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## **MONGOLIA ENERGY CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 276)**

### **SUBSCRIPTION AGREEMENT FOR HK\$466,800,000 3.5% COUPON CONVERTIBLE NOTES DUE 2013 AND OPTION TO SUBSCRIBE FOR HK\$311,200,000 3.5% COUPON CONVERTIBLE NOTES**

On 3 November 2010 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers under which the Company (i) agreed to issue, and the Subscribers agreed to subscribe for, the Note in the principal amount of HK\$466,800,000; and (ii) granted to the Subscribers the Subscribers' Option exercisable within six (6) months of the issue of the Note, to subscribe for the Second Note in the principal amount of HK\$311,200,000. The initial conversion price under the Note and the Second Note are HK\$3.4 per Share (subject to adjustments) and HK\$4.4 per Share (subject to adjustments) respectively. The weighted average conversion price, if both the Note and the Second Note are issued, is HK\$3.74 per Share (subject to adjustments).

Upon full conversion of the Note at the initial conversion price of HK\$3.4 per Share (subject to adjustments), a total of 137,294,116 Conversion Shares will be issued, representing approximately 2.25% of the total issued share capital of the Company as at the date of this announcement and approximately 2.20% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares pursuant to the Note.

Upon full conversion of the Second Note at the initial conversion price of HK\$4.4 per Share (subject to adjustments), a total of 70,727,271 Conversion Shares will be issued, representing approximately 1.16% of the total issued share capital of the Company as at the date of this announcement and approximately 1.12% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares pursuant to the Note and the Second Note.

The Conversion Shares are to be issued pursuant to the general mandate granted by the Shareholders at the AGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon exercise of the conversion rights under the Note and the Second Note, if appropriate.

The net proceeds from the Note is expected to be approximately HK\$452.3 million. The net proceeds from the subscription of the Second Note is expected to be approximately HK\$301.8 million, if the Second Note is issued. The net proceeds of the Note and the Second Note, if any, are intended to be used for the Khushuut coking coal project and the general working capital of the Group, including any possible future acquisitions.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscribers are third parties independent of the Group and its connected persons.

## THE SUBSCRIPTION AGREEMENT

**Date:** 3 November 2010 (after trading hours)

**Parties:** The Company, as issuer  
The Subscribers, as subscribers

**Subject matter:** Pursuant to the Subscription Agreement, (i) the Company as issuer conditionally agreed to issue, and the Subscribers as subscribers conditionally agreed to subscribe for, the HK\$466,800,000 3.5% convertible notes due 2013; and (ii) the Company also granted to the Subscribers the Subscribers' Option, which may be exercised within six (6) months of the issue of the Note at the absolute discretion of the Subscribers, to subscribe for the Second Note in the principal amount of HK\$311,200,000.

The respective principal amounts of the Note and the Second Note to be subscribed by the Subscribers are as follows:—

<b>Subscriber</b>	<b>The principal amount of the Note to be subscribed</b>	<b>The principal amount of the Second Note to be subscribed</b>
Sculptor Finance (MD) Ireland Limited	HK\$310,842,000	HK\$207,228,000
Sculptor Finance (AS) Ireland Limited	HK\$142,234,000	HK\$94,823,000
Sculptor Finance (SI) Ireland Limited	HK\$13,724,000	HK\$9,149,000

The initial conversion prices under the Note and the Second Note are HK\$3.4 per Share (subject to adjustments) and HK\$4.4 per Share (subject to adjustments) respectively. The weighted average conversion price, if both the Note and the Second Note are issued, is HK\$3.74 per Share (subject to adjustments).

The Subscribers' Option to subscribe for the Second Note shall only be exercised by the Subscribers once in whole but not in part, and shall only be exercised jointly.

The Note and the Second Note will be subscribed at a price equal to 100 per cent. of their respective principal amounts, being the Subscription Price.

