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(4th edition)

MONGOLIAN STOCK EXCHANGE E-NEWSLETTER

News review:

- London Stock Exchange Academy training will be held between 14th-18th, January, 2013 in London, UK
- “Mongolian Stock Exchange” JSC’s license to conduct securities trading has been extended
- Number of MSE compliant brokers reach 51
- Market at a glance
- Listed company profile - ‘Tavantolgoi’ JSC

London Stock Exchange Academy training will be held between 14th-18th January, 2013 in London, UK.

Mongolian stock exchange in cooperation with London Stock Exchange Academy (LSE Academy), has successfully organized ‘Capital Markets Training’ for market professionals from June to August, 2011 in Ulaanbaatar and London. In consideration of the needs and requirements of market specialists, Mongolian Stock Exchange is organizing the second Capital markets training in collaboration with the LSE Academy, between 14th-18th January, 2013 in London, United Kingdom.

Important topics such as company valuation, bonds and fixed income instruments and markets and equity derivatives will be covered during the training. The training will be taught by professionals and lecturers from LSE Academy and up to 30 market participant professionals can participate in the training. For more information, please visit our website / www.mse.mn/.

“Mongolian Stock Exchange” JSC’s license to conduct securities trading has been extended.

By FRC Decree no.: 322 of November 7, 2012 based on Clauses 6.1.3, 6.2.2 of “Law on Legal Status of Financial Regulatory Commission”, Clauses 6.2 and 10.1.5 of the “Law on Licensing”, “Mongolian Stock Exchange” JSC’s license to conduct securities trading has been extended for the period of 3 years beginning October 26, 2012.

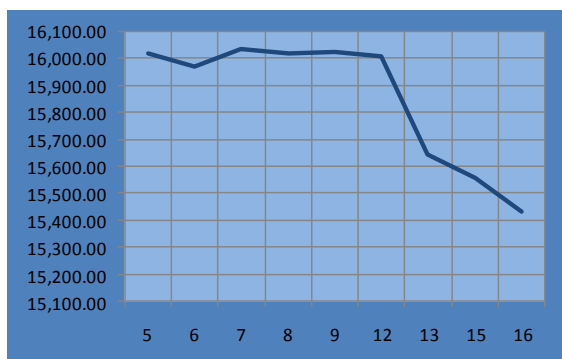
Number of MSE compliant brokers reaches 51.

Number of members that met the requirements set by the new rules and regulations has reached 51.

The number of members that contributed to the Settlement Guarantee Fund became 57; the number of members that concluded a revised agreement with MSE has reached 72, as well as the number of members that placed collateral and have concluded agreement with clearing banks have reached 53 and 57, respectively.

Market at a glance

TOP-20 index performance for the last 2 weeks



Mongolian Stock Exchange

2 weeks:

Volume 419.7 thous.
Value MNT 176.2 mln
of traded companies 62
Top gainers:

Khurkh gol /HRH/ **+15.0%**
 Erdenet khuns /TAS/ **+14.9%**
 Niislel urguu /NUR/ **+14.9%**

Top losers:

Ereen tsav /ECV/ **-38.2%**
 Khangal /HGL/ **-27.7%**
 Dornod khudaldaa /DES/ **-27.7%**

Market capitalization: MNT 1,607.8 billion
TOP-20 Index change: 15,435.00 / **-3.41%**

Index:
Webiste:

TOP-20
www.mse.mn

From November 05, 2012 to November 16, 2012, 419.7 thousand shares of 62 companies worth MNT 176.2 million have been traded through 9 trading sessions.

The most actively traded stocks by value were “Tavan tolgoi” JSC with MNT 34.8 million traded, “APU” JSC with MNT 22.5 million and “Hermes center” JSC with MNT 20.4 million traded, respectively.

