

A stylized graphic of a mountain range with several peaks in shades of brown and tan, set against a white background.

SHARYN GOL JSC

SHARYN GOL JOINT STOCK COMPANY

Specially for Annual General Meeting

2012

Dear shareholders!

The shareholders of Sharyn Gol JSC and we are about to meet to discuss the performance of the company for 2011 and take certain decisions.

Prior to the shareholders' meeting, we would like to provide you with information on the operations of the company in 2011.

In 2011, we have successfully discharged our duties to deliver supplies of coal to Darkhan and Erdenet thermal power plants and other contract users by stripping a total of 1123.7 thousand cubic meters of overburden, mining 375.1 thousand metric tons of coal, and selling 365.9 thousand metric tons of coal.

Our miners have endeavored to achieve every type of planned objectives regardless of any difficulties in our operations, including a long-time lag in overburden stripping, obsolescence of equipment, and financial difficulties.

It should be mentioned that the lack of a continuous supply of equipment and spare parts continues to have adverse effects on the smooth production owing to the fact that we are selling 75% of our coal at unrealistic prices set forth by the government, reduced the weight of coal supplied to users, and payment is not made in a timely manner.

In 2011, the total revenue was MNT 11,569 Million, whereas the total expense was MNT 11,147.6 Million.

Worsening the mine operation condition every year makes a demand to introduce a new technology and to make a technological reform in order to optimize the mine and expand the market share.

Therefore, detailed exploration works had been done according to the new management of the shareholders and foreign investors and international consulting company had approved the coal resources officially. Based on the officially approved resource report, additional shares were issued and the certain fund was accumulated to fund the new pit operation

As a result of "Sharyn gol" JSC management in which international experienced experts started to work in, the company is setting a goal to improve its activities and to be a mining company that meets with the world standards and in this framework, there are several large works had been done.

At last, I would like to emphasize that your active participation is essential to achieve the goal for the year 2012.

Chairman of the Board



B. Batmunkh

Date of the meeting: at 16.00 on April 30, 2012

Venue: at the meeting hall of “Bayangol” hotel

Issues to be discussed at the meeting

1. Board conclusion on industrial operation and financial report of 2011 and Board report
2. Approval of amended version of the company charter
3. Salary, incentives and budget of members of the BoD in 2012,
4. To select independent members of the BoD,
5. To inform a decision of BoD on dividend

The goal of the company: to process the natural resources deeply and respect a labor productivity, product quality and demand of customers.

The brief Introduction of “Sharyn gol” JSC

1. Name: “Sharyn gol” JSC
Nationality: Mongolian
2. Address: Sanjint bagh, Sharyn gol soum, Darkhan-Uul aimag
Tel: 70372235, Fax: 70372235
3. Principle of privatizing a state property between 2001 -2004 “According to the Government resolution No162 of 2003 and State Property Commission resolution No682 of 2003, it became 100% private company ”.
4. State registration certificate number:1910010009, registration number: 2050374
5. The company explores black sub bituminous coal and supply to the Power Plants of Darkhan and Erdenet cities and other contract organizations and companies.
6. Authorized body of the company: Shareholders meeting and the COO will be responsible for daily activities of the company who is nominated by the Board of directors.

ONE. 2011 MINING ACTIVITY OBJECTIVES AND IT'S PERFORMANCE

In 2011, we have done overburden and exploitation in accordance with the approved mining activity plan. The following is the comparison of performance 2011 with the previous year results:

Indications	Meas.	2010 perf.	2011 plan	2011 perf	2011/2011	2011/ 2010
Extraction	th.tons	422.1	370.0	375.1	101.4	88.9
Coal sale	th.tons	399.1	370.0	365.9	98.9	91.7
Total overburden:	th.m ³	1448.7	2000.0	1123.7	56.2	77.6
- w/o transp.	th.m ³					
- w transp.	th.m ³	144.5	300.0	32.3	10.8	22.4
		1304.2	1700.0	1091.4	64.2	83.7
Total coal with rock partings	th.m ³	1773.4	2284.6	1412.3	61.8	79.6
Drilling	linear m	45.9	45.0	32.9	73.1	71.7

MINING OPERATION

93 % of the total production was exploited from the main seam in the North block, the rest 10% - from the foot of the mine. The coal supplied by us was of good quality, as the coal seam of the North block is with less rock partings and of high calorific value.

LC-290 , LC-450 , EKG-4U excavators were used for the operation. As great deal of water was spurting out from the North block, we made trenches and installed pipes to drain the water, which lead to normal exploitation. For flood control, we used hydro excavators.

Excavators and drilling rigs sitting idle were, in fact, planned to be transferred to the upper level, however, that did not work out for certain reasons.

The overburden was not actually completed due damages incurred to the drilling rigs number of times or lack of transportation means, which is why the overburdening is still carried on in 2012 delaying development of the South block.

In 2011, fire hazard generated in the UG decline due to excessive heating created an emergency situation. All necessary measures and methods to eliminate and control the hazard in the heated area were taken in an efficient and timely manner.

The main objective of the 2011 mining operation was opening a new pit in the Satellite area and start permanent production which is met to a certain extend.

Main Objective of 2012 Mining Operation

From the North and South block of the current production totally 300.0 thousand tons of coal was planned for exploitation in 2012 and the relevant authority approved this operation plan. For coal exploitation from the South block, 116.0 m.m³ must be removed from the roof of the coal seams. The main objectives of the 2012 mining operation are as follows:

- Exploitation of the coal rests in the North area (in the 1st and 2nd quarters of 2012)
- Exploitation will be started in the South area as soon as coal partings are discovered
- Distinguishing rock layers in the coal partings, we will maintain the quality of our coal supply
- Placement of the standby excavators and rigs into the current operation levels (upper levels) to use for overburdening, engineering works and other activities such as preparation of earthmoving work site, and prevent stockpiles ruining etc.
- Preparation works for opening new open-pit at the Satellite deposit and start overburdening work. By November, 2012, we will open a coal deposit and make the preparation of exploitation in 2012-2013.
- In October and November, 2012 we will prepare for the 2012-2013 coal exploitation.
- Procurement of parts of the currently halted excavators and rigs at the earliest possibility and appropriate mechanical services will be provided either.
- New dump truck procurement for completing the current mining operation.
- Conduction of rehabilitation works in accordance with the approved activity plan.
- Maintenance of water drainage system.

TWO. MINE FLEET, ITS MAINTENANCE AND INVESTMENT

- In 2011, we had 10 major mining fleets, of which 8 excavators operated, excluding two: the excavator ESh 10/70 128 sat idle as its generator broke down, the excavator 5À 120 stood

idle as well even after a repair work /bucket teeth broken/. Maintenance services were provided 100% in accordance with the initial plan.

- Drilling 3 rigs operated out of 4 reserves: Compressor equipment 5SBSH-200 was installed into the drill rig 134, whereas walking beam of the drill rig SBR 160 129, bucket of SBSH - 250 135, SBSH-200 134 compressor and hydraulic systems were relatively fixed.
- We had a shortage of means of mine transport. Four haul trucks of CAT 769 had to be successively repaired during the operation period; we could not find necessary parts to maintain the means each time of the incurred mechanical breakdown, which is why the length of time waiting for service was extended. The parts needed and rare at the market were GTE, kiwi, engine parts, as well as 4 Howa engines etc.
- Engines of the excavator ÍL 290 and HL 450 were repaired, however they still did not work as before. The productivity of the machines was 40-43% only, which reflects that higher cost is going to be incurred in further usage.
- It necessitates of buying CAT 773 2-3 haul trucks as well as an excavator with indirect bucket. Therefore one CAT 345 excavator needs to be bought.
- Conveyor, locomotive-1286, excavator 120 were relatively repaired in accordance with the planned time during June-July period.
- In 2011, totally MNT 464.5 million was spent to buy fixed asset, including road irrigator Howa truck, bulldozer Chantui, shuttle bus Daewoo for the personnel transport, plotter, PC for office use, financial program DIAMOND, drying set (laundry complete set for cleaning PPE of employees).
- Old fleet usage is 40.6%, drill rig use/productivity- 20.4%, haul trucks- 43.5% which reflects that mine equipment needs replacement and technology needs to be upgraded.
- Out of haul trucks, CAT 134 conveyed 216.6 thousand cubic meter massive, which was the largest shipment ever for us.

THREE: 2011 FINANCIAL ACTIVITY

A.Performance of Sales Plan

- In 2011 totally 1,123.7 thous.m³ overburden was removed, exploiting 375.1 thous.tons of coal of which 365.9 thousand tons of coal was sold; 274.4 thousand tons of coal was supplied to

Darkhan and Erdenet PP, implementing the contract with Darkhan PP 136.9%, the contract with Erdenet PP by 137.5% relatively.

- We have been widely acknowledged as the reliable suppliers to large plants of the locality, such as “Erel cement“, “Darkhan Silikat”, “Darkhan Metallurgy“ factory, several municipal organizations of Tuv, Selenge, Orkhon, Darkhan-Uul provinces that run with boilers and also to individual customers in the mentioned areas.