- Conditions precedent:** Completion of the Note and the Second Note (if the Subscribers' Option is exercised) under the Subscription Agreement is conditional upon, inter alia, :—
- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Conversion Shares and such grant remaining in full force and effect;
  - (b) all necessary consents, approvals (or waivers), authorisation, permission or exemption from any third parties, including but not limited to government or regulatory authorities, having been obtained by the Company in connection with the Subscription and the issue of the Note, the Second Note and the Conversion Shares upon exercise of the Conversion Rights thereunder and such consents, approvals (or waivers), authorisation, permission or exemption remaining in full force and effect;
  - (c) if required, the Bermuda Monetary Authority having approved the issue of the Note and the Second Note and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights or otherwise pursuant to the respective conditions of the Note and the Second Note and such approval remaining in full force and effect;
  - (d) on completion of the Note, the passing of the requisite resolution(s) by the Board approving the transactions contemplated under the Subscription Agreement;
  - (e) on completion of the Note:
    - (i) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, such date with reference to the facts and circumstances then subsisting at such date ; and
    - (ii) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before such date; and
  - (f) up to the date of completion of the Note, there shall not have occurred any change (nor any development or event involving a prospective change), which is materially adverse to the financial condition or results of operations of the Company and the Group taken as a whole.

The Majority Subscribers may, at their discretion and upon such terms as they think fit, waive fulfilment of the whole or any part of the conditions precedent set out in the Subscription Agreement.

- Completion date:** Completion of the Subscription of the Note or the Second Note (as the case may be) shall take place on the third Business Day after fulfillment of the last outstanding condition precedent set out above.

- Long stop date for the Note:** The long stop date for the fulfilment of the conditions precedent for completion of the Note as set out in the Subscription Agreement is 25 November 2010 or such other date as (a) the parties to the Subscription Agreement, or (b) the Company and the Majority Subscribers, may agree in writing.
- Long stop date for the Second Note:** The long stop date for the fulfilment of the conditions precedent for completion of the Second Note as set out in the Subscription Agreement is the date falling fifteen (15) days after the date on which the notice to exercise the Subscribers' Option is delivered by the Subscribers to the Company or such other date as (a) the parties to the Subscription Agreement, or (b) the Company and the Majority Subscribers, may agree in writing.
- Rescission:** If any of the following events occurs at any time prior to completion of the Note or the Second Note (as the case may be), the Majority Subscribers may, by giving written notice to the Company, rescind the Subscription Agreement:
- (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Majority Subscribers materially and adversely affect the business or the financial position of the Group as a whole;
  - (b) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof, of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Majority Subscribers, materially and adversely affect the business or the financial position of the Group as a whole;
  - (c) in the reasonable opinion of the Majority Subscribers, there shall have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange, the Nasdaq Stock Market, Inc., the London Stock Exchange plc and/or the Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities or the Shares on the Stock Exchange (other than any temporary suspension for clearance of announcement for no more than five consecutive trading days); (iii) a general moratorium on commercial banking activities in New York, London or Hong Kong declared by the relevant authorities, or a material disruption in commercial banking or securities settlement or clearance services in the United States, the United Kingdom or Hong Kong; (iv) a change or development involving a prospective material change in taxation in Bermuda or Hong Kong affecting the Company, the Shares, the Note or the Second Note or the transfer thereof; (v) the outbreak or escalation of hostilities involving the United States, the United Kingdom or Hong Kong or the declaration by the United States, the United Kingdom or Hong Kong of a national emergency or war; or (vi) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls;

- (d) any breach of the representations and warranties given by the Company under the Subscription Agreement or any failure by the Company to perform any of the agreements set forth in the Subscription Agreement or any change which would render the representations warranties given by the Company under the Subscription Agreement inaccurate if they were to be repeated immediately thereafter comes to the notice of any Subscriber and not waived by the Majority Subscribers; and
- (e) in connection with the Subscription of the Note or the Second Note (as the case may be), any of the conditions precedent set out in the Subscription Agreement has not been satisfied or waived by the Majority Subscribers by the respective long stop dates.

