



## April 2013 Sharyn Gol – A New Dawn

**mongolia2013**  
INVESTMENT SUMMIT  
LONDON



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**Sharyn Gol**

- The mine is the oldest in Mongolia, operating continuously for over 40 years
- Production is currently almost 500,000t per year but substantial increases are planned the medium term
- Large new resources have been delineated both in and near the existing operations
- Mine can supply increasing Mongolian domestic demand
- Coal will wash coal to produce a high quality thermal coal product that will be attractive into Asian markets
- Rail spur an important asset in a country where logistics are the primary mining problem, provides the ability for Sharyn Gol to access export markets to the north and south



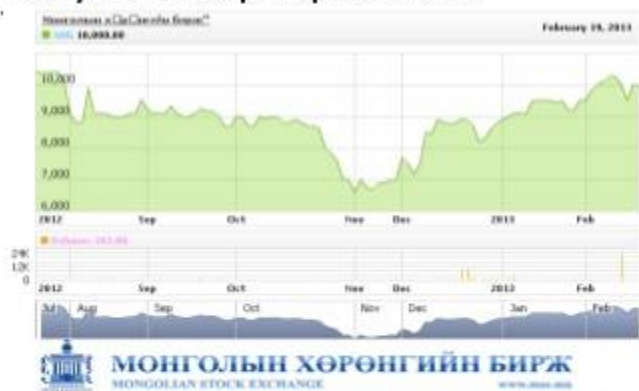
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**Corporate Snapshot**

**Capitalisation**

Share price (Mar 31, 2013)	₮8500
Share price (USD Mar 31, 2013)	US\$6.1
Shares outstanding	10.23 m
Market capitalisation	US\$ 62.4 m
Cash (at Mar 31, 2013)	US\$9.50 m
Debt (at Mar 31, 2013)	NIL

**Last year's share price performance**



**Key shareholders**



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# Creating an international and Mongolian coal producer



The fundamental building blocks are in place for a major production expansion to feed both domestic and local markets

## JORC Resources



- JORC-compliant resources of 324 Mt :
  - 168 Mt Measured
  - 73 Mt Indicated
  - 83 Mt Inferred
- Potential to export grade high CV, low ash, low sulphur product
- Additional 175-280 Mt Exploration Target

## Production and Development



- Currently producing 0.8 Mtpa ROM
- New pit designed 1.0mtpa initially
- Low capital expenditure required to expand to 2.5 Mtpa
- Mine life at 2.5 Mtpa is 50+ years

## Infrastructure and Markets



- Dedicated 65 km rail spur currently connects the mine to domestic customers
- Trans-Mongolian railway provides access south to China, north to Russia and the North Asian seaborne thermal coal market

## Finance and Corporate



- Considering a range of strategic initiatives to accelerate growth of the company, including:
  - Issued 1.7m share, raised 15m USD in MSE.
  - secondary listing on an international exchange
  - corporate or asset level investor

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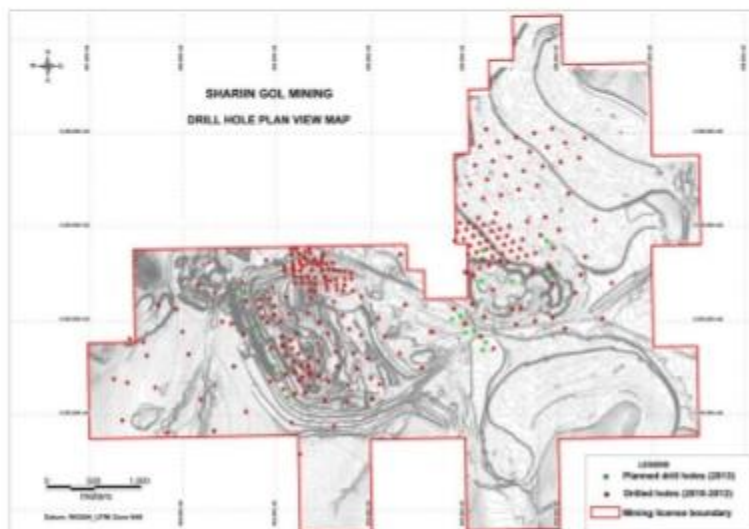
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# Large JORC Resources to Support Major Mine Expansion



