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## **MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 276)

### **DISCLOSEABLE TRANSACTION: Khushuut Mine Site Facilities Construction Agreement**

The Directors announced that, on June 29, 2007, the Company entered into the Khushuut Mine Site Facilities Construction Agreement with the Contracting Party for the construction and setting up of facilities set out below in the Coal Mine at an aggregate consideration of RMB39,859,315 (equivalent to HK\$41,055,000\*).

The facilities are for the Commercial Exploitation which the Group intends to carry out an initial 2 million tonnes mining operation in the limited area of the Coal Mine prior to completion of the Coal Mine Acquisition.

The Consideration under the Khushuut Mine Site Facilities Construction Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular relating to the Khushuut Mine Site Facilities Construction Agreement will be despatched to the Shareholders as soon as practicable.

Reference is made to the Announcement and the Circular issued by the Company regarding, among others, that the Group intends prior to completion of the Coal Mine Acquisition to carry out a Commercial Exploitation over a limited area of the Coal Mine containing the Inferred Resources of about 30 million tonnes which will support a scale of approximately 2 million tonnes of coal mining operation.

The Board is pleased to announce that the Company has, on June 29, 2007, entered into the Khushuut Mine Site Facilities Construction Agreement upon which the Company agrees to pay the Consideration and the Contracting Party agrees to construct and set up the facilities at the Coal Mine more particularly detailed below.

## **THE KHUSHUUT MINE SITE FACILITIES CONSTRUCTION AGREEMENT**

### **The Parties and the Date**

Date : June 29, 2007

Parties : the Company and  
the Contracting Party – China Airport Construction Group Corporation

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Contracting Party and their ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

### **Consideration**

The consideration under the Khushuut Mine Site Facilities Construction Agreement is an aggregate of Rmb 39,859,315 (equivalent to HK\$41,055,000\*). The Company is required to pay Rmb 14,000,000 of the contract sum within 7 days from the date of the Khushuut Mine Site Facilities Construction Agreement. Balance of the Consideration is to be paid by the Company in cash upon completion of the construction of the facilities to the satisfaction of the Company.

The Company will fund the Consideration by internal resources. The Directors confirm that the Consideration was determined after arm's length negotiations between the Contracting Party and the Company. Completion of the facilities is required to be delivered to the Company on or before October 30, 2007. The CEO, being experienced in international mining operations and having been consultant to various projects, including technical analysis and financial modeling, has advised the amount of the Consideration is reasonable based on experience with other projects he has involved in, which projects may not be disclosed to the Company be reasons of contractual confidentiality. Accordingly, the Board is of the view that the Consideration fair and reasonable and in the interest of the Shareholders and the Group as a whole.

### **Facilities to be constructed and/or set up**

#### *(a) The power distribution room and the ancillary facilities*

The Contracting Party is required to build a power distribution room to house the diesel power generator set for generating power for the Base Area. For power distribution, the Contracting Party is also required to set up a power distribution network of 10 kilovolt for the length of 5 kilometer together with the illuminating system for the Base Area.

#### *(b) Water supply facilities*

The Contracting Party is required to locate the sources of water at the Base Area and to build water supply facilities including filtering system to provide water for living use for the workers who are working at the Site Area. The Contracting Party is also required to construct a water supply tower and to set up a water pipe network within the Base Area.

(c) *Road construction*

The Contracting Party is required to lay asphalt for the roads within 3 kilometer of the Base Area for transportation purpose.

(d) *Communication facilities*

There is currently no communicating network within the Coal Mine. The working parties use satellite telephones for communication but the areas of coverage are limited and expensive. There is also no internet access or other means of communication. To improve the channel and efficiency of communication, the Contracting Party is required to set up a satellite receiving station for wireless and fixed line communication and also for internet access.

(e) *Oil tank and oil filling system*

The Contracting Party is required to construct an oil tank with the storage capacity of 500 tonnes. The Contracting Party is also required to install an oil filling station within the Base Area.

(f) *Heating system*

The Contracting Party is required to install a heating system for the office and workers' quarters in the Base Area.

## **INFORMATION OF THE GROUP AND THE CONTRACTING PARTY**

### **The Group**

The Company, formerly known as New World Cyberbase Limited, was established in August 1999 and headquartered in Hong Kong. Through the purchase of Coal Mine in western Mongolia as announced in the Announcement, the Group is in a strong position to capitalize on the demands of China, including for coal, coal products and energy along with other resources.

The Company also announced on May 30, 2007 in connection with the acquisition of the Further Mine Areas of around 32,000 hectares located also in Khovd province of western Mongolia. Subject to the completion of the Coal Mine Acquisition and the completion of the Further Acquisition, the aggregate mine areas acquired by the Group will be around 66,000 hectares (around 2/3rd the size of Hong Kong SAR).

In addition, the Group is also engaged in property investments in Hong Kong and aircraft charter services.

### **The Contracting Party**

The Contracting Party principally engages in the infrastructure construction projects including airports, tunnels, roads, bridges and oil tanks in the PRC.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE KHUSHUUT MINE SITE FACILITIES CONSTRUCTION AGREEMENT**

It has been disclosed in the Announcement and the Circular that the Group is authorised to conduct Commercial Exploitation over a limited area of the Coal Mine containing the Inferred Resources of about 30 million tonnes and after deducting the costs of such Commercial Exploitation, to retain any net profits to recoup part of the Exploration Expenses. It has further been disclosed that the Group intends to set up initially a 2 million tonnes mining operation within the Site Area prior to the completion of the Coal Mine Acquisition.