2011 Coal sale /sold to the customers/

Customers	2010 perf th.tons	2011 /th.tons/		Perf /in %/	Difference /th.tons/
		Planned	Perf		
Darkhan PP	134.4	100.0	136.9	136.9	36.9
Erdenet PP	135.2	100.0	137.5	137.5	37.5
Erel Cement	50.7	55.0	18.0	32.7	-37.0
SG Heating	11.3	15.0	12.4	82.7	-2.6
Khansogoo LLC	8.0	5.0	6.6	132.0	1.6
Nako fuel		40.0	1.1	2.8	-38.9
By truck transport	29.2	15.0	34.9	232.7	19.9
Others	31.1	40.0	18.5	45.3	-21.5
Total	399.9	370.0	365.9	98.9	-4.1

Performance of income plan /million MNT/

Indications	2010 Perf	2011		Result /%/
		Planned	Perf	
Income from operating activity	9,955.9	10,325.5	10,543.5	102.1
Income from auxiliary units	89.9	87.2	84.5	96.9
Non-principle operation activity income	890.8	35.5	941.0	26.5 times
TOTAL	10,936.6	10,448.2	11,569.0	110.7

The revenue of the fiscal year includes MNT 10,543.5 million from the principle operation and sales, MNT 84.5 million from the auxiliary units, MNT 941.0 million from the non-principle activity totally amounting to MNT 11,569.0 million.

B. INCOME, EXPENSE, PROFIT AND LOSS /million MNT/

Types	Income	Expenses	P&L
Coal	10,543.4	10,438.5	104.9
Agro activities	32.3	26.5	5.8
Holiday camp and sports' complex	9.8	61.9	-52.1
Canteen	34.4	107.3	-72.9
Rental	91.1		91.1
Personnel lounge	7.5	29.3	-21.8
Parts sales	31.6	23.8	7.8
Scrap metal	73.4	1.7	71.7
Currency rate difference and loan interest	267.6	65.9	201.7
Sales of fixed capital assets		32.8	-32.8
Penalty	3.7	5.3	-1.6
Socio-economic welfare fund expenses		200.3	-200.3
Bad debt	341.1		341.1
Tax expenses		149.1	-149.1
Miscellaneous	133.1	5.2	127.9
Profit after tax	11,569.0	11,147.6	421.4

In 2011, MNT 11,569.0 million of revenue, MNT 11,147.6 million of expenses incurred making MNT 421.4 million of profit.

In 2011, MNT 71.5 million- from the margin of calorific value, MNT 27.3 million was relatively lost from the margin of weight.

C.COSTS AND EXPENSES

In 2011, MNT 10,774.1 million was budgeted, of which MNT 10,438.5 million was actually expended, saving MNT 335.6 million. Expenses include:

338.9 tons of blasting materials were budgeted for MNT 638.8 million, however during the operation 240.0 tons were purchased by MNT 443.7 million, saving MNT 195.1 million. 518.3 th.m³ of mountain massive was cut off, and blasting material per unit was spent less by 0.042 kg/m³ or in total 10.08 tons amounting to MNT 18.6 million was saved.

1,984.6 th.m³ massive was budgeted to be transported by using 604.2 th/L of fuel or MNT 725.0 million; however during the operation 1,379.9 th.m³ mine massive was relocated by consuming 524.3 th.L of diesel or MNT 737.3 million. The fact that amount of fuel budgeted for per unit is exceeded by 0.076 L/m³ totals to 104.9 th.L or MNT 147.4 million.

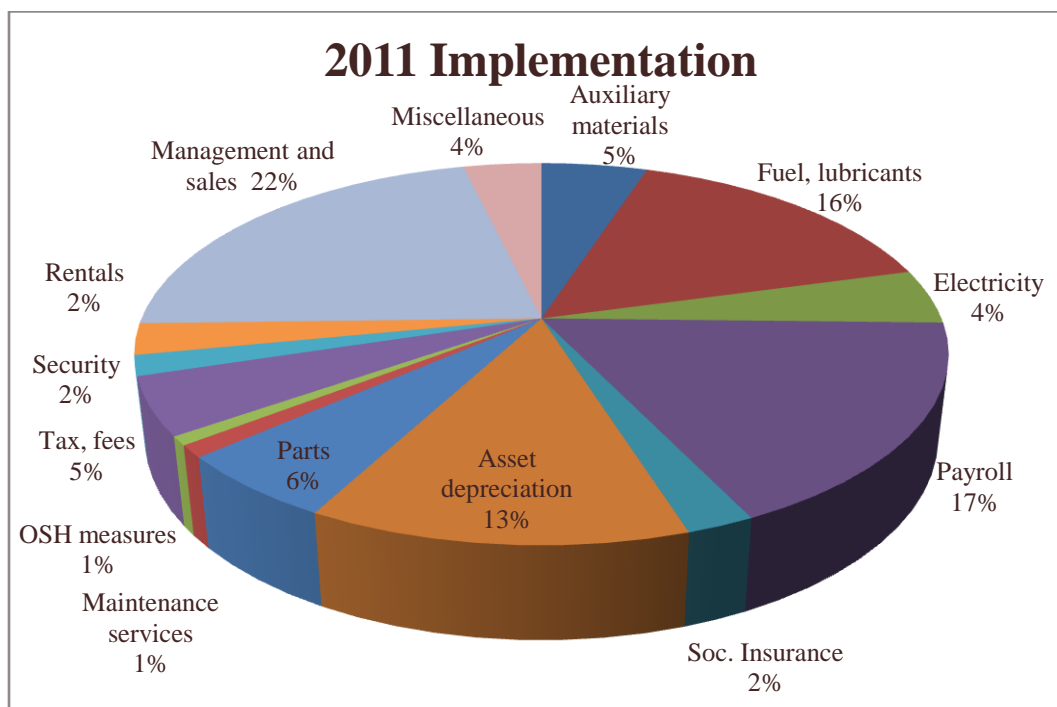
In 2011, payroll of MNT 2,312.9 million was budgeted for 473 employees; however 414 staff were paid MNT 2,059.6 million. It is 59 less than initially budgeted positions /including 22 UG staff/ which results in saving MNT 194.3 million payroll expense. As of September 2011, the pay was raised 20%, making the average rate at MNT 415.1 thousand.

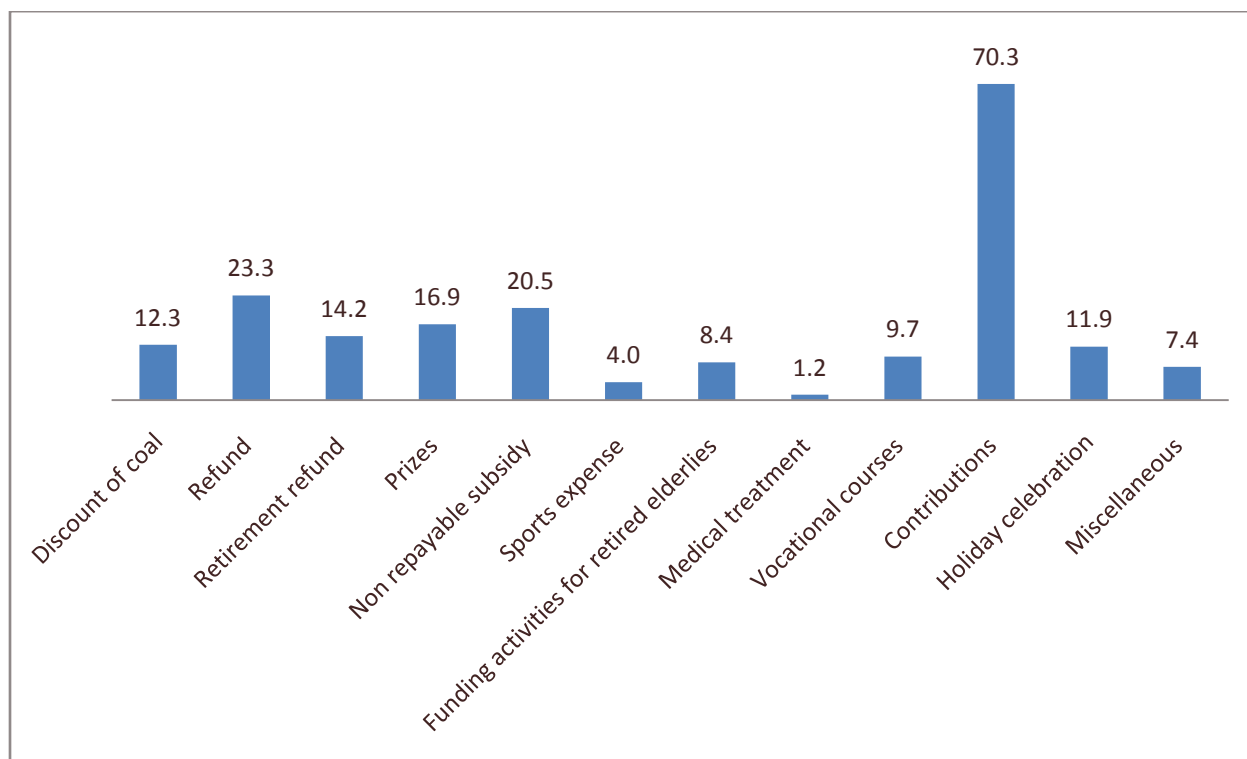
In 2011, MNT 95.0 million was expended for maintaining safety, including procurement of PPE at the cost of MNT 21.6 million, meals for night shift staff and anti-toxicities by MNT 34.1 million, other safety gears for MNT 39.3 million relatively.