Upon the giving of notice by the Subscribers, all obligations of the Company and the Subscribers under the Subscription Agreement shall cease and determine and no party to the Subscription Agreement shall have any claim against the others in respect of any matter or thing arising out of or in connection with the Subscription Agreement except for certain consequential provisions.

## THE SUBSCRIBERS

Sculptor Finance (MD) Ireland Limited, Sculptor Finance (AS) Ireland Limited and Sculptor Finance (SI) Ireland Limited.

The investment manager of the Subscribers is OZ Management LP. OZ Management LP is an operating entity of Och-Ziff Capital Management Group LLC. Och-Ziff Capital Management Group LLC is a leading global institutional management firm with approximately US\$27.2 billion of assets under management as of 1 November 2010.

To the best the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscribers are third parties independent of the Group and its connected persons.

## PRINCIPAL TERMS OF THE NOTE AND THE SECOND NOTE

Set out below are the principal terms of the Note and the Second Note:—

- |                           |  |
|---------------------------|--|
| <b>Note:</b>              | HK\$466,800,000 3.5% coupon convertible note due 2013.   |
| <b>Second Note:</b>       | HK\$311,200,000 3.5% coupon convertible note with the maturity date falling on the third anniversary of the date of its issue if the Subscribers exercise the Subscribers' Option within six (6) months of the issue of the Note.  |
| <b>Interest rate:</b>     | 3.5% per annum on the outstanding principal amount of the Note or the Second Note (as the case may be), payable annually in arrears.   |
| <b>Conversion rights:</b> | The rights attached to the Note or the Second Note (as the case may be) may be exercised from the date of issue thereof up to the Business Day immediately prior to the maturity date to convert the principal amount of the Note or the Second Note (as the case may be) or any part thereof into Shares. |

<b>Conversion price:</b>	Under the Note, HK\$3.4 per Share and under the Second Note, HK\$4.4 per Share, subject to adjustments in certain events, including, among others, share consolidation, share subdivision, capitalisation issues, capital distribution, rights issue of Shares, or options (other than share options of the Company under its share option scheme) or warrants or other rights over Shares and other equity or equity derivatives issues.
<b>Conversion Shares:</b>	The number of Shares which fall to be issued by the Company upon exercise of the conversion rights in full by the respective holders of the Note at the initial conversion price of HK\$3.4 per Share (subject to adjustments) and the Second Note at the initial conversion price of HK\$4.4 per Share (subject to adjustments) are 137,294,116 and 70,727,271 respectively.
<b>Denomination for conversion:</b>	With a minimum aggregate principal amount of HK\$1,000,000 and HK\$1,000 integral multiples thereof (save that if at any time the aggregate principal outstanding amount of the Note or the Second Note held by a holder thereof is less than HK\$1,000,000, the whole (but not part only) of the aggregate principal outstanding amount of the Note or the Second Note may be converted).
<b>Transferability:</b>	The Note and the Second Note (where applicable) are freely transferable in authorised denomination of HK\$1,000 or its multiples to any person, subject to the Listing Rules, all applicable law and regulations.
<b>Listing:</b>	No application will be made for the listing of the Note and the Second Note (if applicable) on the Stock Exchange or any other stock exchange.  Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Note and the Second Note (if applicable).
<b>Events of Default:</b>	Holder or holders of the Note or the Second Note (as the case may be) holding or together holding at least 50.1% of the then outstanding principal amount of the Note or the Second Note (as the case may be) may give notice in writing that the Note or the Second Note (as the case may be) shall be immediately due and payable at its principal amount then outstanding together with any accrued and unpaid interest calculated up to and excluding the date of payment upon the occurrence of any of the events including, inter alia, (1) ceasing permanently or suspension for a continuous period of 21 Business Days (on each of which the Stock Exchange is generally open for trading) (due to default of the Company, any of its Directors, officers or employees) of trading of the Shares; (2) change of control of the Company; (3) failure to pay under the Note and/or the Second Note (as the case may be) and is not remedied for seven (7) Business Days' written notice from the holder(s) of the Note or the Second Note (as the case may be); (4) the passing of an effective resolution for the winding up, or dissolution, judicial management or administration of the Company or any of its material subsidiaries (except for member's voluntary solvent winding up) or any ceasing of business and other insolvency related events; (5) inability of the Company or its material subsidiaries to pay debts as they fall due or entering into any composition, arrangement with or assignment for the benefit of its creditors generally; (6) any consent, license, approval and authorisation for the Note and/or Second Note (as the case may be) is revoked or withheld or materially modified in a manner which shall materially



