

October 2012

Sharyn Gol JSC (SHG.MSE)

Sector: Mining/Coal

Share Price (1 year performance: -39.3%)



Source: MSE

Indicators of the ULN stock

Symbol	SHG	
Code of stock	309	
Number of total shares	10,231,389	
Price of stock (2012.11.26, MNT)	6,885	
Market value (2012.11.26, Bil. MNT)	70.4	
52-week high/low (MNT)	11,500	/ 11,500

Financial indicators	2010	2011
Net asset (Bil.MNT)	22.54	36.58
Net profit (Bil.MNT)	-	0.42
Intangible assets and liabilities (Bil.MNT)	14.74	4.51
Shareholders equity (Bil.MNT)	7.83	32.12
Earnings per share (EPS)	-	41.19
Price-Earnings ratio (P/E)	n/a	391.98
Price to book ratio (P/B)	6.11	5.14
Return on Assets (ROA)	-	0.01
Return on Equity (ROE)	-	0.01
Dividend per share (DPS)	-	-
Dividend yield	-	-
Annual average stock price	6,614	16,146
Annual average market cap. (bln.MNT)	47.83	165.2
Volatility	6.22%	4.50%

Source: Standard Investment LLC

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Company Information

Sharyn Gol mine was founded in 1965, its initial capacity of exploration was 1.1 million tons and uncovered soil was 5 million m³. Sharyn Gol JSC was registered to MSE in 1995 with 723 million MNT equity funds. 80% stocks were left to the government and 20% stocks were traded on MSE. By government decision, all government stocks were sold in MSE in 2003. The main customers of Sharyn Gol JSC are the Darkhan, Erdenet and Selenge power plants. Proved reserves by Mineral resource authority was 146.3 million tons in 2011. Preconceptional study was made by JORC standard and the reserve of the semi bituminous coal was determined 374 million tons. Now Sharyn Gol JSC employs 470 staffs.

Management

Sharyn Gol JSC's number of outstanding common stocks is 10,231,389. The table below shows the ownership structure.

Shareholder Structure	Proportion
Firebird Mongolia Fund	23%
Firebird Global Masterfund	20%
Nihan Holding Sarl	15%
Furebird Global Masterfund II	11%
Mogul Resources INC	10%
Sharyn Gol Energo LLC	9%
Other (1091 shareholders)	12%

Source: www.sharyngol.mn, Nov 2012

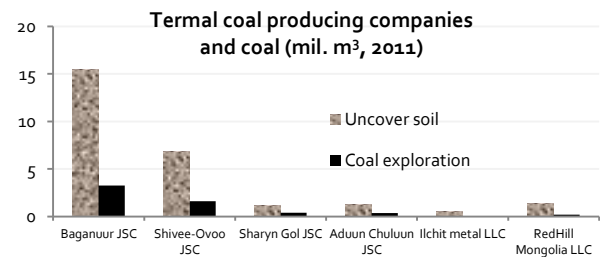
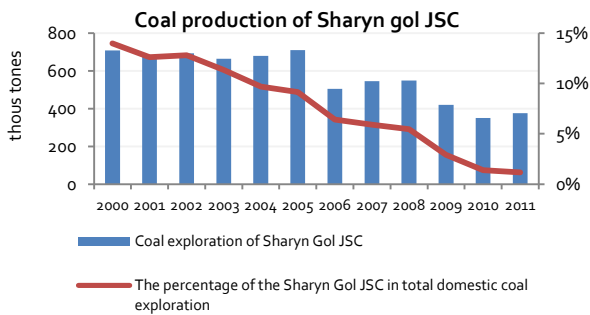
Board director Batmunkh. B

Mr. Batmunkh was born in 1974. He graduated from the Mongolian National University in 1996 and California University in 2000. His occupation is financier and corporate financier. Batmunkh worked in the monetary political section of the Central Bank of Mongolia as an economist, as the deputy director at Bodi Leasing Finance LLC between 1996-1998, the executive officer in Orics Consulting LLC between 2000-2001, B&G Equipment LLC between 2001-2008, and was president of the mining section in B&D Group. Now he is the board director of the Sharyn Gol JSC since 2003.

Chief executive officer Graham Chapman

Mr. Graham Chapman graduated from University of Kingston upon Hull I between 1976-1979 and University of Leicester with an MBA between 1998-2001. His work experiences are: Business Development manager at PT Ingwe Indonesia, President Director at PT Billiton Indonesia, Vice President Strategy at BHP Billiton, Divisional Director at Barlow Jonker Limited, Managing Director at Energy Edge Limited, CEO/COO at Mirus Minerals LLP, MD at Badger Resources Limited, Chief Operating Officer at Colombia Clean Power and Fuels, CEO at Sharyn Gol JSC and Hulaan Coal Corporation since 2011 December.