The Technical Adviser, based on the available geological information over 180 hectares of the Coal Mine and a site visit to this area, advised that this area as extended could have Resources of about 180 million tonnes comprising Inferred Resources of about 30 million tonnes and Reconnaissance Resources of about 150 million tonnes.

The Shenyang Design Institute has indicated that such mining operations over the Site Area can be supported and will design an interphase for a 10 million tonnes mining operation upon further resources being demonstrated under the Exploration.

The Group has built a general office and living amenity centre in the Base Area which is for the general and coordination centre for all working parties in the Site Area. The Exploration is currently underway.

To commence Commercial Exploitation within the timeframe as previously disclosed, the Group is required to set up the facilities as stipulated under the Khushuut Mine Site Facilities Construction Agreement which are necessary for the Commercial Exploitation to take place. Depending on, among others, the setting up of the requisite operating facilities in the Site Area and the result of the Exploration, the Company expects to commence the Commercial Exploitation as soon as practicable.

Based on the advice of the CEO and the relevant facilities are necessary for the Commercial Exploitation, the Board is of the view that the entering into the Khushuut Mine Site Facilities Construction Agreement is fair and reasonable and in the interest of the Shareholders and the Group as a whole.

### **GENERAL**

Based on the relevant percentage ratios calculated pursuant to Rule 14.06 of the Listing Rules, the entering into the Khushuut Mine Site Facilities Construction Agreement constitutes a discloseable transaction for the Company.

A circular in connection with Khushuut Mine Site Facilities Construction Agreement will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

In this announcement, the following terms shall have the meanings set opposite them unless the context otherwise requires:

“Announcement”	means the announcement of the Company dated February 7, 2007 in relation to the Coal Mine Acquisition.
“Base Area”	means an area in the vicinity of the former Soviet military base of the Coal Mine and in which the offices and living amenities are or to be built as general office and co-ordination centre of the Coal Mine.
“Board”	means the board of Directors.
“CEO”	means the chief executive officer of the Company.
“Circular”	means the circular of the Company dated March 22, 2007.
“Coal Mine”	means the coal mine of over 34,000 hectares located in Khovd province in western Mongolia as referred to in the Announcement.
“Coal Mine Acquisition”	means the acquisition of the Coal Mine as referred to in the Announcement and the Circular.
“Commercial Exploitation”	means the commercial exploitation over the Site Area.
“Company”	means Mongolia Energy Corporation Limited (stock code: 276), a company incorporated in Bermuda with limited liability and whose issued shares are listed on the Stock Exchange.
“Consideration”	means an aggregate Rmb39,859,315 (equivalent to HK\$41,055,000*) being the cash consideration payable by the Company under the Khushuut Mine Site Facilities Construction Agreement entered into between the Company and the Contracting Party on June 29, 2007.
“Contracting Party”	means China Airport Construction Group Corporation (中國航空港建設總公司).
“Director(s)”	means director(s) of the Company.

“Exploration”	means the exploration activities over the Coal Mine in accordance with the advice of the Technical Adviser.
“Exploration Expenses”	means the expenses incurred by the Company in the carrying out the Exploration.
“Further Acquisition”	means the acquisition of the Further Mine Areas of around 32,000 hectares along with any mining assets by the subsidiary of the Company as announced by the Company on May 30, 2007.
“Further Mine Areas”	means the mine areas of around 32,000 hectares which are located in Khovd province of western Mongolia which is the subject of acquisition as announced by the Company on May 30, 2007.
“Group”	means the Company and its subsidiaries.
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China.
“Inferred Resources”	means in accordance with International Standards, the prospecting based on site inferred resources of the Coal Mine as advised by the Technical Adviser.
“Khushuut Mine Site Facilities Construction Agreement”	means the agreement entered into between the Company and the Contracting Party on June 29, 2007 for the construction and setting up of facilities in the Base Area.
“International Standards”	means the Guidelines to the United Nation International Framework Classification for Reserves/Resources adopted by UN ECE Committee on Sustainable Energy, Eleventh session, 21-22 November, 2001 as modified from time to time.
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange.
“Mongolia”	means the independent sovereign nation of Mongolia.
“PRC”	means the People’s Republic of China.
“Reconnaissance Resources”	means in accordance with International Standards, the reconnaissance based on site reconnaissance resources of the Coal Mine as advised by the Technical Adviser.

“Resources”	means the Inferred Resources and the Reconnaissance Resources
“Shareholder(s)”	means holder(s) of ordinary share(s) of HK\$0.02 each in the share capital of the Company.
“SGM”	means the special general meeting of Company convened on April 18, 2007 for sanctioning, among others, the Coal Mine Acquisition.
“Stock Exchange”	means the Stock Exchange of Hong Kong Limited.
“Site Area”	means a limited area of the Coal Mine containing the Inferred Resources of about 30 million tonnes which will support a scale of approximately 2 million tonnes of coal mining operation.
“Technical Adviser”	means John T. Boyd Company, the technical adviser to the Company.
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong.
“Rmb”	means Renminbi, the lawful currency of the PRC.

\* *For the purpose of illustration only, amount quoted in Rmb have been converted into Hong Kong dollars at the rate of Rmb to HK\$1.03. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any rates or at all.*

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

Hong Kong, July 3, 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.*