In 2011 totally 1,379.9 thous.m³ mountain massive was transported, of which 253.4 m.m³ or 18.4 % was conveyed by rental trucks. For the rental trucks MNT 214.5 million was paid.

For auto maintenance MNT 112.5 million was expended, including MNT 82.1 million for CAT repair works.

STRUCTURE OF 2011 EXPENSES



D. Socio-economic development fund expenses**E. PURCHASE OF FIXED CAPITAL ASSETS**

In 2011, the company purchased fixed assets of MNT 644.4 million:

HOVA truck for road irrigation	70.3
Coal bunker	4.0
Shuttle bus	10.5
Sonata 5 /car/	10.0
Land cruiser-200	103.5
Chantu Bulldoser	237.7
Lexus -470	83.7
Pump D32-50 75 KWT	9.6
Pump TsNS300-240	68.2
Laundry/washing equipment of staff PPE	10.7
Personal computer-2, printer-2, plotter	20.3
Financial program	10.4
Miscellaneous	5.5

F. RECEIVABLES AND PAYABLES

Receivables /million MNT/

Receivables type	Beginning	End of the year	Differ
Coal receivables	1,204.5	402.0	-802.5
Parts receivables	1,205.2	430.0	-775.2
Receivables from individuals	1.2	7.7	6.5
Electricity receivables	50.9	6.4	-44.5
Social welfare fund	4.7	4.8	0.1
Advance payment	83.1	21.5	-61.6
Account receivables	182.7	321.5	138.8
Short term loan	2,936.6		2,936.6
Loan interest receivables	80.5	1.5	-79.0
VAT receivables		7.7	7.7
TOTAL	5749,4	1,203,1	-4,546.3
Exploration expenses	5,746.0	6,753.9	

Coal receivables /Mill.MNT/

Customer	Balance in the beginning of the year	Received in 2011	Payments of 2011	End of the quarter
Darkhan PP	513.1	3,978.3	4,354.5	136.9
Erel Cement	102.1	675.5	758.5	19.1
Sharyngol Energo	71.5		71.5	
Khansogoo LLC	19.9	175.7	178.6	17.0
Sharyngol Heating		384.7	316.0	68.6
Erdenet Copper Mine	71.2		71.2	
Erdenet PP	364.0	4,029.7	4,287.2	106.5

Payables /million MNT/

Payables type	Beginning of the year	End of the year	Differ
All sorts of taxes	493.9	416.7	-77.2
Social insurance	23.9	0.6	-23.3
Long term payables	2,508.3	2,508.3	-

Parts	507.8	160.2	-347.6
Coal	37.9	25.9	-12.0
Payables to individuals	22.7	16.3	-6.4
Payroll	86.2	98.9	12.7
Short term loan	10,422.0	467.9	-9,954.1
Interest of short term loan	154.4	36.2	-118.2
Accumulated payables	78.2	16.1	-62.1
Account payables	369.5	749.2	379.7
Total Liability	14,704.8	4,496.3	-10,208.5

G. TAX PAYMENT

In 2011, the company paid MNT 2,125.0 million to the State and locality budget.

Tax types	Balance	Payable	Paid	End balance
Corporate income tax	69.4	207.8	277.5	-0.3
Personal income tax	58.7	217.3	271.5	4.5
Value added tax	-0.1	1,094.3	1,101.9	-7.7
Royalty tax	15.0	263.2	277.2	1.0
Tax on means of transport		2.2	2.2	-
Land and water tax		74.5	74.5	
Immovable property tax		19.1	19.1	
Air pollution		132.5	101.0	31.5
TOTAL	143.0	2,011.0	2,125.0	29.0
Social insurance	23.9	554.7	578.0	0.6

H. FINANCIAL CRITERIA

The main indications /Mill.MNT/

#	Main indications	2010	2011
1	Cash	1,817.9	17,591.3
2	Short sale security	-	-
3	Receivables	5,057.2	932.0
4	Short term payables	12,196.7	1,953.9
5	Current assets	8,421.5	20,004.9

6	Current liabilities	14,117.1	16,572.6
7	Net profit	215.0	421.4
8	Sales	9,955.9	10,543.5
9	Owners' equity	7,833.7	32,115.3
10	Fixed asset	8,663.4	9,234.9
11	Total assets	22,538.6	36,577.6
12	Total liabilities	14,705.0	4,462.2
13	Average cost of Fixed asset	8,663.4	9,234.9
14	Cost of Goods sold	7,245.8	8,149.7
15	Inventory	1,362.3	1,297.6

Ratio

№	Indications	2010	2011
1	Current ratio	0.69	10.24
2	Quick ratio	0.56	9.48
3	Net working capital	(3,775.11)	18,051.04
4	Free Cash Flow	14.90	900.31
5	Debt to equity ratio	53.27	719.71
6	Net profit Ratio	0.03	0.01
7	Return on Sales	0.02	0.04
8	Return on equity	(0.06)	0.02
9	Return on capital	44.17	28.82
10	Fixed asset to equity ratio	90.42	347.76
11	Asset turnover	114.92	114.17
12	Receivables turnover (times)	1.97	11.31
13	Receivables turnover (daily)	183	32
14	Payables turnover (times)	0.69	10.24
15	Payables turnover (daily)	521	35
16	Inventory turnover	7.3	8.1
17	Stock turnover (times)	5.3	6.3
18	Stock turnover (daily)	68	57

19	Production cycle	251	89
20	Financial cycle	(271)	54

Three. On works of Board of Directors

Board of Directors of “Sharyn gol” JSC has discussed the 45 urgent issues related to the company’s operation, management and organization, finance and economy during the period of report, made a note and relevant decisions.

Depending on location of the members of the BoD, the BoD meeting was organized in two forms. There were 6 meetings in which members attended physically and 32 issues solved and in case of some urgent issues to be discussed, 14 online meetings to take votes were conducted and 14 issues were discussed and decisions were made.

For classifications of the issues discussed at the meeting during the reporting period:

- a. 8 issues related to industrial operation including company business plan, JORC drilling program, newly identified coal resource, resources approval by Mineral resources council and permission of a new mine.
- b. 25 issues related to finance and economy of the company including the company financial statement and balance, issues on additional shares, wages, debts, coal price and contracts and audit organization.
- c. 9 issues related to management and organization of the company including selection of chairman and members of BoD of the company, appointment of audit organization, responsibility of senior staff, amendments to the company charter and works of shareholders and BoD.
- d. 3 issues related to other things including stamps of the company, any construction works and donations for anniversary celebration, transferring a sport palace and UG fire .

There are in total 30 resolutions made at the BoD meeting and 13 of them were solved through information and discussion.

For implementation of the main resolutions made by BoD.

- ❖ BoD discussed the business plan 2011 of the company and planned to strip 2000.0 thousand m³ soil and to exploit and sell 370.0 thousand ton coal in a year. During the period, the company could strip 1123.7 thousand m³ soil, exploit 375.1 thousand ton coal and sold 365.9 thousand ton coal. Main reasons to fail implement the plan on overburden removal was several damage and defect of drilling machines and shortage of vehicles.

In connection with it, the time to open coal of the front block is delayed.

- ❖ The core mine plan of 2012 and perspectives of mining is negotiated and according to it, area to strip in 2012 shall be 1.200.0 thousand m³ and coal mining and sales shall be 300.0 thousand ton. These main indicators are reflected in the business plan of 2012.

Although there is a weak utilization of a mountain, shortage of techniques and technologies, it is needed to strip 116.0 thousand m³ soils and to mine coal from upper roof of the coal seam in order to create a condition to exploit from the front block. In addition, it is necessary to do preparation works to open a new mine at the Satellite area and to start the earth works. Furthermore, it is required to open the coal seam at the new mine shall by November 2012 and so that get ready for production of 2012-2013.

However there are problems and difficulties we consider that the BoD is required to direct and give a guidance to fulfill the planned works.

- ❖ In 2011, there was occurred Fire hazard on the UG dewatering tunnel and it caused a special condition. BoD meeting of November 18, 2011 had given guidance and duties to take prompt technical and organizational actions to eliminate the fire source.

As a result of continuous attention to this work process, we could separate from this problem. Further, we should pay a special attention to ensure smooth operation of dewatering system, to determine the future activities correctly and ensure safety.

