (the “**Exploration Licence**”) with a 9 year exploraton period (inclusive of two 3 year extension period) from October 24, 2008.

The latest geological report of July 3, 2009 (the “**Geological Report**”) includes the summary of the preliminary exploration results (from trenching, sampling and ground magnetic survey) conducted over the Concession Area and identifies that there are various layers of minerals deposits with ferrous resources within the Concession Area. The combined ore bodies are estimated at 504 million tonnes of which 188 million tonnes are between the surface and 300m in depth. The sampling indicates a 41.7% grading for this layer of deposit equivalent to approximately 78 million tonnes of ferrous resources. The data are subject to further exploration by MEC. The Seller will work with MEC on obtaining the mining licence (the “**Mining Licence**”) on or before May 31, 2010, or such later date required by MEC for its eventual mine development.

The consideration for the acquisition is US\$35,000,000 (approximately HK\$271,250,000) (the “**Consideration**”). The Consideration is to be payable by MEC by way of cash and shares of MEC, namely (i) US\$10,000,000 (approximately HK\$77,500,000) in cash (ii) US\$20,000,000

(approximately HK\$155,000,000) by way of the issue of 54,577,465 new ordinary shares of MEC of HK\$0.02 each in the capital of MEC at an issue price of HK\$2.840 per share (“**Consideration Shares**”) and (iii) the balance US\$5,000,000 (approximately HK\$38,750,000) (the “**Deferred Consideration**”) in cash within 7 working days from the issue of the Mining Licence.

Prior to the date hereof, MEC has conducted due diligence to its satisfaction to complete the acquisition of the Target Company (the “**Transaction**”). Upon granting of the listing approval relating to the Consideration Shares by The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) and fulfillment of other regulatory requirements, if any, MEC shall effect payment of the Consideration (except the Deferred Consideration) to complete the Transaction. The payment of the Consideration Shares shall be effected by way of the issue of an allotment of shares to the Seller under the existing general mandate of MEC. The Consideration in cash upon completion of the Transaction shall be satisfied by MEC through internal resources.

The Seller and its ultimate beneficial owner are, to the best knowledge, information and belief of MEC, third parties independent of MEC and its connected persons. From the information provided by Mr. Denisov Sergey, the ultimate beneficial owner of the Seller, he graduated from the Moscow State Technical University n.a. N.E. Bauman (MSTU) of Moscow in 1986. Thereafter, he worked as a scientist and owns two patents relating to absorption of noises. As from 1988 he developed a business to deliver technical equipment for factories and plants in Russia and Kazakhstan, including delivery of inert gases (xenon) and geophysical equipment (carotage). As from 2001, he also became involved in identifying coal-fields and iron-fields in Russia and Kazakhstan. Mr. Denisov Sergey then established the Seller in 2002 which is his investment company.

The risk factors set out under the circulars of March 22, 2007 and June 25, 2007 shall be applied to the present transaction with necessary modifications relating to ferrous deposits, which are equally applicable as with coal and other ferrous and non ferrous metal deposits.

The acquisition of the Target Company constitutes a share transaction under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and is subject to the announcement requirement under Rule 2.07C of the Listing Rules.

Mongolia Energy Corporation Limited (“**MEC**”) is pleased to announce that by an agreement and a supplemental agreement both dated June 24, 2009 and adopted by MEC after the close of trading on July 10, 2009 respectively (together the “**Agreement**”), MEC as buyer and Lenton Capital Management Limited as seller (“**Seller**”) agreed for MEC to buy and the Seller to sell 100% of the entire issued and paid up share capital of Millennium Hong Kong Group Limited (“**Target Company**”).

The Target Company owns 100% interest in Zvezdametrika LLC (the “**Concession Owner**”), a Mongolian company. The Concession Owner holds an exploration concession of around 2,986 hectares (29.86 sq. km) in Bayan-Olgij Aimag in western Mongolia (the “**Concession Area**”). The Concession Area is held under exploration licence no. 14349X (the “**Exploration Licence**”) with a 9 year exploraton period (inclusive of two 3 year extension period) from October 24, 2008. The area is 100 km from the border crossing with China at Yarant-Takeshiken border, a transport hub for MEC’s Khushuut coking coal upon production.

The summary of the principal terms of the Agreement is as follows:-

Date of the Agreement

June 24, 2009 for the Seller

July 10, 2009 for MEC

Parties

Seller: Lenton Capital Management Limited, a company incorporated under the laws of British Virgin Islands. The legal and beneficial owner is confirmed by the Seller to be Mr. Denisov Sergey, a Russian national.

Purchaser: Mongolia Energy Corporation limited, a company incorporated under the laws of Bermuda and whose shares are listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), as the purchaser.

