



MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

MEC ENTERS INTO CO-OPERATION LETTER OF INTENT FOR THE DEVELOPMENT OF MEC'S ENERGY AND RESOURCES PROJECTS

IN MONGOLIA AND XINJIANG, PRC WITH

國家電力投資總公司*

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

Co-operation Letter of Intent for the development of MEC's energy and resources projects in Mongolia and Xinjiang, PRC

The Company ("MEC") is pleased to announce that on August 21, 2007, MEC entered into the Co-operation Letter of Intent (the "Letter of Intent") with 國家電力投資總公司 (the "Counterparty"), a leading Chinese state-owned company dealing with power related investments and allocations in China.

The Letter of Intent recognizes MEC's potential sizeable energy and resources projects in Mongolia and Xinjiang, including for coal, ferrous and non-ferrous metal and other resources. The Letter of Intent further recognizes, in relation to MEC's coal, ferrous and non-ferrous metal and other resources, which MEC is at the exploratory stage, that MEC may require investments relating to mining operations, which includes mining facilities, coking facilities, power plants and chemical engineering facilities along with other supporting infrastructure projects like road construction.

Under the Letter of Intent, the Counterparty expresses its interests to participate in such investment projects of MEC. Further, MEC and the Counterparty agree to enhance co-operation for eventual investments by the Counterparty as permissible under applicable PRC laws and regulations. The Letter of Intent records a high level of co-operation amongst MEC and the Counterparty and further agreements are required to materialize any actual co-operation. Nevertheless, the Letter of Intent demonstrates the interest by the Counterparty to co-operate with MEC.

Caution when dealing in the shares of MEC

As there is no assurance of the consummation of any co-operation under the Letter of Intent, shareholders and investors of MEC should exercise caution when dealing with the shares of MEC.

Implication under the Listing Rules

In case any actual co-operation takes place with the Counterparty pursuant to the Letter of Intent 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.

Progress of Exploration Work

For the latest information relating to the exploration work, please visit the CEO's message of today at www.mongolia-energy.com

THE CO-OPERATION LETTER OF INTENT

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Co-operation Letter of Intent for the development of MEC's energy and resources projects in Mongolia and Xinjiang, PRC

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REASONS FOR MEC ENTERING INTO THE AGREEMENT

The Counterparty is a leading Chinese state-owned company dealing with power related investments and allocations in China. MEC believes that any actual co-operation and investments involving the Counterparty will facilitate the capital requirements of MEC and market access into China. Taking into account the bases set forth above, the Board is of the view that the entering into of the Letter of Intent 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.

MEC by its announcement of August 13, 2007 has also indicated that it may have the opportunity to take an interest in investments in power and resources projects in Xinjiang, PRC which MEC believes has synergy to MEC's energy and resources business in Mongolia over the concessions acquired and being acquired in Mongolia.

In addition, the Group is also engaged in property investments in Hong Kong and aircraft charter services which MEC will continue to engage in.

CAUTION WHEN DEALING IN THE SHARES OF MEC

As there is no assurance of the consummation of any co-operation under the Letter of Intent, shareholders and investors of MEC should exercise caution when dealing with the shares of MEC.

IMPLICATION UNDER THE LISTING RULES

In case any actual co-operation takes place with the Counterparty pursuant to the Letter of Intent 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.

PROGRESS OF EXPLORATION WORK

For the latest information relating to the exploration work, please visit the CEO's message of today at www.mongolia-energy.com

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

Hong Kong, August 21, 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.

* *A transliteral translation of the name is "State Power Investment Group Corporation" although MEC is not aware of any English name for the corporation which only has a Chinese name insofar as MEC is aware.*

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