- ❖ Special activities in 2011 are to raise fund to solve financial problems for future smooth operation of the mine. This issue is focused by BoD. The BoD made several resolutions related to it. As a result of it, according to the Financial Regulatory Commission resolution No 27 on January 13, 2011 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” LC. The debts were converted into shares and reflected in the account. By Financial Regulatory Commission resolution No250 on August 24, 2011, it was permitted to issue additional 1.707.404 shares. 18,3 billion MNT was raised to fund the required investment.

The specialists concluded this issue that “it showed that national mining companies are able to accumulate their required investment and fund from domestic stock market”. As a result of “Sharyn gol” JSC management in which international experienced experts started to work in, the company is setting a goal to improve its activities and to be a mining company that meets the world standards.

BoD meeting discussed the issue on “Cash flow raised fund” and it’s been allocated special bank account. Transaction through a certain bank account shall use approved signatures of chairman and CFO. Expenses from the bank account

and estimation list been approved by BoD and there shall be no transactions made without BoD approval. Provisions of the resolution being implemented.

- ❖ BoD meeting approved budget for drilling works to drill in close area and to prepare an area for dumping in order to open a new pit and make a main entrance in relation to commencing a new mine on Sitellite area and established an agreement with “Ellehcor Drilling” LLC.
- ❖ Regarding to production operation, BoD approved the consulting service agreement with “Micromine” company to collaborate in this field according to the resolution of the BoD.
- ❖ The resolution was approved on coal sales price where for the consumers other than the PP the coal price per ton shall be 50,000 MNT starting from May 10, 2011 and for Power Production 26 275 MNT per 1 ton of coal starting from November 1, 2011. This is lower than net value of 1 ton coal so BoD is considering that it is necessary to increase coal price and in particular, sales price of the coal used for producing power shall be liberated according to market value.
- ❖ It was determined that depending on provision of the agreement made between Company authority and Labor Union, salary of all the staff of the company was increased by 20% starting from September 1, 2011 following the coal price increase. It is required to keep the policy on payroll increase depending on income and expenses of the company.
- ❖ According to the decision of BoD on any contracts made with other related parties, the draft contract to be made with any other parties shall be discussed and approved at the meeting of BoD with permission of CFO. It was determined that any member of the BoD, who has a conflict of interest, is not allowed to vote on such discussion.
- ❖ Following the recommendation of audit report of the company made by an audit company “Ernst and Yang” and proposal of CFO were discussed and decided to write off certain aged creditors in sum of 124,222,077, 98 MNT from the company balance sheet. Further, returning any debts and payable shall be one of the works to do immediately at every time.
- ❖ According to the decision of BoD, the contract was made with “Suld Audit” LLC starting from January 1, 2011 until December 31, 2011 and where also “Ernst and Yang” LLC was appointed as an auditor during the fiscal year 2011 of the company and contract to provide audit service for the company was signed. “Suld Audit” LLC concluded in Audited financial statement of “Sharyn gol” JSC at the end of 2011 that /as of December 31, 2011, financial statement of “Sharyn gol” JSC expressed its finance, results of annual works finished at the said date and money transaction were done according to the IAS/.

In addition, recommendations on eliminating violations observed during the audit and on improving internal control and supervision were given. It includes:

For instance:

- Different accounts in the financial software shall be opened by individual and organization and any payables and receivables which are given by next report shall be registered after opening an account for next report.
 - Vehicle fuel shall be given according to the waybill of the drivers based on the vehicle norms and capacity and included in the expense. Spare parts of the vehicles shall be registered in the profile of the cars and machines regularly.
 - Buildings registered as an organization asset shall be open the construction passports and any maintenance and investments shall be noted again and given passports.
Implementing the recommendation taken by audit has to be one of our obligatory goals.
-
- ❖ Board of Directors organized works including conducting regular and irregular shareholders meetings of the company, appointing a commission to prepare and organize the meetings, conducting the meeting according to the Company law of Mongolia and within the time provided in the company charter, introducing relevant issues for discussion, taking evaluations from the shareholders and making the decisions.
 - ❖ Regular shareholders meeting of “Sharyn gol” JSC was conducted on April 29, 2011 and at the meeting were discussed; BoD conclusion on industrial and financial operations of 2010 and BoD report, Supervisory Board report of 2010, expenditures of the BoD and Supervisory Board. 89,5% of the whole shareholders, who had right to vote and hold ordinary shares sent their votes to the meeting, the resolution related to above-mentioned issue was approved with 99,9-100,0% votes at the meeting.
 - ❖ Irregular shareholders meeting of “Sharyn gol” JSC was held on October 21, 2011 and at the meeting, there were issues on “Current situation of the company operation and future action plan”, “information on Supervisory Board of the company”, selecting members of the BoD and Supervisory Board , budget of expenditures of the reporting period of BoD and Supervisory Board . 92,2% of the whole shareholders, who have right to vote sent their votes to the meeting, the resolution related to above-mentioned issue was approved with 100,0%.
 - ❖ As of March 16, 2012, “Sharyn gol” JSC has a total of 10 231 389 common shares, and 1150 shareholders hold shares in our company. The shares of our company are kept in Mongolian Securities Clearing House and Central Depository Co., Ltd., and the securities clearing and depository contract is approved by the two parties on an annual basis.

The majority shares of “Sharyn gol” JSC were centralized at “BDSec”, “Bulgan broker” and “National securities” broker and dealer companies.

The Board of Directors of the company will carry on its further activities in compliance with the Company Law of Mongolia and the Company Charter.

Sharyngol JSC

BOARD OF DIRECTORS RESOLUTION

Mar 02 , 2012

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Ulaanbaatar city

About the Board conclusion on annual report and financial report of the year 2011 of the Company

WHEREAS, it has been determined Pursuant to subject 62.1.9 of the Company Law of Mongolia and BoD's meeting decision as follows:

NOW THEREFORE BE IT RESOLVED, that the annual operation and financial reports of the Company for the year 2011 is deemed as sufficient.

BE IT RESOLVED, that the chairman of the Board hereby is directed to submit the Board conclusion in regards of the annual and financial reports of the Company for shareholders meeting discussion.

Signed and stamped by

Chairman Batmunkh.B



SULD AUDIT Co.,Ltd

Accounting consulting, Audit,
Asset valuation company

Date: 19 March 2012

Ref: 1.6

Ulaanbaatar

INDEPENDENT AUDITORS' REPORT

Non-offensive opinion

To the shareholders of "Sharyn Gol" JSC

The report of the Financial Statements

We have audited the accompanying financial report of "Sharyn Gol" JSC which comprises the balance sheet from 1st of January till 31st of December, 2011 and the income statement, statement of changes in equity and the cash flow statement for the year then ended and summary of significant accounting policies, disclosures and explanatory notes. The auditing on financial statements has been conducted from 2nd of July of 2011 till 15th of March of 2012.

The company management's responsibility for the Financial Report

The company management is responsible for the preparation and fair presentation of the financial report in accordance with International Standards on Financial Reporting (IFRS). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in certain circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with International Auditing Standards. These Auditing Standards require that we comply with relevant requirements relating to audit engagements and perform that audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An Audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depending on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

Address: United Nations Street-6/7/2

E-mail: suld_mon@yahoo.com

Fax: 976-70118016

4th khoroo, Baga toiruu, Chingeltei district,

gundbayar@suld-audit.mn

Mobile: 976-99114056

Ulaanbaatar, Mongolia

web: www.suld-audit.mn

976-98220935

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Dec. 31. 2011

INDEPENDENT AUDITORS' REPORT
/contd. /

In making those risk assessments, the auditor considers internal control relevant to the entry's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the certain circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entry's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the company, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion, the financial report of Sharyn Gol JSC gave a true and fair view of the company's financial position as at 31st of December of 2011 and of their performance for the year ended on that date in accordance with International Standards on Financial Reporting.