As of November 14, 2012
MSE Ticker/Symbol: TTL/458

Equity Note/ Metal and Mining
“Tavan Tolgoi” JSC

| Stock Data | |
|------------------------------|--------------|
| Price, MNT | 8,070 |
| Price, US\$ | 5.8 |
| Historical high, MNT | 14,390 |
| 52Wk Range, MNT | 4,700-14,390 |
| Mkt cap, MNTbn | 425.0 |
| Mkt cap, US\$mn | 304.4 |
| Avg daily turnover US\$ 52Wk | 6.4K |
| Free float, % | 4% |
| YTD performance, % | -27% |

| Key indicators | |
|-----------------------|-------|
| Gross margin, 2010A | 63.1% |
| Gross margin, 2011A | 54.6% |
| EBITDA margin, 2010A | 62.8% |
| EBITDA margin, 2011A | 54.1% |
| EV/Reserve, US\$/t | 4.7 |
| Dividend yield, 2010A | 18% |

Share Price, 000’MNT



Source: Bloomberg

Company Snapshot

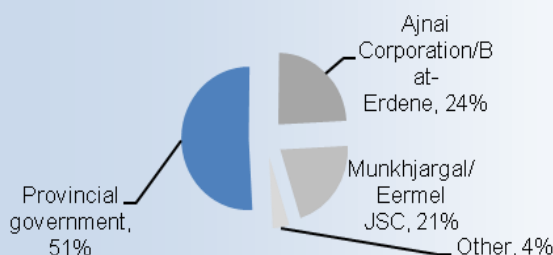
Tavan Tolgoi JSC (TTL) listed on MSE is one of the most profitable coking coal producers in the world with gross and net margin of 54.6% and 41.3% respectively and one of the cheapest mine cost coking coal producers globally with unit mine cost of only ~US\$10/t, ~5.5x lower than international average. The company was also Mongolia’s leading coking coal exporter in 2010 and biggest MSE listed company in terms of market cap.

Tavan Tolgoi JSC is one of the most profitable coking coal producers and one of the lowest unit mine costs globally with unique advantage of being in close proximity to China. TavanTolgoi’s strip ratio of 3.1 bcm/ROMt and favorable mining condition as well as geographical proximity to Chinese border are giving a wide profit margin. The company is one of the cheapest mine cost coking coal producers globally with unit mine cost of only ~US\$10/t, ~5.5x lower than international average and mine gate selling price is much lower than Chinese market and spot price. The discount to spot market seems like to narrow due to 1) Chinese end users recognize TavanTolgoi’s high quality coking coal, 2) traders’ margin will diminish due to easing the logistics and transportation constraints, 3) China may lower VAT and port tariff on imported coal.

The company’s license area is located at the most economic and lowest strip ratio part of giant Tavan Tolgoi coking coal deposit, the biggest undeveloped coking coal deposits in the world. Tavan Tolgoi JSC’s license area covers 169 hectare within highest quality and lowest strip ratio par, Tsankhi eastern part of giant Tavan Tolgoi deposit. In 2011, the company has drilled 14 holes in its license area for detailed reserve estimate and the laboratory data is expected to be received within a few months. According to the company’s management, estimated reserve is 90mln tonnes of coking coal. TTL’s coal quality is an average calorific value of 6,500-7,500kcal/kg, 20% ash and 8.5% moisture. TTL’s resource mix is over 75% coking and less than 25% thermal (or almost 100% coking coal).

Ownership structure: The South Gobi provincial government owns 51% of TT JSC and the rest is privately held. Tavan Tolgoi JSC’s major private shareholders are Ulaanbaatar based Mongolian company Ajnai Corporation owning 24%, Eermel JSC, one of the leading cashmere factory in Mongolia, holding 21% and the remaining 4% is free float on MSE.

Shareholders’ structure



Source: Company data and ResCap estimates

Company overview

There are two companies named Tavan Tolgoi (TT). One is the 6.4 billion tonnes of deposit Tavan Tolgoi which is 100% owned by the state-owned Erdenes MGL and the other one is Tavan Tolgoi JSC (TTL) listed on the MSE.

Tavan Tolgoi (TT) started its operation in 1966 with 8 people under the authority of the Ministry of Industry of Mongolia to explore 3000 tonnes of coal, then in 1967, Tavan Tolgoi became an independent state owned coal mine.

In December 5, 1994 Tavan Tolgoi coal mine became a Joint Stock Company (JSC) in part of the privatization of state owned properties. Tavan Tolgoi JSC is located in Tsogttsetsii soum of SouthGobi aimag in Mongolia, 550 km from the capital city, Ulaanbaatar.