JORC Resource reports indicates a major thermal coal deposit near to existing mine infrastructure

*Recent drilling grid (JORC) provides high level of confidence*



- Major resource
  - Increase announced in February 2011 – more than triple the pre-existing (non-JORC) resource
- Resource confidence
  - More than two-thirds of the resource classified as Measured and Indicated
  - Now planning reserve drilling program to better define current resources
- Low strip ratios
  - More than 90% of the resource is <300m depth

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# High Quality Thermal Product



Coal Quality and washability indicates potential to produce a high yield, low ash, low sulphur, and high calorific value thermal coal suitable for regional and export markets

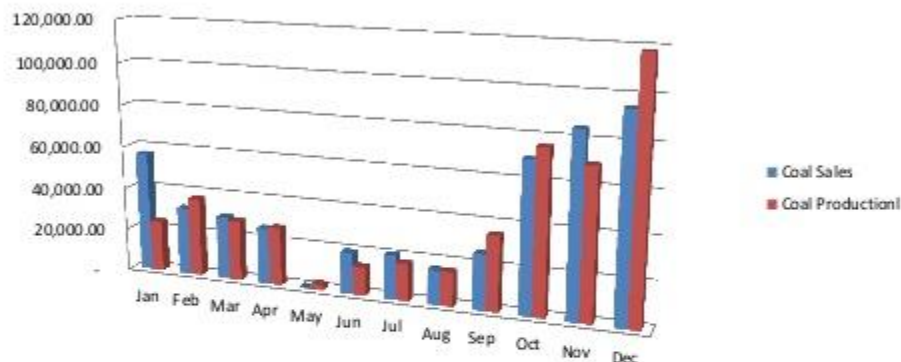
Total Resource (air dry), SW Area. Above 300m depth								
Class	Tonnes	RD, g/cc	ASH, %	CV, Kcal/kg	IM, %	VM, %	FC, %	S, %
Measured	61,371,000	1.7	33.4	4,480	2.9	29.0	34.6	0.9
Indicated	31,222,000	1.7	35.4	4,344	2.9	27.9	33.8	0.9
Inferred	24,641,000	1.7	35.7	4,405	2.9	27.8	33.6	1.0
<b>Total</b>	<b>117,233,000</b>	<b>1.7</b>	<b>34.4</b>	<b>4,428</b>	<b>2.9</b>	<b>28.5</b>	<b>34.2</b>	<b>0.9</b>

Total Resource (air dry), Satellite Area. Above 300m depth								
Class	Tonnes	RD, g/cc	ASH, %	CV, Kcal/kg	IM, %	VM, %	FC, %	S, %
Measured	110,697,000	1.7	32.5	4,382	2.8	29.3	35.4	1.4
Indicated	48,314,000	1.7	32.3	4,352	2.8	29.5	35.4	1.6
Inferred	61,318,000	1.6	30.3	4,479	2.6	30.4	36.8	2.1
<b>Total</b>	<b>220,329,000</b>	<b>1.7</b>	<b>31.8</b>	<b>4,403</b>	<b>2.7</b>	<b>29.7</b>	<b>35.8</b>	<b>1.7</b>

## Coal Quality Test Work

- Washability test work on 51 composite samples in the South West Area and 61 composite samples in the Satellite Area
- 70% yield to produce an 11-14% ash thermal coal product with low-moderate sulfur levels and an estimated calorific value of 6,025 to 6,076 Kcal/kg (air dried basis)
- Latest tests indicate a 10% ash product can be produced economically
- Exploration being design to further define the current resources and product specification

# Production summary



### 2012 production

- Sharp increase since October
- Adequate coal available for whole 2013 and beyond
- Parting material being loaded separately
- One rope shovel re-commissioned used for coal loading
- 2 new excavators (Doosan) acquired
- Production increase maintained in November and December

# Mining Development – Current Operations



Production increased to 1mtpa from start 2013.

