



# MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 276)

## MEC ON THE ESTABLISHMENT OF JOINT VENTURES WITH XINJIANG COALFIELD AND GEOLOGY BUREAU & CHINA COAL GEOLOGY BUREAU\* RELATING TO TARGETED COAL RESOURCES OF 2 BILLION TONNES IN KEMUSUITE AREA OF XINJIANG AUTONOMOUS REGION, PRC

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

### Forming Joint Ventures with Geological Bureaus

MEC is pleased to announce that it is at an advanced stage of discussions on forming two joint ventures (the “**Joint Ventures**”) respectively with (1) 新疆煤田地質局 (Xinjiang Coalfield and Geology Bureau) and its Team 156; and (2) 中國煤炭地質總局一二九勘探隊 (China Coal Geology Bureau, Exploration Team 129) (“**China Coal Geology Bureau**”) (together the “**Geological Bureaus**”) relating to a combined targeted coal resources of 2 billion tonnes, in 中國新疆富蘊縣喀姆斯特地區 (Kemusuite area of Fuyun County, Xinjiang, PRC). MEC’s stake is to be 20% under each of the Joint Ventures.

### The Kemusuite Area

The Kemusuite area sits in a geological area of around 1,500 sq. km. Based on the confirmation of China Coal Geology Bureau according to the PRC Government’s geological survey, there is an estimated 46.6 billion tonnes of coal resources in the Kemusuite area. MEC anticipates that there may be further opportunities to co-operate with the Geological Bureaus and Xinjiang Kaiyue Yuan (referred below) in the Kemusuite area. Xinjiang Kaiyue Yuan has been authorized by 新疆維吾爾自治區發展和改革委員會 (Development and Reform Commission, Xinjiang Autonomous Region) to co-operate with 新疆煤炭設計研究院有限責任公司 (Xinjiang Coal Design Institute Company Limited) to fund the expenses relating to the overall development plan of the Kemusuite area and to select the geological units in relation to such overall development plan for the Kemusuite area.

### Xinjiang Kaiyue Yuan

新疆凱禹源礦業有限公司 (Xinjiang Kaiyue Yuan Minerals Company Limited) (“**Xinjiang Kaiyue Yuan**”), beneficially owned by Mr. Liu Cheng Lin, has signed two agreements on June 12 and June 17, 2008 with the respective Geological Bureaus. These agreements establish a framework to establish the Joint Ventures for development of a targeted 2 billion tonnes of coal resources (1 billion tonnes each) and recognize the participation of MEC under the Joint Ventures in accordance with the discussions with the Geological Bureaus.

Under each agreement, Xinjiang Kaiyue Yuan is to contribute all costs and expenses of the relevant Joint Venture for an 80% share of the Joint Venture and the relevant Geological Bureau is to contribute various exploration licences in the Kemusuite area for its 20% share of the Joint Venture. Xinjiang Kaiyue Yuan is also the company with which MEC is working to acquire certain interests in multi-metal resources as set out under MEC's announcement of March 10, 2008.

### **The Structure of the Joint Ventures**

Subject to all requisite legal and technical due diligence by MEC and the entry into definitive agreements to establish the Joint Ventures, MEC anticipates it will acquire a 20% stake under the Joint Ventures.

### **The Contribution of Costs**

The definitive agreements are anticipated to require MEC to reimburse Xinjiang Kaiyue Yuan for MEC's share of the costs and expenses already paid by Xinjiang Kaiyue Yuan and to share further costs and expenses, on the assumption that the two Geological Bureaus will not be required to contribute towards any costs and expenses by reason of their contribution of the exploratory concessions to the Joint Ventures.

Further, consistent with other transactions between Mr. Liu Cheng Lin and MEC, MEC will be required to pay a combined resources fee to Mr. Liu Cheng Lin or his nominee of HK\$12.00 for per tonne of coal resources, based on MEC's attributable stake of the coal resources under the Joint Ventures amongst other terms to be agreed between the parties.

### **The Timing of the Joint Ventures**

MEC will select an opportune time to finalize the Joint Ventures through discussions with the Geological Bureaus and Xinjiang Kaiyue Yuan. The targeted timeline to demonstrate 1 billion tonnes of coal resources by China Coal Geology Bureau is by the end of 2008 and for Xinjiang Coalfield and Geological Bureau, as soon as practicable, as there already have been exploration funded by Xinjiang Kaiyue Yuan prior to the date hereof.

### **Information of the Geological Bureaus**

The Geological Bureaus are state-owned. Please refer below for further details.

### **Risk Factors**

Please refer to the risk factors as set out under MEC's circulars of March 22, 2007 and June 25, 2007 which are applicable to the Joint Ventures with suitable modifications to relate to the Joint Ventures and Xinjiang, PRC.

### **Listing Rules Implication**

Mr. Liu is a substantial shareholder to MEC and hence a connected person under the meaning of the Listing Rules. If MEC proceeds to enter into definitive agreements with Mr. Liu under the Joint Ventures, such transactions will be connected transactions and/or notifiable transactions under the Listing Rules. MEC will comply with the relevant Listing Rules requirements in relation to any further agreements, if any, with Mr. Liu in relation to the Joint Ventures.

## CAUTION WHEN DEALING IN THE SHARES OF MEC

**As the Joint Ventures are subject to legal and technical due diligence as well as definitive agreements between MEC and the parties, there is no assurance as to the timing and whether the Joint Ventures will materialize. Thus, shareholders and investors should exercise caution when dealing in the shares of MEC.**

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## **Information of the Geological Bureaus**

*Xinjiang Coalfield and Geology Bureau.* Set up in 1956, Xinjiang Coalfield and Geology Bureau is a professional team in Xinjiang engaging in coal field geology exploration. It has the following geology and scientific units: Team 156, Team 161 Coal Field Exploration Team, Composite Geology Exploration Team, Coal Science Research Institute, Composite Coal Exploration Institute, Coal Field Geology Information Centre, Composite Laboratory.

*Xinjiang Coalfield and Geology Bureau, Team 156.* Team 156 is directly under the management of Xinjiang Coalfield and Geology Bureau. Team 156 has been responsible for over several hundred exploration missions for the China State. The accumulated depth of drilling has been over 700,000 meters. The accumulated demonstrated coal resources by Team 156 have been over 20 billion tonnes and over 600 geology reports of different types have been delivered.

*China Coal Geology Bureau.* It is an advanced unit in geological exploration across the nation and has passed the ISO 9001 standard in 2000. It was founded in 1951 and has carried out various exploration projects in the PRC. During the past, more than 1.24 million meters have been drilled by China Coal Geology Bureau.

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

Hong Kong, June 20, 2008

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

\* *As defined in the announcement*

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