GENERAL DIRECTOR, CPA
M. Shydz **CH. GUNDBAYAR**

YTR0022

Dec.31.2011

Audited Financial Balance Sheet of "SHARYN GOL" JSC
As at 31 of December 2011

Indicators		/in togrogs/	
A.Asset	Note	Dec.31.2010	Dec.31.2011
1.Current assets			
Cash and cash equivalents	1	1,817,858,397.73	17,591,293,226.24
Account receivables	2	5,664,318,214.84	1,192,333,849.92
Other receivables		4,995,492.75	10,796,102.46
Bad dept allowance		(612,138,620.28)	(271,101,427.76)
Inventory	3	1,362,348,606.90	1,297,600,812.12
Animals		8,414,830.00	8,273,736.98
Prepaid expenses /prepayments/	4	175,745,425.84	175,745,425.84
Total of current asset		8,421,542,347.78	20,004,941,725.80
2.Non-current assets			
Fixed assets	5a	8,663,388,860.47	9,234,929,275.87
Accumulated deprecation	5a	(485,908,472.82)	(1,971,935,801.12)
Intangible assets	5b	38,312,696.00	48,694,400.54
Allowance	5b	(20,433,437.78)	(29,226,426.57)
Investment and other assets	6	-	1,074,825,722.89
Exploration and evaluation asset	6	5,921,745,748.03	8,215,354,932.06
Total of Non-current asset		14,117,105,393.90	16,572,642,103.67
TOTAL ASSET AMOUNT		22,538,647,741.68	36,577,583,829.47
B.Owner's equity and Liabilities			
1.Liabilities			
Account payable		937,408,695.44	1,471,250,484.18
Salary payable		86,171,075.00	98,936,907.00
Corporate Income tax payable		415,297,352.51	345,581,005.90
Personal income payable		58,711,491.64	
Other tax payables		19,999,978.07	37,012,889.58
Social insurance payable		23,913,223.89	623,377.00
Bank loan payable		10,421,997,271.56	
Interest payable		154,422,693.89	
Other payables		78,235,250.00	
Prepaid income		500,000.00	500,000.00
Total of Short-term liabilities	7	12,196,657,032.00	1,953,904,663.66
Long-term liabilities		2,508,340,043.20	2,508,340,043.20
Total of long-term liabilities	8	2,508,340,043.20	2,508,340,043.20
Total liabilities		14,704,997,075.20	4,462,244,706.86
2.Equity			
Ordinary shares: a.Public			
b.Private		723,138,900.00	1,017,024,200.00
Treasury Stock		723,138,900.00	1,017,024,200.00
Shareholders' equity other section		1,700,139,876.01	1,700,139,876.01
Re-evaluation reserve		7,602,005,526.84	7,602,005,526.84
Retained earnings /loss		(2,191,633,636.37)	(1,667,433,371.21)
Reporting period		215,021,233.81	421,445,093.66
Previous period		(2,406,654,870.18)	(2,088,878,464.87)
Total of shareholder's equity	9	7,833,650,666.48	32,115,339,122.61
TOTAL OF LIABILITIES AND EQUITY		22,538,647,741.68	36,577,583,829.47

The accompanying notes form an integral part of the financial statements.

Dec.31.2011

Audited Report of Financial Results of "SHARYN GOL" JSC

As at 31 of December 2011

Indicators		/in togrogs/	
	Note	Dec.31.2010	Dec.31.2011
INCOME FROM MAIN ACTIVITIES			
Sales income		10,169,299,082.29	10,551,323,175.40
Sales discount and return		213,370,683.58	7,839,161.18
Net sales	10	9,955,928,398.71	10,543,484,014.22
Cost of sold products	11	7,245,790,037.75	8,149,706,380.36
Total profit /loss		2,710,138,360.96	2,393,777,633.86
OPERATING COST			
Salary, additional promotion		210,043,971.00	601,411,909.00
Social Insurance contribution		27,300,868.00	78,062,446.04
Maintenance expenses		38,050,401.04	11,172,235.11
Usage expenses		11,684,618.46	9,973,037.64
Expenses for rent		5,027,000.00	93,600,448.86
Mission/appointment expenses		31,088,238.78	96,708,982.76
Transportation expenses		35,247,297.72	29,620,800.00
Raw material expenses		32,873,053.11	12,884,350.46
Amortization expenses		43,615,370.32	88,619,085.37
Advertising expenses		9,625,182.52	8,653,210.00
Post, communication expenses		14,154,320.30	31,472,518.88
Fuel, gasoline expenses		29,074,061.31	35,521,800.30
Fee for the work performed by others			4,455,000.00
Other expenses		362,245,540.18	1,177,935,678.70
Labor safety expenses		-	8,744,358.59
TOTAL OPERATING COST	11	850,029,922.74	2,288,835,861.71
OPERATING PROFIT /LOSS		1,860,108,438.22	104,941,772.15
Non-operational production, services profit		(329,367,967.69)	(145,581,716.97)
Interest, Penalties, Discounts Gain (Loss)		94,980,975.63	(1,563,552.00)
Revaluation income from fluctuation of foreign exchange rate		(288,246,254.22)	(8,602,996.08)
Stock, Bond amortization			
Other		(947,699,638.13)	621,384,086.56
Non-operational profit, loss	11	(1,470,332,884.41)	465,635,821.51
Net profit (loss) before tax		389,775,553.81	570,577,593.66
Expenses for income tax		174,754,320.00	149,132,500.00
Net profit (loss) for reporting period		215,021,233.81	421,445,093.66

The accompanying notes form an integral part of the financial statements.



Audited report on net asset/changes of stakeholder's equity of "SHARYN GOL" JSC

As at 31 of December 2011

<u>Indicators</u>	<u>Stock capital</u>	<u>Additional paid in capital</u>	<u>Shareholders' equity other section:</u>	<u>Re-evaluation reserve</u>	<u>Retained profit</u>	<u>Total amount</u>	/in togrogs/
Balance as at 31 of December 2010	723,138,900.00		1,700,139,876.01	7,602,005,526.84	(2,191,633,636.37)	7,833,650,666.48	
Changes in Accounting policies					102,755,171.50	102,755,171.50	
Adjusted balance	723,138,900.00		1,700,139,876.01	7,602,005,526.84	(2,088,878,464.87)	7,936,405,837.98	
Stock capital	293,885,300.00	23,463,602,890.97				23,757,488,190.97	
Unrecognized loss/profit in income statement					421,445,093.66	421,445,093.66	
Net profit of reporting period						-	
Balance as at 31 of December 2011	1,017,024,200.00	23,463,602,890.97	1,700,139,876.01	7,602,005,526.84	(1,667,433,371.21)	32,115,339,122.61	

The accompanying notes form an integral part of the financial statements.

AUDIT

Dec.31.2011

Audited cash flow Report of "SHARYN GOL" JSC
As at 31 of December 2011

Indicators	/in togrogs/	
	Dec.31.2010	Dec.31.2011
<i>Cash flow from main-operating activities</i>		
<i>Cash receipts from main-operating activities</i>	12,775,372,557.57	11,577,187,463.20
Receipts from sales, consumers	11,172,456,200.00	11,542,458,856.77
Receipts from Non-operational activity	122,201,400.00	210,000.00
Other cash receipts	1,480,714,957.57	34,518,606.43
<i>Cash payment from main-operating activities</i>	10,133,303,833.75	13,510,645,352.20
Payment to employees	1,762,641,924.17	2,001,303,554.06
Payment to Social Insurance	672,902,704.00	558,946,000.00
Payment to purchase of inventories	719,987,500.00	19,708,707.59
Payment to utility expenses	962,372,300.00	90,863.64
Payment to gas, fuel transportation, spare parts	3,821,390,193.51	2,612,316.64
Other payment to suppliers	1,122,357,200.00	10,199,357,833.72
Payment to interest	-	-
Payment to Income tax	1,039,327,322.07	554,826,698.91
Payment to Insurance contribution	32,324,690.00	-
Other cash payment	-	173,799,377.64
Net cash receipts of main-operating activities	2,642,068,723.82	(1,933,457,889.00)
<i>Cash flow from investment activities</i>		
Cash inflow from investment	-	-
Cash outflow from investment	(757,825,384.42)	(31,281,558.33)
Net cash flow of investment	(757,825,384.42)	(31,281,558.33)
<i>Cash flow of financial activities</i>		
Cash inflow from financial activities	-	-
Cash outflow from financial activities	(350,963,611.83)	17,738,174,275.84
Net cash flow from financial activities	(350,963,611.83)	17,738,174,275.84
Total net cash flow	1,533,279,727.57	15,773,434,828.51
<i>Cash and cash equivalents at the beginning of the year</i>	284,578,670.16	1,817,858,397.73
<i>Cash and cash equivalents at the end of the year</i>	1,817,858,397.73	17,591,293,226.24

The accompanying notes form an integral part of the financial statements.

AUDIT

Approved by Shareholders
meeting of "Sharyn gol" JSC
dated on, 2012

"SHARYN GOL" JOINT STOCK COMPANY CHARTER

Amended version

ONE. GENERAL CONDITION

- 1.1 Sharyn gol JSC /hereinafter as "company"/ is a legal entity, which has its own independent report, balance and corresponding bank account, is responsible for itself, conducts its operation for profit and its shares are sold for public.
- 1.2 Proper name of the company /hereinafter as "**Company**"/:

In Mongolian: ШАРЫН ГОЛ ХК

In English: SHARYN GOL JSC
- 1.3 Permanent and mailing address of the company office building:

Sharyn gol JSC building

Sharyn gol soum

Darkhan-Uul aimag

Mongolia

Tel/Fax: +976-7037-2235
- 1.4 Company shall use trademark, symbol, letter head and stamp with its name for own official use.
- 1.5 Company symbol and trademark shall be approved by Board of Directors and registered in the Intellectual Property Office.
- 1.6 Company shall conduct its business constantly starting from the date of registering in the state registration.