Market Overview



Source: National statistical office

Mongolian annual domestic coal exploration was 9.2-32 million tons between 2007-2011, and private mining companies produced 3-20 million tons, public mining companies produced 6.2-12 million tons coal and Mongolian annual domestic coal consumption was 5.9-6.8 million tons. Mining production was 26% of GDP in 2011. 32 million tons of coal were produced in 2011. 5.9 million tons was thermal coal and 375.1 thousand tons was produced by Sharyn gol JSC in 2011. The percentage of the Sharyn Gol JSC coal production in total coal is decreasing year by year. The reason for this is the increase of other coal mining companies production volume.

Growth and development

Sharyn gol mining is located in Darkhan-Uul province Sharyn Gol sum and is 215km from Ulaanbaatar city. The advantage of the mining area location is that it is near to the railway, 65 km, and the cost of transport is less than for other mining companies. Sharyn Gol JSC explores a50,000 tons of thermal coal monthly and this is used for domestic consumption. Sharyn Gol coal's quality was analysed by the standard of JORC in 2010 and moisture was 2.21%-14.67%, calory was 3,600-5,083 kcal/kg.

The Firebird company purchased by block trade stocks of SHG. By the Financial regulatory commission resolution (2011.01.13) 1,292,596 ordinary shares were converted for debt of 5,456,049,121.98 MNT issued by Firebird global master fund, Firebird global master fund-2 and Firebird Mongolia fund given to Sharyn Gol JSC. The debts were converted to into shares and reflected in the account. By the FRC resolution on 24.08.2011, it was permitted to issue additional 1,707,404 shares 18.3 billion MNT was raised to fund the required investment. The Board of Directors approved a coal sales price for contracted consumers per ton of 50,000 MNT starting from May 10,2012 and for Power Production 26,275 MNT ton. The Shaazgait pit is ready to mine and the operation will begin in 2012-2013. The Shaazgait reserve can provide all northern provinces. Their plan for 2012 was 1,200 m3 uncovered soil and to produce 300,000 thousands tons coal. Sharyn Gol JSC announced that a new executive team has been appointed to spearhead the company's expansion. The appointment of the new executive team, which includes highly regarded international mining and financial professionals, represents a key step forward in the continued development of the company.

Recent drilling programs have revealed a massive, world class resource base at Sharyn Gol and all necessary permits are in place to launch a new open pit. However, further investigation has led to discovery of previously undocumented coal resources in the existing open pit, providing Sharyn Gol with multiple options for production expansion. These option include potential to extract deeper coal accessed from the

opencast pit using underground mining methods. Sharyn Gol is a major supplier of high caloric value, low ash, and low sulfur coal to the Mongolian northern regions. The company's current plans are to produce over 1 million tons per annum in 2013 and gradually ramp up to 5 million tons per annum by 2016 as coal is supplied to local and international markets. Even at this elevated production rate, Sharyn Gol will have a life of over 40 years, while additional exploration targets are still to be assessed.

Conclusion

Sharyn Gol JSC worked with 11.5 billion MNT sales income, 11.1 billion MNT costs and the net profit was 0.42 million MNT in 2010. The short term credits (liabilities) was 11.6 billion MNT in 2010 and its decreased by 10.2 billion MNT, and reached to 1.5 billion MNT in 2011. Sharyn Gol JSC has issued 3 million common additional shares for the required investment and the shareholders equities rised by 24 billion MNT. The earnings per share was 41.19 MNT in 2011. The price-earnings (P/E) ratio was 392, much more higher because of the coal mining sector's stock prices were rised more than previous year. The price to book ratio (P/B) were 6.11 in 2010, 5.14 in 2011. Those values shows us Sharyn Gol JSC main operation was normal and better than other mining JSC. The return on asset (ROA) and the return on equity (ROE) were 10%. This value shows us that the company used the total assets and equity to get 10% profit. We can also see the company's management was much better in 2011 than 2010 year when company didn't get any profit. Sharyn Gol JSC distributed dividends of 0.95 MNT only in 1995. If the company produces an annual 5 million tons coal, they have 30 years of bussiness life. We think that investors can do a long term (at least 6 years, max 15 years) investment in Sharyn Gol stocks. The Sharyn Gol JSC supplies thermal caol to domestic mongolian customers in the northern part. If their coal production reaches 5 million tons of coal in the next 5 years as planned the SHG stock price should increase.

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