adversely affects the Company's ability to perform its obligations under the Note and/or the Second Note (as the case may be), or ceases to be in full force and effect; (7) it being impossible or unlawful in Hong Kong to pay the Note or the Second Note (as the case may be); (8) failure to deliver any Shares under the Note and/or the Second Note (as the case may be); (9) failure to perform or comply with any obligations under the Note and/or Second Note (as the case may be) (other than the covenant to pay the principal and interest in respect of the Note or the Second Note) which default is incapable of remedy or, if capable of remedied, is not remedied within 45 days of written notice by the Noteholder under the Note or Second Note (as the case may be); (10) cross default after applicable grace period under any other indebtedness by the Company or any of its material subsidiaries which equals or exceeds HK\$200,000,000 or its equivalent; (11) undischarged levied executions and the like for 60 days; (12) any mortgage, pledge lien or encumbrance becomes enforceable including appointment of any receiver, manager or other similar person and such enforcement is not discharged within 60 days; and (13) failure of the Company to perform or comply with any obligations under the Subscription Agreement or breach by the Company of any representations and warranties given by it in the Subscription Agreement.

The holder(s) of the Note or the Second Note (as the case may be) shall where there is failure to issue the Conversion Shares be entitled to bring an action against the Company for specific performance.

**Default Rate:** Additional 3.5% per annum above the interest rate chargeable on the Note or the Second Note (as the case may be) from the due date until repayment in full.

**Ranking:** The obligations of the Company under the Note and the Second Note are unsecured.

The Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Note and the Second Note will rank *pari passu* in all respects with all other Shares outstanding at the date of exercise of the conversion rights and be entitled to all dividends and other distributions the record date for which falls on a date on or after the date of exercise of the conversion rights.

**Voting:** The holder(s) of the Note or the Second Note (as the case may be) will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being a holder(s) of the Note or the Second Note (as the case may be).

Upon full conversion of the Note at the initial conversion price of HK\$3.4 per Share (subject to adjustments), a total of 137,294,116 Conversion Shares will be issued, representing approximately 2.25% of the total issued share capital of the Company as at the date of this announcement and approximately 2.20% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares pursuant to the Note.

Upon full conversion of the Second Note at the initial conversion price of HK\$4.4 per Share (subject to adjustments), a total of 70,727,271 Conversion Shares will be issued, representing approximately 1.16% of the total issued share capital of the Company as at the date of this announcement and approximately 1.12% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares pursuant to the Note and the Second Note.

## CONVERSION PRICE

The initial conversion price under the Note, being HK\$3.4 per Share, represents:—

- (i) a premium of approximately 11.48% over the closing price of HK\$3.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 11.48% over the average closing price of HK\$3.05 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 9.32% over the average closing price of HK\$3.11 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 58.1% over the consolidated net assets value of the Company attributable to the Shareholders of approximately HK\$2.15 per Share as at 31 March 2010 (based on the audited consolidated net assets of the Company attributable to the Shareholders of approximately HK\$13,148,978,000 and 6,102,897,828 Shares in issue as at 31 March 2010).