TWO. MAIN SCOPE OF THE COMPANY OPERATIONS

- 2.1 Scope of the company operations and purpose of the establishment is:
 - 2.1.1 to do mineral resources exploration, mining and evaluation and if possible, to process and to do foreign and domestic trades through buying and selling or importing and exporting equipments and commodities;

2.1.2 to do legal actions and conduct operations of the company established pursuant to Mongolian law on Company and implement the rights and privileges given or can be given to companies according to Mongolian laws.

THREE. BRANCHES AND REPRESENTATIVE OFFICES

3.1 The Company can establish its branches and representatives offices in Mongolia and abroad according to this Regulation, Mongolian laws and resolutions and other relevant foreign laws and regulations.

3.2 Decision to establish branches and representative offices shall be adopted by BoD and BoD shall appoint an authorized representative agent of each of its branches and representative offices and such executive shall act on the basis of a power of attorney from the company.

FOUR. COMPANY ASSET AND SHARES

4.1 After deducting all the charges and payment, remaining balance of the sum of tangible and intangible company assets shall be the company assets.

4.2 The Company has the authorized shares of 10,231,389 (ten million two hundred thirty one thousand three hundred eighty nine) common shares (hereinafter as “Share”) with nominal value of 100 MNT each. Any changes to this limitation shall be solved by the shareholders meeting.

4.3 Decision on issuing shares within said limitation shall be adopted by BoD meeting.

4.4 The company must issue common shares and may issue preferred shares, bonds and securities related to shares based on the decision of BoD.

4.5 Number of the preferred shares and other securities, nominal price, purpose, privileges of the shareholders and conditions for shareholders' rights to vote at the meeting shall be included in the decision.

4.6 The Company can buy the shares of shareholders issued by itself at the mutually agreed price. The Company is entitled to buy other securities partially or wholly except the ordinary ones. But ordinary shares shall not exceed 25% of average of all the shares in the year when the shares were in transaction.

4.7 Decision to buy shares issued by the company shall be made by BoD except buying more than 5 % of the ordinary shares and type, number and price of shares, payment period and utilization regulation shall be reflected in the decision.

FIVE. RIGHTS OF SHAREHOLDERS

5.1 Ordinary shareholders shall be have following rights:

- 1) When declaring the shareholders meeting of the company, shareholders shall attend the meeting at the “registration day” determined by BoD and vote to the discussing issues proportionally to shares which he/she holds in the company
 - 2) To receive dividend proportionally to share portions held by her/him after distributing dividend to preferred shareholders when BoD decided to pay dividend,
 - 3) To require paying penalty however it was announced to distribute dividend but such dividend payment is pending due to company’s fault.
 - 4) To receive its share of the proceeds from the sales of company assets upon the liquidation of the company after paying debts according to the regulations provided in Company law.
 - 5) the preemptive right to purchase additional shares, and securities related to shares, proposed to be issued by the company
- 5.2 Every shareholder who was against for the decision on following issues or has not attended the meeting has the right to require the Company to buy his/her shares back.
- 1) Reorganized by consolidation, merger, division, separation or transformation as a limited liability company:
 - 2) Major transaction:
 - 3) Added a change on limitation of shareholders rights or adopted the amended version of the company charter with the similar content as above:
- 5.3 If a shareholder solely or associated with the party with similar interest holds more than 75% of the ordinary shares of the company, other shareholders have right to require the Company to re-purchase the shares.
- 5.4 Shareholder holding more than 5% of the ordinary shares has the right to submit extra proposals on issues to be discussed at the meeting and to offer candidates to the BoD or Executive management of the company 45 days or more prior to the regular meeting of the shareholders.
- 5.5 The Company shall not bear any responsibilities for shareholders.
- 5.6 The shareholders shall not bear any responsibilities of the Company and only shall bear responsibilities according to the shares he/she holds.
- 5.7 Shareholders shall be responsible for any losses and damages caused to the company due to his/her wrong action with own property.
- 5.8 If private property and property right of the shareholder are not separated from the company, the shareholder shall be responsible for any debts of the company with all own property and property right.

SIX. Governing body of the Company

6.1 The Company management has following structure:

- 1) Shareholders meeting
- 2) BoD
- 3) Executive management

SEVEN. SHAREHOLDERS MEETING

7.1 The meeting of the shareholders is the highest governing body of the company.

7.2 The meeting of the shareholders can be regular and irregular.

7.3 Regular meeting of the shareholders shall be declared and conducted within 4 months by the decision of BoD after finishing fiscal year. During that time if there were no meetings conducted, the other rights of BoD shall be terminated except conducting the meeting of the shareholders.

7.4 Decision to conduct the shareholders meeting shall be made by BoD.

7.4.1 Following shall be mentioned in the decision of BoD to conduct the shareholders meeting:

- 1) Venue and date of the meeting;
- 2) Agenda
- 3) Registration day to make a list of shareholders, who have rights to participate in the meeting of the share company;
- 4) Date and regulation to inform about the meeting to the shareholders;
- 5) During the preparation for the meeting, list of documents to be introduced to the shareholders;
- 6) If votes are taken by voting ballots, there should be content in the voting ballots;
- 7) Final day to take a vote sheet;
- 8) Head of the meeting
- 9) Head and members of the tabulation commission.

7.4.1 The meeting shall be organized not less than 40 days after making a decision to declare the shareholders meeting.

7.4.3 The meeting shall be announced to public within 5 days after BoD decided to organize the meeting.

- 7.5 The meeting announcement must include following:
 - 7.5.1 Proper name and location;
 - 7.5.2 Date and time of the meeting;
 - 7.5.3 Registration day;
 - 7.5.4 List of issues to discuss at the meeting;
 - 7.5.5 Draft decision made by the meeting and venue, date and regulation to introduce documents related to above issues.
 - 7.5.6 Telephone numbers, e-mail addresses and schedules of the head and members of the commission to conduct the meeting.
 - 7.5.7 When the regular meeting is organized, the company shall introduce following information to the shareholders:
 - 7.5.8 Annual financial statement and activity reports
 - 7.5.9 Conclusion of the audit organization about fiscal year report
 - 7.5.10 Transactions with conflict of interests done in the reporting year
 - 7.5.11 Introduction of the candidates to the member of the BoD;
 - 7.5.12 Parties with common interests and their share type and number
 - 7.5.13 Salary and incentives of the BoD and Executive management
- 7.6 In following cases, irregular meetings of the shareholders shall be organized:
 - 7.6.1 More than half of all the members of the Board of Directors are impossible to work or shall not work
 - 7.6.2 If 2 or more independent members of the Board of Directors or shareholders holding 10% or more shares with the right to vote have submitted a proposal and requirement
 - 7.6.3 Loss of the company has exceeded 30% of its own assets at the end of the reporting period.
 - 7.6.4 Debts of the company is higher than the company assets in last 2 years and it went to minus.
 - 7.6.5 Board of Directors has made a decision;
 - 7.6.6 Audit committee has required to conduct the irregular meeting
 - 7.6.7 Following issues have to be discussed and solved by the shareholders meeting:
 - 7.6.8 To add modifications and amendments to the company charter or to approve a renewed version of the company charter;
 - 7.6.9 Reorganizing the company through consolidation, merge, division and separation;
 - 7.6.10 Exchanging the company debt with shares, issuing additional shares and determining number of them;
 - 7.6.11 Changing the type of the company;
 - 7.6.12 Appointing a commission to liquidate the company;
 - 7.6.13 Consolidation and splitting the shares;
 - 7.6.14 Selecting the members of the Board of Directors and terminating the power before their deadline;
 - 7.6.15 Whether the shareholders shall have the preemptive rights to acquire the company's shares or other securities as provided in Article 38 of the Company law.
 - 7.6.16 Discussing and approving the conclusion of the Board of Directors on annual operational report and financial statement of the company;
 - 7.6.17 Adoption of major transactions and conflict of interest transactions based on the proposal sent by the BoD;
 - 7.6.18 Determining salary and incentive of the members of the Board of Directors;