The Seller/Beneficial Owner

The Seller and its ultimate beneficial owner, Mr. Denisov Sergey are, to the best knowledge, information and belief of MEC, independent third parties to MEC and its connected persons. From the information provided by Mr. Denisov Sergey, the ultimate beneficial owner of the Seller, he graduated from the Moscow State Technical University n.a. N.E. Bauman (MSTU) of Moscow in 1986. Thereafter, he worked as a scientist and owns two patents relating to absorption of noises. As from 1988 he developed a business to deliver technical equipment for factories and plants in Russia and Kazakhstan, including delivery of inert gases (xenon) and geophysical equipment (carotage). As from 2001, he also became involved in identifying coal-fields and iron-fields in Russia and Kazakhstan. Mr. Denisov Sergey then established the Seller in 2002 which is his investment company.

Target Company

Millennium Hong Kong Group Limited, a company incorporated under the laws of Hong Kong and is wholly-owned by the Seller, as the target company for MEC’s acquisition.

Asset of the acquisition

The latest geological report of July 3, 2009 (the “**Geological Report**”) includes the summary of the preliminary exploration results (from trenching, sampling and ground magnetic survey) conducted over the Concession Area and identifies that there are various layers of minerals deposits with ferrous resources within the Concession Area. The combined ore bodies are estimated at 504 million tonnes of which 188 million tonnes are between the surface and 300m in depth. The sampling indicates a 41.7% grading for this layer of deposit equivalent to approximately 78 million tonnes of ferrous resources. These data are subject to further exploration. The Seller will work with MEC on obtaining the mining licence (the “**Mining Licence**”) on or before May 31, 2010, or such later date required by MEC for its eventual mine development.

MEC appointed John T Boyd Company for a preliminary review of the Geological Report and the iron anomaly and discussions with the Seller's geologist. John T Boyd Company reported on July 9, 2009 that they are of view that there is prospect for the deposit and recommended further exploration of the prospect.

For completeness, apart from the exploration licence 14349X, the Concession Owner also

owns another exploration licence number 14426X which has not been prospected and for which MEC is attributing no value and which MEC can eventually determine whether to prospect or not.

Consideration

The consideration for the acquisition is US\$35,000,000 (approximately HK\$271,250,000) (the “**Consideration**”). The Consideration is to be payable by MEC by way of cash and shares of MEC, namely (i) US\$10,000,000 (approximately HK\$77,500,000) in cash (ii) US\$20,000,000 (approximately HK\$155,000,000) by way of the issue of 54,577,465 new ordinary shares of HK\$0.02 each in the capital of MEC at an issue price of HK\$2.840 per share (“**Consideration Shares**”) and (iii) the balance US\$5,000,000 (approximately HK\$38,750,000) (the “**Deferred Consideration**”) in cash within 7 working days from the issue of the Mining Licence.

Prior to the date hereof, MEC has conducted due diligence, on the Target Company, the Concession Owner and the Exploration Licence, to its satisfaction to complete the acquisition of the Target Company (the “**Transaction**”). Upon granting of the listing approval relating to the Consideration Shares by the Stock Exchange and fulfillment of other regulatory requirements, if any, MEC shall effect payment of the Consideration (except the Deferred Consideration) to complete the Transaction.

The payment of the Consideration Shares shall be effected by way of the issue of an allotment of shares to the Seller under the existing general mandate of MEC granted by the shareholders of MEC at the annual general meeting held on September 4, 2008. Under the existing general mandate, MEC could issue up to 1,209,644,072 new ordinary shares. MEC has not conducted any fund raising exercise within 12 months from the date of this announcement. The Consideration Shares will be issued credited as fully paid and shall rank *pari passu* in all respects with the ordinary shares then in issue. There is no restriction applicable to the subsequent sale of the Consideration Shares. The Consideration in cash upon completion of the Transaction shall be satisfied by MEC through internal resources. MEC will make an application to the Stock Exchange for the listing approval of the Consideration Shares.

The issue price represents:

- (a) a premium of 6.77% to the closing price per share of HK\$2.66 as quoted on the Stock Exchange on July 10, 2009 being the day MEC adopted the Agreement. Based on such closing price, the market value of the Consideration Shares is HK\$145,176,057 (approximately US\$18,732,394).
- (b) a premium of 3.65% to the average closing price of the five trading days immediately prior to July 10, 2009 being HK\$2.74 per share. Based on such average trading price, the market value of the Consideration Shares is HK\$149,542,254 (approximately US\$19,295,775).
- (c) a discount of 4.05% to the average closing price of the five trading days immediately prior to June 23, 2009 being HK\$2.96 per share. Based on such average trading price, the market value of the Consideration Shares is HK\$161,549,296 (approximately US\$ 20,845,070).

As at the date of this announcement, the Consideration Shares represent 0.9% of the existing issued share capital of MEC (6,048,220,363 issued ordinary shares) and 0.89% enlarged issued share capital by taking into account the issue of the Consideration Shares (6,102,797,828

ordinary shares).

Basis of Consideration

The Consideration is based on an arm's length negotiation of the parties. 78 million tonnes of ferrous resources, subject to MEC's further exploration, means the cost is approximately US\$0.45 (approximately HK\$3.49) per tonne. The issue price of the Consideration Shares is also based on an arm's length negotiation between the parties with reference to the closing price of MEC's shares as of June 23, 2009.