Additional plans to move to 2 – 2.5 mtpa in the short term with minor logistical upgrades and additional fleet acquisition



Resource (JORC)	324 Mt
Reserve (registered with MRAM)	146.3 Mt
Mining method	Open cut
Equipment	Draglines Truck and shovel
Current saleable period	1.0 Mtpa
Peak historic production (1976 to 1980)	2.5 Mtpa
Mine life at 0.8 Mtpa	200+ years
Mine life at 2.5 Mtpa	100+ years
Current cost	US\$12-16/t mine grade
Indicative future cost with ramp-up	\$10-14/t mine grade

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# Significant Expansion Planned – Work Underway



Sharyn Gol JSC has engaged a suite of internationally recognised service providers to help achieve strategic growth ambitions.

All planning and relevant permissions are now complete to allow operations to commence, initial ground works now in progress

Phase	Production (ROM)	Steps
Stage 1 - Completed	0.8 (current) to 1.0 Mtpa	<ul style="list-style-type: none"> <li>Very low capital expenditure – existing pit</li> <li>Rationalise existing mining fleet</li> <li>Introduce modern mining equipment and methods</li> </ul>
Stage 2	to 2.5 Mtpa	<ul style="list-style-type: none"> <li>Low capex – existing pit and Satellite Area</li> <li>Investigate the benefit of a coal preparation plant</li> <li>Utilise existing capacity of rail spur (railed 2.5 Mtpa in the past)</li> <li>Potential for contract mining to reduce capital required</li> </ul>
Future growth options		<ul style="list-style-type: none"> <li>Sharyn Gol JSC will work closely with local, regional and federal authorities to determine a sustainable production rate that is able to deliver long-term value for all project and corporate stakeholders</li> </ul>

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# Mongolian Demand is Growing



The domestic market is being driven by economic growth and major projects

Now supplying key industrial customers:

- Darkhan and Erdenet thermal power plants
- Erdenet copper mine

Demand growth:

- Darkhan and UB region is the 'industrial engine room' of Mongolia
- 'Nation Building' projects being built and planned – power, pig iron, briquetting and cement

Rapid economic growth expected ahead

- Real GDP growth was 12.3% by Mar' 2013
- IMF forecasts real GDP growth of 25% over 3 years - driven by mining sector
- FDI into the country has been growing 30% annually and is expected to reach \$11 billion in the next 4 years