7.6.19 Other matters submitted to the meeting by the Board of Directors.

EIGHT. BoD

- 8.1 BoD shall be a governing body of the company at the free time of the shareholders meeting.
- 8.2 BoD shall compose of 9 members and 1/3 is independent members.
- 8.3 Members of the BoD shall be appointed by the meeting of the shareholders for 2 years.
- 8.4 Independent member shall meet with following requirements:
 - 8.4.1 Who shall not hold more than 5% of the company shares
 - 8.4.2 Who is not charge for any positions with authority in the company and shall not work under their supervision
 - 8.4.3 Who shall not work except as a state civil service
 - 8.4.4 Who shall not have any other business connection except a member of the BoD of the company
- 8.5 Independent members have exercise the right and responsibilities as other members and following extra duties.
 - 8.5.1 To control whether the activities, policies and decision of the BoD and Executive management gives a negative influence to the interest of the company, whether the company operation complies with the laws and regulations, to prevent from violations, if there is a violation or requirement is not performed the problems shall be submitted to the Board of Directors for making a decision, to organize the shareholders meetings and to deliver the requirements
 - 8.5.2 To give a duty to the Executive management to ensure transparency of the company operation, to control its implementation and to require it from relevant body;
 - 8.5.3 To participate in the shareholders meeting in person, to inform if he/she has a different position on the decision of the Board of Directors, to answer to shareholders questions and make an explanation.
- 8.6 If required by the company, a permanent or temporary commission in charge for certain issues can be established and the commissions charge for audit, salary and incentives and submitting the candidates must be founded.
- 8.7 2/3 of the commission shall compose of independent members.
- 8.8 The commission shall have own directions and be responsible for making a conclusion on the issues and introducing to the BoD for making a decision.
- 8.9 Head of the audit commission shall be an independent member of the Board of Directors, the commission shall make conclusions on following issues and introduce to the BoD:
 - 8.9.1 To fix the company policy and registration on accounting to the international standards and to control internal control and risk management activity, financial statement and accuracy of the financial and economic information;
 - 8.9.2 To appoint management and workers of the internal control office and to develop a proposal to determine their salaries
 - 8.9.3 To select an audit organization and to develop a proposal to determine their payment limitation;
 - 8.9.4 To control and to make a conclusion on arrangement with large amount or conflict of interest

- 8.10 The commission submitting the candidates shall implement following powers:
 - 8.10.1 To determine the requirements for members of the BoD and candidates to the Executive management and make criteria to evaluate their skills, knowledge, education and work experience;
 - 8.10.2 To evaluate and conclude whether skill, knowledge, education, work experience of the members of the BoD and candidates to the Executive management are satisfied and whether the independent members meet with the requirements;
 - 8.10.3 To make a selection of the members of the BoD and candidates to the Executive management and submit them to the shareholders meeting directly;
 - 8.10.4 To evaluate and conclude the activities of members of the BoD and the Executive management;
 - 8.10.5 To develop the agreement conditions to make with the Executive management;
 - 8.10.6 To make a conclusion on the evaluation of the executive management to the work performance of the other officials with authority except for the BoD members;
 - 8.10.7 To refuse to submit a name of someone to the member of the Board of Directors of any share companies within 3 years after expiring his/her power.
- 8.11 Salary and incentive commission shall make a conclusion on following issues and introduce to the BoD:
 - 8.11.1 To approve policy on salary and incentives of the members of the BoD, Executive management and other officials with authority and to control its implementation;
 - 8.11.2 To determine the highest level of the salary and incentives given to the members of the BoD, Executive management and other officials with authority and to develop a proposal to give salary and incentives within the limitation;
 - 8.11.3 To determine objectives of the company incentive system in relation with result of the work the company follows and to evaluate the result
- 8.12 Main type of the BoD to conduct its operation is its meeting and the meeting shall be chaired by the chairman of the Board selected by majority of the members' votes.
- 8.13 Regular meeting of the BoD shall be conducted once in 2 months and if required, by initiative of any of the members or the Executive management the meeting shall be done whenever. The meeting shall be declared by the head of the BoD and organized.
- 8.14 The BoD meeting and its activity regulation shall be approved by itself and they shall follow it.
- 8.15 The Board of Directors shall implement following powers:
 - 8.15.1 To determine main scope of the company operation;
 - 8.15.2 To declare and conduct the regular and irregular meetings of the shareholders;
 - 8.15.3 To prepare issues to be discussed at the shareholders meeting, to define a registration date to make a list of shareholders with right to vote and to solve other issues related to the shareholders meeting;
 - 8.15.4 To issue shares according to the type and number of shares announced by the company;
 - 8.15.5 To issue securities, which depend on shares provided in the company charter and other stocks;

- 8.15.6 To determine market price of the property and property rights;
- 8.15.7 Acquisition and redemption of its shares and other securities
- 8.15.8 To select and change the Executive management of the company and to determine its power;
- 8.15.9 To prepare the conditions of the agreement to be made with the Executive management of the company and to determine limitation for bonus, incentives and accountability;
- 8.15.10 To select an audit organization and define conditions of the agreement to be made with them;
- 8.15.11 To make a conclusion on the company annual operational report and financial statement;
- 8.15.12 To determine the amount of dividend and regulation to pay it;
- 8.15.13 To approve regulations on activities of the Board of Directors and Executive management and internal rule of the company governance;
- 8.15.14 To establish branches and representative offices of the company;
- 8.15.15 To draft a decision of the shareholders meeting on changing the company and to implement the decision made by the meeting;
- 8.15.16 To give a permission to make a major transaction or conflict of interest transaction;
- 8.16 The independent members of the Board of Directors have to participate in the meeting when issues provided in the article 76.1.6, 76.1.10 and 76.1.17 of the Company law are discussed and solved at the meeting.
- 8.17 The Board of Directors shall appoint a secretary of the BoD according to the offer of the chairman of the BoD.
- 8.18 The secretary of the BoD shall work under supervision of the authorized official of the company and shall implement his/her duties provided in 82.2 of the Company law.

NINE. EXECUTIVE BODY

- 9.1 The Executive body of the company shall be charged by an individual /hereinafter as “Executive director”/. Executive director of the company shall manage day to day activities of the company within the scope of the authority established by this charter and the employment contract.
- 9.2 BoD shall appoint the Executive director based on the agreement to make with him/her.
- 9.3 The Executive director is not allowed to work as a member or head of the BoD and as an authority of any other companies and entities.
- 9.4 The Executive director shall not take a special proxy when he/she makes an agreement with other entities or represents for the company and shall have the power mentioned in Mongolia law on Company and this charter:
 - 9.4.1 To develop a proposal on the company perspectives, policies and activities and to organize works including to introduce the issues to the BoD for approval and to implement the decisions:

- 9.4.2 To submit a proposal on appointing heads of the subsidiary /affiliate/ companies, branches and representative offices to the BoD for approval and to negotiate contracts with them on behalf of the company:
- 9.4.3 To spend the company assets within the scope of authority determined by the BoD:
- 9.4.4 To approve and enforce the internal regulation of the company:
- 9.4.5 To make an order under limitation of his power:
- 9.4.6 To connect with foreign and national organizations and individuals on behalf of the company and to establish contracts with them according to the guidance given by the BoD:
- 9.4.7 To give a proxy to represent for the company:
- 9.4.8 To approve and implement the domestic price and tariff of the company products:
- 9.4.9 To organize implementations of Mongolian laws and resolutions and BoD decisions. To establish a working group and to submit its structure and budget to the BoD for approval and conduct operations:
- 9.4.10 To make sure that company operational report and financial statement are true and accurate:
- 9.4.11 To provide the shareholders with possibility to review the BoD decisions and the company financial statement:
- 9.4.12 To introduce about semi-annual and annual operational reports to the BoD meeting.
- 9.5 If the agreement with the Executive management is cancelled or a proposal to cancel the agreement is submitted, the body appointed by the BoD shall charge for the duties temporarily until a new Executive management is selected.
- 9.6 The Executive management is entitled to submit an offer to conduct the BoD meeting to chairman of the BoD and its members.

TEN. LIABILITIES OF GOVERNING PERSON OF THE COMPANY

- 10.1 The governing person of the company shall be the Chairman and members of the BoD, Executive management, general accountant and secretary of the BoD.
- 10.2 An official with authority of the company shall follow the duties in this charter and internal regulation approve by BoD and work for interests of the company honestly.
- 10.3 An official with authority shall not transfer confidential information, reports, contracts and documents related to rights to the third party without any permission of the BoD and use them for his/her private purpose.
- 10.4 Responsibility and its limitation for the official with authority shall be determined and solved according to the contract made with him/her and internal regulation of the company and if it is not possible, it shall be solved by court. Responsibility shall be charged pursuant to the Company law.

ELEVEN. FINANCIAL STATEMENT OF THE COMPANY

- 11.1 The company shall make an accounting record and financial statement according to the relevant laws and introduce it to the shareholders and other authorized bodies. Extra information determined by Financial Regulatory Commission and Stock Exchange shall be delivered to the relevant organizations on time, along with its financial statement and it shall be notified to public.
- 11.2 Fiscal year of the company shall start from January 1 and finish December 31 each year.
- 11.3 The company shall make an accounting record and financial statement and the Executive director shall charge for its accuracy.
- 11.4 Following composing parts must be included in the financial statement and these are:
 - 1) Balance
 - 2) Income and result report
 - 3) Cash flow report
 - 4) Accumulated profit report;
 - 5) List of agreements with large amount or conflict of interests, their types and sum during the reporting period
 - 6) Salary, bonus and incentive given to the management

TWELVE. DIVIDEND DISTRIBUTION

- 12.1 BoD shall make a decision on whether the dividend is distributed within 50 days after finishing a fiscal year and if they decided not to distribute the dividend, BoD shall explain its decision at the regular meeting of the shareholders.
- 12.2 The decision of BoD on the dividend distribution shall include profit amount per dividend, name list of the shareholders with rights to take dividend, registration date and day to pay dividend.