Currently, TTL is the biggest company on the MSE by market capitalization and one of the largest coal miners in Mongolia by production volume producing over 5 mn tonnes of coking coal in 2010. In 2004, the Company signed a coal export contract with a Chinese client and since then its coal export to China has increased substantially.

The company cooperates with over 13 transportation companies such as Tavan Tolgoi Trans, Mongol Trans, Khurd and others in transporting coal to China or selling its coal to dealer companies which further sell to China. In 2010, it exploited 5 mln tonnes, most of it went to China. Currently, the company is still selling the coal at as much cheap as \$6.5/t to the local market due to the state-regulated sale prices and exporting its raw coal at around \$49/t.

At the moment, the company operates with total of 200 employees and several contract miners. They own around ¼ of overall equipment and vehicles operating at their own mine site and ¾ of all equipments are contract miners' equipments.

Tavan tolgoi mine



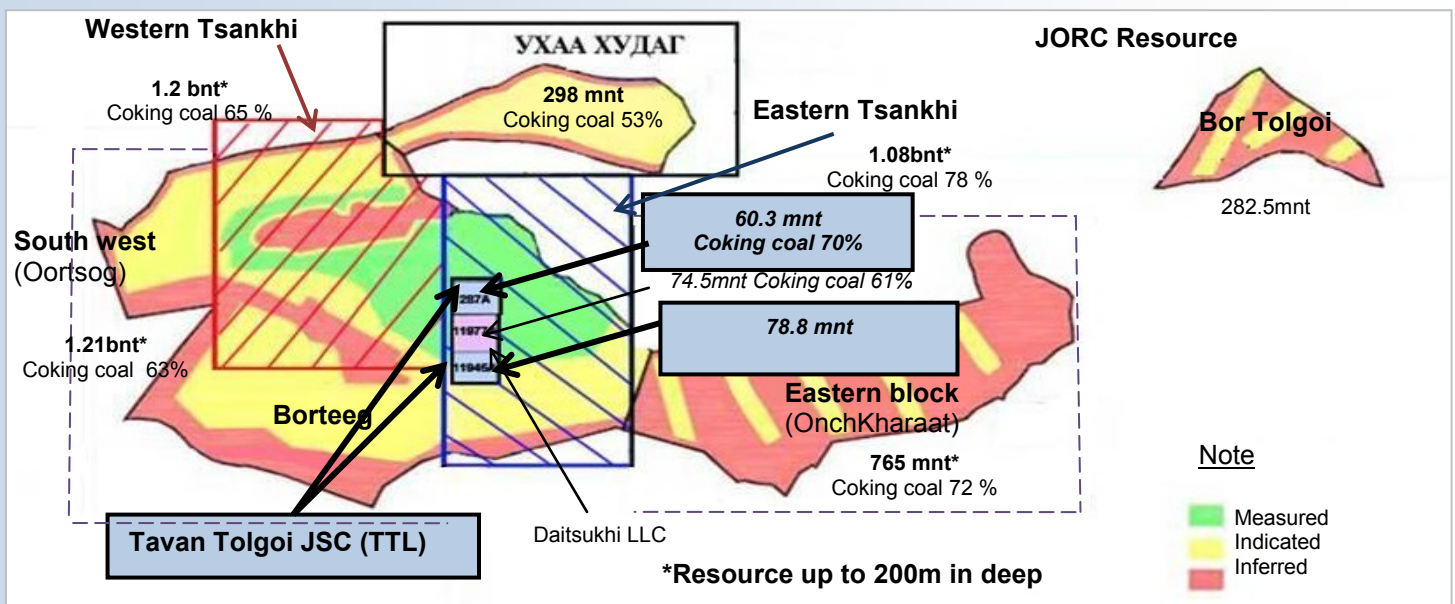
Asset overview

Tavan Tolgoi deposit is the biggest deposits of Mongolia and also it is one of the 10 biggest deposits in the World with 7.5 billion of coking and thermal coal. Tavan Tolgoi coal basin is partially owned by Erdenes MGL (6 mining licenses), Mongolia Mining (1 mining license), Morin Luu (1 mining license), Broad (1 mining license), Daitzuki (1 mining license) and Tavan Tolgoi JSC with 2 mining licenses (called 4th and 8th pits).