The initial conversion price under the Second Note, being HK\$4.4 per Share, represents:—

- (i) a premium of approximately 44.26% over the closing price of HK\$3.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 44.26% over the average closing price of HK\$3.05 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 41.48% over the average closing price of HK\$3.11 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 104.65% over the consolidated net assets value of the Company attributable to the Shareholders of approximately HK\$2.15 per Share as at 31 March 2010 (based on the audited consolidated net assets of the Company attributable to the Shareholders of approximately HK\$13,148,978,000 and 6,102,897,828 Shares in issue as at 31 March 2010).

The conversion prices under the Note and the Second Note were determined with reference to the prevailing market price of the Shares, the operation and financial performance of the Group and the current market conditions and were negotiated on an arm's length basis between the Company and the Subscribers.

## SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, there are outstanding (i) the 2008 Puraway Convertible Bond issued to Puraway Holdings Limited; (ii) the 2008 CTF Convertible Note issued to CTF Nominee; (iii) the GI Convertible Note issued to Golden Infinity; and (iv) the share options granted by the Company under its share option scheme to the directors and employees of the Group to subscribe for an aggregate of 21,550,670 Shares. Save as disclosed above, as at the date of this announcement, there are no other outstanding options, warrants, derivatives, or other securities which carry rights to subscribe for or be converted into Shares. There may also fall to be issued up to a maximum of 100,000,000 new Shares to Mr. Liu Cheng Lin following completion of the acquisition which was the subject of the circular of the Company dated 31 October 2008.



The table below illustrates the shareholding structure of the Company as at the date of this announcement and the shareholding structures of the Company under the following scenarios (assuming that there is no change in the issued share capital of the Company and the shareholding structure of the Company from the date of this announcement up to the occurrence of the events mentioned below):

- (A) immediately after full conversion of the Note at the initial conversion price of HK\$3.4 per Share;
- (B) immediately after full conversion of the Note and the Second Note at the respective initial conversion prices of HK\$3.4 and HK\$4.4 per Share;
- (C) immediately after full conversion of the Note and the Second Note at their respective initial conversion prices and the GI Convertible Note at the initial conversion price of HK\$4.0 per Share;
- (D) immediately after full conversion of the Note and the Second Note at their respective initial conversion prices, GI Convertible Note at the initial conversion price of HK\$4.0 per Share and the 2008 CTF Convertible Note at the initial conversion price of HK\$7.3 per Share; and
- (E) immediately after full conversion of the Note and the Second Note at their respective initial conversion prices, GI Convertible Note at the initial conversion price of HK\$4.0 per Share, the 2008 CTF Convertible Note at the initial conversion price of HK\$7.3 per Share, the 2008 Puraway Convertible Bond at the initial conversion price of HK\$0.285 per Share, exercise of all the existing outstanding share options of the Company granted pursuant to the Company's share option scheme and issue of 100,000,000 new Shares (being the maximum number of Shares that may be issued to Mr. Liu Cheng Lin following completion of the acquisition which was the subject of the circular of the Company dated 31 October 2008).