After the financial statement of the company is prepared, the company shall distribute the dividend from its net profit in following cases. These are:

- 1) The company shall have financial capacity after the payment of the dividend:
- 2) After the payment of the dividend, the company asset shall be higher than total amount of the unpaid dividend of preferred shares, value of liquidation and lowest level of the assets provided in the law:
- 3) The company shall have had the securities, which have to repurchased:

- 12.4 After the payment of the dividend, if the company asset is reduced by 25% or more before the distribution, the company shall notify to the lenders in written about its remaining balance within 15 days after transferring the dividend payment.
- 12.5 If the company decided to distribute the dividend, it shall be distributed within the time period reflected in the decision.
- 12.6 The dividend that shareholders could not take shall be registered and kept in the accounting as a debt by their names and the company is required to pay the dividend by their first requests.
- 12.7 The dividend distribution report shall be prepared within 15 days after finishing the dividend payment and it shall be sent to the Financial Regulatory Commission and Stock exchange within deadline given by the Commission.

THIRTEEN. COMPANY AUDITOR

- 13.1 According to the Mongolian law on audit, the company shall work an auditor based on the contract.
- 13.2 BoD of the company shall select the auditor and approve a contract to make with him/her. The contract shall include rights and responsibilities of the auditor and his/her payment.
- 13.3 The official with authority of the company shall be responsible for introducing documents on financial and economic activities of the company upon request of the auditor.
- 13.4 Auditor can attend the shareholders meeting for giving an explanation.
- 13.5 Following bodies are prohibited to select and work as an auditor for the company:
 - 1) The body with common interest of the company, official with authority in the company, bodies with similar interests with them and hired staff of the companies with similar interests.
 - 2) Securities issued by the company or by any party with similar interest and other properties or property right owner of the company or any party with similar interest:
 - 3) The party made any arrangements with the company except auditing issues.
- 13.6 It is prohibited to determine the payment amount for the auditor depending on patterns of his/her audit report/conclusion.
- 13.7 Auditor shall make his/her conclusion in written.

FOURTEEN. SOME IMPORTANT TRANSACTIONS

- 14.1 Major transactions shall be understood as a transaction, or series of related transactions, other than in the ordinary course of business, involving the sale, purchase, disposition (including a pledge) by a company of property or property rights, the market value of which exceeds twenty five percent (25%) of the total assets of the company as shown on the company's most recent balance sheet prior to the conclusion of such transaction; or the issuance in one transaction, or in a series of related transactions, of common shares, or rights to acquire common shares, or securities convertible into common shares, where the number of such common shares exceeds twenty five percent (25%) of the common shares outstanding prior to such transact These arrangements shall be done pursuant to the Company law.
- 14.2 Transactions with conflict of interest shall be understood as any agreements to make with the body provided in 89.1 of the Mongolian law on company or the company with similar interest with him/her and they shall be implemented by the Company law.
- 14.3 The company shall be responsible for notifying information about major transactions or transactions with conflict of interest to public during the reporting period.

FIFTEEN. ADDITIONS AND AMENDMENTS TO THE CHARTER

- 15.1 When BoD of the company adds amendments to this charter or renews, the proposal shall be submitted to the shareholders meeting and shall be adopted by shareholders meeting .

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Approved by Shareholders meeting of "Sharyn gol" JSC
dated on, 2012 appendix to resolution #03

Budget of BOD for the year 2011

#	Expenditures	by 1000 MNT
1	Salary for chairman of the Board	36,000.0
2	Salary for the members of the Board	57,600.0
3	Social insurance	12,168.0
4	postal & communication expense	7,380.0
5	clerical expense	480.0
6	Training expenses	3,500.0
7	business trip expense	30,400.0
8	fuel expense	5,200.0
9	advertisement	1,500.0
10	Meeting expenses	800.0
11	Welcome reception cost	12,000.0
12	BoD fund for promotion use	2,000.0
13	Miscellaneous	750.0
	total	169,778.0

Sharyngol JSC

BOARD OF DIRECTORS RESOLUTION

Feb 06, 2012

03

Ulaanbaatar city

WHEREAS, it has been determined Pursuant to the Article 46, 47 of the Company Law of Mongolia and the Article 1.2 of Dividend Procedure, following the Charter of Company and Company Law as follows:

BE IT RESOLVED, that the dividend from 2011 production outcome be hereby suspended for the reason of Company's expected insolvency after payable dividend which is caused by increased amount of expenditure and required investments due to all necessary repair works maintenance services incurred to old fleet and the difficulties faced in the mining exploitation, also predicted large amount of overburden and stripping ratio to be incurred during the beginning period of the mine renewal and the opening of the new mine pit.

Signed and stamped by

Chairman of the BoD Batmunkh.B

SHARYN GOL”JSC
SHARE HOLDERS MEETING DECISION
/Draft/

2012.04.30

#01

Sharyngol

About the BoD conclusion on annual report and financial report for the fiscal year of the Company and Board activity report

WHEREAS, it has been determined pursuant to the subject 62.1.9 of the Company Law of Mongolia and following tabulation commission result of the shareholders meeting as follows :

NOW THEREFORE BE IT RESOLVED, that the BoD conclusion for the annual report and financial report of the Company is deemed as acceptable.

BE IT RESOLVED, that the BOD activity report for 2011 is deemed as sufficient.

Director of the meeting.....

Sharyngol JSC

SHAREHOLDERS RESOLUTIONS

/Draft/

2012.04.30

Doc №02

Sharyngol

About adoption of amended version of Company Charter

WHEREAS, it has been determined pursuant to the subject 62.1.1 of the Company Law of Mongolia and following tabulation commission result of the shareholders meeting as follows :

RESOLVED that the Amended version of the Company Charter in line with the latest Company Law of Mongolia be hereby approved and adopted.

FURTHER RESOLVED that the Committee for Company Charter Redevelopment /B.Batmunkh/ is directed to and be responsible for registering the amended version of the Charter with the State Registration Authority within the time specified in Law.

Director of the meeting.....

SHARYN GOL”JSC
SHARE HOLDERS MEETING DECISION
/Draft/

2012.04.30

#03

Sharyngol

About the approval of expenditure budget of Board of Directors for 2012

WHEREAS, it has been determined pursuant to the subject 62.1.13 of the Company Law of Mongolia and following tabulation commission result of the shareholders meeting as follows :

NOW THEREFORE BE IT RESOLVED, that the expenditure budget of Board of directors for 2012 in a form attached hereto as Exhibit 1 is hereby approved.

RESOLVED FURTHER, that the Compensation Committee is directed to keep monitoring upon the company's administrative budget consumption.

Director of the meeting.....

SHARYN GOL”JSC
SHARE HOLDERS MEETING DECISION
/Draft/

2012.04.30

#04

Sharyngol

About making an alteration on authority and liabilities of certain board members

WHEREAS, it has been determined pursuant to the subject 62.1.7 of the Company Law of Mongolia and following tabulation commission result of the shareholders meeting as follows :

NOW THEREFORE BE IT RESOLVED, that the following Board members Mr. Bailiihkuu.D , Mr. Ganbat.TS and Mr. Joseph Naemi are hereby appointed as the independent members of Board affective as of April 30, 2012 till the next regular shareholders meeting due in 2013.

Director of the meeting.....

Sharyn Gol JSC
Voting Ballots for Shareholders Meeting

Shareholder's Surname: Given Name.....

Shareholder's Account number Registration/ID number

Share Quantity

Registrar /Brokerage Company/.....

Broker's Surname..... Given Name.....

The regular shareholders meeting of Sharyn Gol JSC will take place in the conference room of Bayangol hotel /Addr: Chinggis ave-13, Sukhbaatar district, 1st khoroo, Ulaanbaatar, Mongolia/ at 4.00pm of the 30 April, 2012.

№	Agenda	Decision draft	For	Against	abstain	Proposal if any
1.	BoD conclusion on annual report and financial report for the year 2011 of the Company and Board activity report	Resolution draft #1				
2.	Approval of amended version of the Company Charter in accordance with the latest amendments of Company Law of Mongolia	Resolution draft #2				
3.	Board members' pay and salary incentive for 2012, and the board expense budget.	Resolution draft #3				
4.	An alteration on authority and liabilities of certain board members	Resolution draft #4				

Shareholder Signature

April ..., 2012

Usage guide of voting ballots

1. The voting ballots required to be stamped and verified by the brokerage companies .
2. In case if the shareholder is not able to participate the meeting in person he or she may submit their votes by voting ballots to their brokerage company upon the acknowledgement with the meeting supporting documents.
3. The voting ballots with the correction or extra marks will be disqualified.
4. In case if you are not able to participate the meeting in person you may appoint the representative on the basis of a written notice as following .

Surname of your Proxy Given name
.....residential address

.....
.....

Shareholder's signature

5. Any information of the meeting can be accessed by following phone numbers +976-11-311073, 99293913 , 99031917 .

The reason of disqualification of voting ballots.
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THANK YOU FOR YOUR INPUT AND HAVE A NICE DAY!