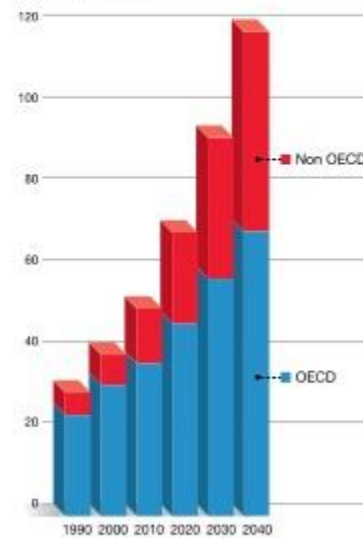


# Energy demand in Asia is set to grow



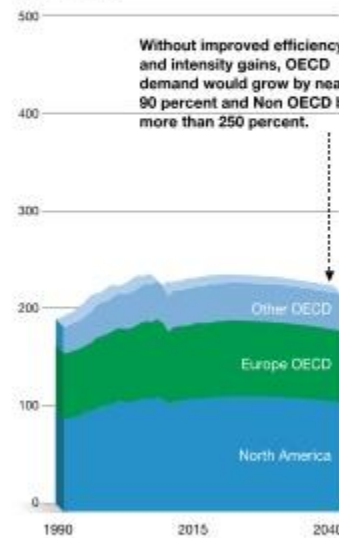
Global GDP by region

Trillions of 2005 dollars



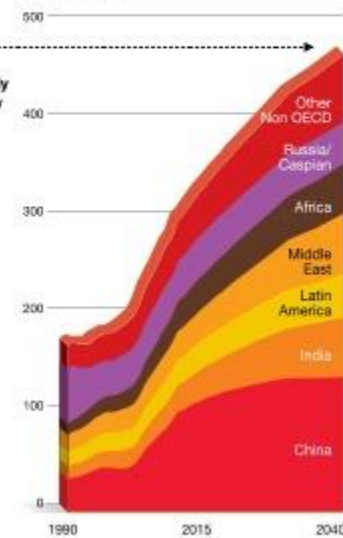
OECD energy demand

Quadrillion BTUs



Non OECD energy demand

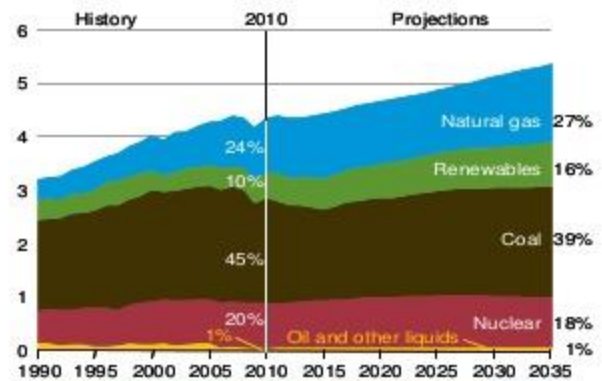
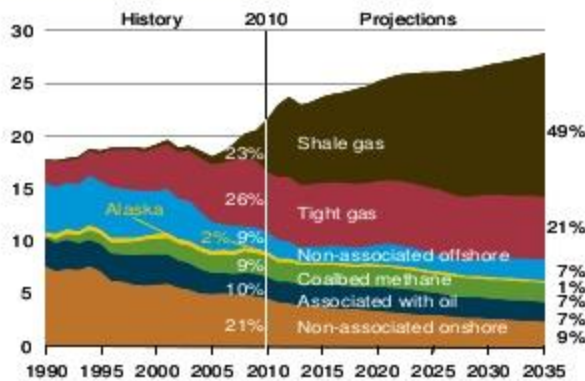
Quadrillion BTUs



Source: Exxon Mobil 2012



# Coal will remain a fundamental global energy source



Source: EIA 2012

- Coal will remain a fundamental source of energy, especially in developing Asian economies
- Projected heavy reliance on new technologies such as shale gas that are as yet of uncertain viability
- Traditional sources are declining in either coal volumes (South Africa) or coal quality (Indonesia), or experiencing cost increases due to increasing distance from ports (Australia)
- China exports are expected to pass 1 bn tonnes in 203 and India to exceed 400 mt that year (Wood Mackenzie, 2012)

# Strategically Located – Access to Major Thermal Coal Markets



Significant strategic advantage due to connection to the Trans-Siberian Railway to create opportunities to work with Russian companies and authorities, enhancing coal exports and regional prosperity



## Seaborne Market

- In October 2010, Russian Railways launched a rail freight service from Mongolia to the Russian Far East ports
- Russian Railway announced a 52% discount on freight tariffs for Mongolian coal travelling through Russia (8 Nov 2010)
- Access East-Asian markets of Japan, Taiwan, South Korea, Southern China

## Russia

- 179 km to Russian border
- New power stations demand due to increased economic activity
- Mongolian coal is reliable low cost option to increase coal use in the country and allow Russia to export more coal

## China

- "Mongolia to China is like Canada to USA" in terms of raw material supply, 1,000 km to the world's biggest thermal coal market
- Mongolia a natural supplier to China
- New coal processing plants at Chinese border:

# Sharyn Gol JSC Investment Highlights



Coal will remain a fundamental energy source in the world and India and China will be primary market drivers for at least the next 20 years

Traditional coal suppliers will struggle in future to maintain coal export volumes and qualities

Mongolia is at the start of a major development programme to develop mineral resources for both domestic and export use

Sharyn Gol represents a unique operation in the country with its large, high quality resource base and a dedicated rail spur giving the company access to international markets

Russian rail infrastructure and port opportunities are the best options to maximise the value of Mongolian coals and offer a unique opportunity to work together for the benefit of regional prosperity. This includes using Mongolian coal in Russia to allow increased Russian exports

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## *Building a Leading Mongolia Coal producer and exporter*



Thank You



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