

MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

(the “Company”)

REMUNERATION COMMITTEE

Terms of Reference

1. Membership

1.1 The Remuneration Committee should be appointed by the Board.

1.2 The majority of the members of the Remuneration Committee (the “**Member(s)**”) shall be independent non-executive Directors (“**INED(s)**”).

1.3 The Chairman of the Remuneration Committee should be appointed by the Board and should be an INED.

2. Secretary

2.1 The Company Secretary should be the secretary of the Remuneration Committee.

2.2 The Remuneration Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Remuneration Committee.

3. Meetings

3.1 The Remuneration Committee should meet at least once a year.

3.2 Notice of any meetings has to be given at least 14 days prior to any such meetings being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member should be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.

- 3.3 The quorum for decisions of the Remuneration Committee should be any two Members one of whom must be an INED.
- 3.4 Meetings could be held in person or by telephone. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
- 3.5 Resolutions of the Remuneration Committee should be passed by a majority of votes.
- 3.6 A resolution in writing signed by all Members should be as valid and effectual as if it had been passed at a meeting of the Remuneration Committee duly convened and held.
- 3.7 Minutes shall be kept by the secretary of the Remuneration Committee. Draft and final versions of minutes should be circulated to all Members for their comment and records respectively, in both cases within a reasonable period of time after the meeting. Such minutes should be open for Directors' inspection.

4. Attendance by Others

- 4.1 At the invitation of the Remuneration Committee, the Chairman of the Board, external advisers and other persons may be invited to attend all or part of any meetings.
- 4.2 Only Members are entitled to vote at the meetings.

5. Annual General Meeting

- 5.1 The Chairman of the Remuneration Committee, or in his/her absence, another Member (who must be an INED), should attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Remuneration Committee's activities and their responsibilities.

6. Powers and Responsibilities

The Remuneration Committee shall have the following powers and responsibilities:-

- 6.1 to make recommendations to the board on the Company's policy and structure for all Directors' and senior management^(Note 1)'s remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- 6.2 to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- 6.3 either : (i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- 6.4 to make recommendations to the Board on the remuneration of non-executive Directors;
- 6.5 to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- 6.6 to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- 6.7 to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- 6.8 to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

7. Reporting Responsibilities

- 7.1 The Remuneration Committee should report to the Board after each meeting.

8. Authority

- 8.1 The Remuneration Committee should consult the Chairman of the Board about their proposals relating to the remuneration of other executive Directors.
- 8.2 The Remuneration Committee is authorized by the Board to seek any remuneration related information it may require from senior management in order to perform its duties.
- 8.3 The Remuneration Committee is authorised by the Board to have access to independent professional advice if considered necessary. Arrangement to seek the professional advice could be made through the Company Secretary.
- 8.4 The Remuneration Committee should be provided with sufficient resources to discharge its duties.

Note 1: "Senior Management" should refer to the same category of persons as referred to in the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 to the Listing Rules.

Revised in March 2012.