Other Matters

The following are certain of the other matters set out under the Agreement and the status thereof:

- The Seller sets out that the preliminary exploration of the Concession Area included magnetic field data and the various geological, magnetic field and laboratory results. MEC has obtained the Geological Report and the prognostic data therein. MEC will conduct further exploration over the Concession Area.
- The Seller agrees to provide to MEC, among others, the original of Exploration Licence, and the certificates of incorporation, memoranda and articles of association of the Target Company and the Concession Owner and their relevant documents. These have been provided to MEC.
- MEC will complete the Transaction at an appointed date with the Seller. Prior to the date hereof, MEC has conducted due diligence to its satisfaction on the Target Company, the Concession Owner and the Exploration Licence, to complete the acquisition of the Target Company. Upon granting of the listing approval relating to the Consideration Shares by the Stock Exchange and fulfillment of other regulatory requirements, if any, MEC shall effect payment of the Consideration (except the Deferred Consideration) to complete the Transaction. The completion of the transaction will be shown under the next day filings of the equity share capital of MEC.
- The US\$5,000,000 (approximately HK\$38,750,000) as Deferred Consideration is to be payable by MEC within 7 working days after the issue of the Mining Licence over the Concession Area by the relevant Mongolian authorities. The Seller shall assist in the drafting of the exploration report to meet the Mongolian standard and other necessary requirement for the purpose of MEC obtaining the Mining Licence for the Concession Area on or before May 31, 2010. If the Mining Licence could not be obtained in time and this is not due to the delay of the Seller, both parties will negotiate an extension. In any event, MEC has the right to grant an extension for obtaining the Mining Licence and/or require the Mining Licence at a later date for its eventual production.
- The Seller has warranted that the Target Company was established as a holding company of the Concession Owner and has no debts or liabilities claims. The Concession Owner also has no debts and liabilities claims save and as disclosed, which are normal operational liabilities which are acceptable to MEC.
- Prior to obtaining the issue of the Mining Licence for the Concession Area, MEC shall not sell, transfer or pledge any of the shares of the Target Company and the Exploration Licence.

INFORMATION OF MEC AND THE SELLER'S GROUP

MEC's principal business is that of an energy and resources developer. MEC's business activities include the acquisition and co-ordination of its projects in Mongolia and Xinjiang, PRC.

The Seller and the Target Company are both investment holding companies. The Target Company was incorporated in Hong Kong on March 24, 2009. It has not carried on any trade or business except for the holding of the Concession Owner. The Concession Owner was incorporated in February 2008 and its sole business is the holding of the Exploration Licence.

According to the audited financial statement of the Concession Owner under the relevant accounting laws of Mongolia, the audited net loss for the period from the date of incorporation up to December 31, 2008 was 894,800 Mongolian Tugriks (approximately HK\$4,867.5). The net assets value of Concession Owner as at May 31, 2009 were 142,749,700 Mongolian Tugriks (approximately HK\$776,531) (as at December 31, 2008 were 10,805,200 Mongolian Tugriks (approximately HK\$58,778).

REASONS FOR THE TRANSACTION

MEC's principal business as an energy and resources developer requires it to consider the acquisition of concession areas with different types of resources. In relation to the Concession Area, this is strategically located in western Mongolia near the border with the PRC with an established steel manufacturing industry, including under the recent RMB4 trillion stimulus package and generally the development of infrastructure in the western regions of the PRC. While MEC has various concession areas for ferrous and non-ferrous metal resources and working on production of coking coal and exploration of indications of gold and copper prospects, the Concession Area has ferrous resources and in a recognized area with ferrous metal resources and the preliminary data indicates a deposit well worth MEC engaging its energies to explore. The eventual product will add to the brand name development of MEC as an energy and resources developer. The Board of Directors of MEC considers the Transaction under the Agreement is fair and reasonable and in the interest of MEC and its shareholders as a whole for the long term development of MEC. Upon completion, the Target Company shall be treated as a subsidiary of MEC and its results, assets and liabilities will be incorporated into the MEC Group's consolidated financial statements.

THE RISK FACTORS

The risk factors set out under the circulars of March 22, 2007 and June 25, 2007 shall be applied to the present transaction with necessary modifications relating to ferrous deposits, which are equally applicable as with coal deposits.

IMPLICATIONS UNDER THE LISTING RULES

The acquisition of the Target Company constitutes a share transaction under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and is subject to the announcement requirement under Rule 2.07C of the Listing Rules.

For references only in this Announcement, the exchange rate of US\$1 =HK\$7.75 and the exchange rate of HK\$1 = 183.83 Mongolia Tugriks.

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

Hong Kong, July 10, 2009

As at the date hereof, the Board comprises seven Directors, of which Mr. Lo Lin Shing, Simon Mr. Liu Zhuo Wei, 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.