Tavan Tolgoi JSC's 2 mining licenses cover 169 hectare area located within eastern Tsankhi of Tavan Tolgoi deposit.

In 2011, the company drilled 14 holes in its license area for detailed reserve estimate and the laboratory data is expected to be received in a few months. According to the company's in-house estimation, estimated reserve is 90 mn tonnes of coking and thermal coal. TTL's coal quality is an average calorific value of 6,500-7,500kcal/kg, 20% ash and 8.5% moisture. TTL's resource mix is over 75% coking and less than 25% thermal (or almost 100% coking coal) by their own preliminary unofficial assessment. But according to official assessment, Eastern Tsankhi block's resource is 78% coking and the remainder is high quality thermal coal. According to Norvest's preliminary assessment of JORC resource, Tavan Tolgoi deposit has total resource of 7.5 bln of coking and thermal coal and within the mining license #287 and #11945 which are called 4th and 8th pits held under Tavan Tolgoi JSC, there are 60.3 mnt with 70% of them coking and 78.8mnt with 82% of them coking coal estimated respectively.

The main part of Tavan Tolgoi Coal basin



Financial statements

| Income Statement, MNT mln | 2010A | 2011A |
|---|------------------|------------------|
| Revenue (net) | 170,468.8 | 194,004.5 |
| Operating costs | (62,965.0) | (88,055.6) |
| Gross profit | 107,503.8 | 105,949.0 |
| <i>Gross margin (%)</i> | 63.1% | 54.6% |
| Royalty | -- | -- |
| SG&A | (502.2) | (948.4) |
| Other expenses | (28.9) | -- |
| Exploration | -- | -- |
| EBITDA | 106,972.6 | 105,000.6 |
| <i>EBITDA Margin</i> | 62.8% | 54.1% |
| Depreciation | (123.0) | (146.4) |
| Amortisation (Lic and deferred exploration) | -- | -- |
| EBIT | 106,849.7 | 104,854.2 |
| <i>EBIT Margin</i> | 62.7% | 54.0% |
| Interest income (expense) | -- | -- |
| Non operating income or (loss) | (4,339.9) | 1,179.3 |
| Income before taxes and minority interest | 102,509.8 | 104,854.2 |
| Taxes | (25,984.1) | (25,975.5) |
| Income before minority interest | 76,525.7 | 80,058.0 |
| Minority Interest | -- | -- |
| Net income | 76,525.7 | 80,058.0 |
| <i>Net income margin</i> | 44.9% | 41.3% |

| Balance Sheet, MNT mln | 2010A | 2011A |
|-------------------------------------|------------------|------------------|
| Assets | | |
| Current assets | | |
| Cash and equivalents | 92,254.5 | 33,154.1 |
| Accounts receivable | 17,713.4 | 69,658.1 |
| Prepaid expenses | 680.5 | 4,191.2 |
| Inventories | 1,176.5 | 1,737.6 |
| Other current assets | -- | 44.8 |
| | 111,824.9 | 108,785.7 |
| Property, plant and equipment | 6,668.7 | 6,565.5 |
| Intangible asset | 68.3 | 146.7 |
| Investments | -- | -- |
| Other assets | -- | -- |
| Total assets | 118,561.9 | 115,497.9 |
| Liabilities | -- | -- |
| Current liabilities | -- | -- |
| Accounts payable | 2,961.7 | 5,278.9 |
| Current portion of debt | -- | -- |
| Other current liabilities | 15,938.7 | 543.4 |
| Total current liabilities | 18,900.4 | 5,822.3 |
| Long-term debt | -- | -- |
| Other Liabilities | -- | -- |
| Deferred income taxes | -- | -- |
| Total liabilities | 18,900.4 | 5,822.3 |
| Minority interest | -- | -- |
| Shareholders' Equity | -- | -- |
| Common shares | 94.5 | 94.5 |
| Retained earnings | 99,056.0 | 109,070.1 |
| Other | 511.0 | 511.0 |
| Total equity | 99,661.5 | 109,675.6 |
| Total liabilities and equity | 118,561.9 | 115,497.9 |

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