Shareholders	Existing shareholdings		Scenario A		Scenario B		Scenario C		Scenario D		Scenario E	
	Number of Shares (approximately)	%	Number of Shares (approximately)	%	Number of Shares (approximately)	%	Number of Shares (approximately)	%	Number of Shares (approximately)	%	Number of Shares (approximately)	%
Golden Infinity and its associates (Note 1)	1,200,739,301	19.67	1,200,739,301	19.24	1,200,739,301	19.02	1,275,739,301	19.98	1,275,739,301	19.15	1,281,739,301	17.60
CTF Nominee (Note 2)	225,000,000	3.69	225,000,000	3.61	225,000,000	3.56	225,000,000	3.52	498,972,602	7.49	498,972,602	6.85
Dragon Noble Group Limited ("Dragon") and its associates (Note 3)	394,670,000	6.46	394,670,000	6.32	394,670,000	6.25	394,670,000	6.18	394,670,000	5.93	394,670,000	5.42
	1,820,409,301	29.82	1,820,409,301	29.17	1,820,409,301	28.83	1,895,409,301	29.68	2,169,381,903	32.57	2,175,381,903	29.87
Puraway Holdings Limited (Note 4)	925,000,000	15.16	925,000,000	14.82	925,000,000	14.66	925,000,000	14.48	925,000,000	13.89	1,525,000,000	20.94
Sculptor Finance (MD) Ireland Limited	—	0.00	91,429,117	1.46	138,521,389	2.19	138,521,389	2.17	138,521,389	2.08	138,521,389	1.90
Sculptor Finance (AS) Ireland Limited	—	0.00	41,833,529	0.67	63,384,210	1.00	63,384,210	0.99	63,384,210	0.95	63,384,210	0.87
Sculptor Finance (SI) Ireland Limited	—	0.00	4,036,470	0.07	6,115,788	0.11	6,115,788	0.10	6,115,788	0.09	6,115,788	0.09
	—	0.00	137,294,116	2.20	208,021,387	3.30	208,021,387	3.26	208,021,387	3.12	208,021,387	2.86
<b>Directors</b>												
Other directors of the Group (Note 5)	7,283,200	0.12	7,283,200	0.12	7,283,200	0.12	7,283,200	0.11	7,283,200	0.11	10,283,349	0.14
Other public Shareholders	3,350,855,327	54.90	3,350,855,327	53.69	3,350,855,327	53.09	3,350,855,327	52.47	3,350,855,327	50.31	3,363,405,848	46.19
<b>Total</b>	<b>6,103,547,828</b>	<b>100.00</b>	<b>6,240,841,944</b>	<b>100.00</b>	<b>6,311,569,215</b>	<b>100.00</b>	<b>6,386,569,215</b>	<b>100.00</b>	<b>6,660,541,817</b>	<b>100.00</b>	<b>7,282,092,487</b>	<b>100.00</b>

*Notes:*

1. Golden Infinity is a company wholly and beneficially owned by Mr. Lo.
2. CTF Nominee is a company controlled by Dato' Dr. Cheng Yu Tung. It is also the holder of the 2008 CTF Convertible Note.
3. Dragon is a company controlled by Dr. Cheng Kar Shun.
4. Puraway Holdings Limited is a company wholly-owned by Mr. Liu Cheng Lin, a Substantial Shareholder of the Company and also the holder of the 2008 Puraway Convertible Bond.
5. Other directors of the Group, other than Mr. Lo and his associates.

## **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The Company is an energy and resources developer. The Group is currently focusing on the development of its initial coking coal mining project in Khushuut, Khovd Province, western Mongolia. The Group has begun its mining operation at Khushuut.

To facilitate the coking coal production, on 9 April 2010, the Group had entered into the Road Surface Contract consisting principally of asphalt pavement of the roadway and construction of some surface stations along the roadway of approximately 340 kilometers with an independent contractor for RMB488,240,940. As at the date of this announcement, the road surface pavement has been substantially completed.

Although the Company has raised HK\$300 million from Golden Infinity by the issue of the GI Convertible Note, it is prudent for the Company to have additional working capital and funding for the Khushuut coking coal project and for the general working capital of the Group. It will also provide cash flow for the Group in potential acquisition (if any) which is beneficial to the development of the Group.

In view of the above, the Directors consider that the respective terms of the Subscription Agreement, the Note and the Second Note are normal commercial terms and fair and reasonable, and the transactions contemplated under the Subscription Agreement are in the interests of the Group and the Shareholders as a whole.

The net proceeds from the Subscription of the Note is expected to be approximately HK\$452.3 million. If the Subscribers exercise the Subscribers' Option and the Second Note, the net proceeds from the Subscription of the Second Note is expected to be approximately HK\$301.8 million. The net proceeds are intended to be used for the Khushuut coking coal project and the general working capital of the Group, including any possible future acquisitions (if any).

## FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

Date of announcement	Event	Net proceeds	Intended use of net proceeds as stated in the announcement	Actual use of the net proceeds
29 April 2010	Issue of HK\$300 million convertible note to Golden Infinity	HK\$296 million	General working capital including financing the Khushuut road surface pavement and miscellaneous pre-mining operation expenses of the Group	Used as intended with balance of HK\$61 million currently held in bank deposits

Save as disclosed above, the Company has not conducted any fund raising exercise during the past twelve months immediately preceding the date of this announcement.

### GENERAL

The Conversion Shares under the Note and the Second Note are to be issued pursuant to the general mandate granted by the Shareholders at the AGM. The maximum number of new Shares to be issued under the said general mandate is 1,220,559,565 which has not been utilized since the AGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

### DEFINITIONS

The following terms are used in this announcement with the meanings set opposite them:

“AGM”	the annual general meeting of the Company held on 30 August 2010
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, a Sunday and any public holiday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	Mongolia Energy Corporation Limited (stock code: 276), a company incorporated in Bermuda with limited liability whose Shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Conversion Shares”	the new Shares to be issued by the Company as a result of the exercise of the conversion rights attaching to the Note and, if applicable, the Second Note

“CTF Nominee”	Chow Tai Fook Nominee Limited, a company incorporated in Hong Kong with limited liability
“Director(s)”	director(s) of the Company
“GI Convertible Note”	the convertible note in the principal amount of HK\$300,000,000 issued by the Company to Golden Infinity as completed and announced on 6 September 2010
“Golden Infinity”	Golden Infinity Co., Ltd., a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Lo
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the Peoples Republic of China
“Last Trading Day”	3 November 2010, being the last trading day of the Shares on the Stock Exchange prior to the release of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Majority Subscribers”	(a) in connection with the Note, the Subscribers who have agreed to subscribe for 50.1% or more of the principal amount of the Note; and (b) in connection with the Second Note, the Subscribers who have agreed to subscribe for 50.1% or more of the principal amount of the Second Note
“Mr. Lo”	Mr. Lo Lin Shing, Simon, the chairman of the Company and an executive Director and a Substantial Shareholder
“Note”	HK\$466,800,000 3.5% coupon convertible note due 2013 to be issued by the Company convertible into Shares at an initial conversion price of HK\$3.4 per Share (subject to adjustments) pursuant to the terms of the Subscription Agreement
“Second Note”	HK\$311,200,000 3.5% coupon convertible note to be issued by the Company upon the exercise by the Subscribers of the Subscribers’ Option with the maturity date falling on the third anniversary of the date of its issue and convertible into Shares at an initial conversion price of HK\$4.4 per Share (subject to adjustments) pursuant to the terms of the Subscription Agreement
“Share(s)”	ordinary share(s) of HK\$0.02 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Sculptor Finance (MD) Ireland Limited, Sculptor Finance (AS) Ireland Limited and Sculptor Finance (SI) Ireland Limited

“Subscribers’ Option”	an option granted by the Company to the Subscribers or their nominees, exercisable within six (6) months of the issue of the Note, to subscribe for the Second Note
“Subscription”	the subscription of the Note and, if applicable, the Second Note by the Subscribers on the terms and conditions of the Subscription Agreement
“Subscription Price”	HK\$466,800,000 to be paid by the Subscribers for the Note and HK\$311,200,000 to be paid by the Subscribers for the Second Note (if the Subscribers’ Option is exercised), to the Company under the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 3 November 2010 entered into between the Company as issuer and the Subscribers as subscribers in relation to the Subscription
“Substantial Shareholder”	has the meaning ascribed thereto under the Listing Rules
“2008 CTF Convertible Note”	the outstanding zero coupon convertible note due 30 April 2011 in the principal amount of HK\$2,000,000,000 issued by the Company on 30 April 2008, details of which are set out in the announcement of the Company dated 1 February 2008
“2008 Puraway Convertible Bond”	the outstanding 3% convertible bond due 29 January 2011 in the principal amount of HK\$142,500,000 issued by the Company on 29 January 2008, details of which are set out in the circular of the Company dated 22 March 2007
“US\$”	United States dollars, the lawful currency of The United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 3 November 2010

*As at the date of this announcement, 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.*