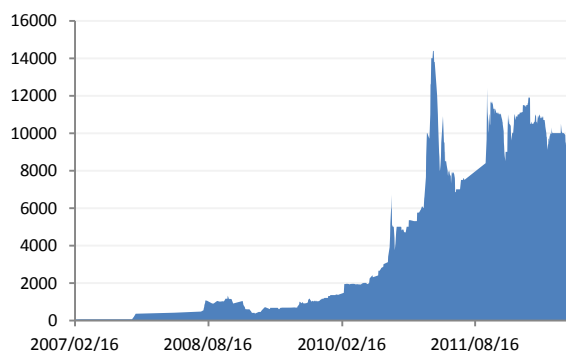


October 2012

Tavan Tolgoi JSC (TTL.MSE)

Sector: Mining / Coking coal

Share Price (1 year performance: -4.5%)



Indicators of the JTB stock

Symbol	TTL	
Code of stock	458	
Number of total shares	52,665,200	
Price of stock (2012.10.04, MNT)	9,000	
Market value (2012.10.04, Bil. MNT)	474	
52-week high/low (MNT)	11,940	9,000

	2010	2011
Net asset (Bil.MNT)	118.56	115.50
Net profit (Bil.MNT)	76.53	80.06
Intangible assets and liabilities (Bil.MNT)	18.98	5.99
Shareholders equity (Bil.MNT)	99.66	109.68
Earnings per share (EPS)	1,453.06	1,520.13
Price-Earnings ratio (P/E)	2.29	6.29
Price to book ratio (P/B)	1.76	4.6
Return on Assets (ROA)	0.65	0.69
Return on Equity (ROE)	0.84	0.95
Dividend per share (DPS)	1,300	1,368
Annual average stock price	3,334	9,557
Annual average market cap. (bln.MNT)	175.9	503.3
Volatility	1,582	2,048

Source: Standard Investment LLC, MSE

Tavan Tolgoi JSC

Company Information

Tavan Tolgoi JSC (TTL). The largest MSE listed company by the market capitalization, is one of the largest coal producers and exporters in Mongolia and employs about 200 people. TTL's mine is located 250 km north of the Chinese border. With 270 ha license area located within the larger Tavan Tolgoi coal deposit area. TTL concluded a coal exports contract with a Chinese off-taker in 2004 and export most of its coal to China, which substantially increased since 2007.

Management

Tavan Tolgoi JSC has outstanding shares of 52,665,200. The table below shows the ownership structure.

Shareholder Structure	Proportion
Mongolian Government	51%
Ajnai corporation	37%
Other shareholders	12%

Source: SCHSD

Board director Bat-Erdene. D

Mr. BAT-ERDENE Dashdemberel is a board director of the Tavan Tolgoi JSC and chairman of the Ajnai Corporation.

Chief executive officer Timenbayar. Kh

Mr. TUMENBAYAR Khuu, who has more than 10 years of experience in several management positions, has been working as a CEO of Tavan Tolgoi for 5 years.

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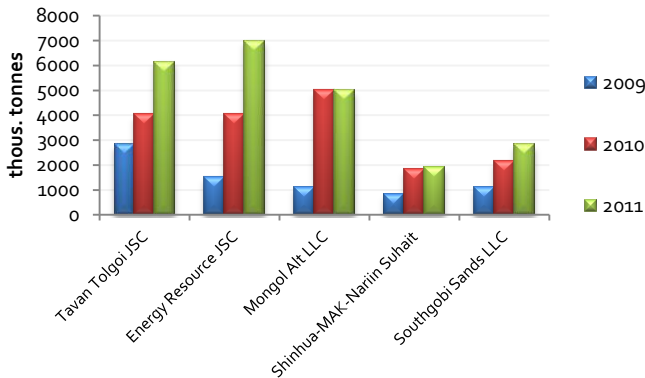
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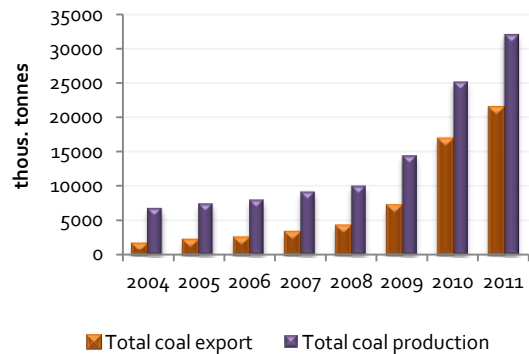
Market Overview

Coal export by largest companies



Source: www.coalmining.mn

Mongolian coal production and export

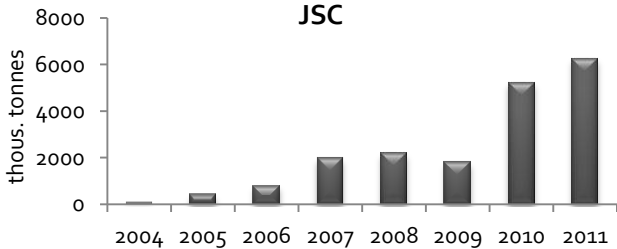


Source: National Statistical Office of Mongolia

Growth and development

Tavan Tolgoi maintains a highly competitive standing within its industry based on cost advantages over peers (production costs only 9 US\$/ tons). High coal quality (6,500-7,500 kcal/ kg, 20% ash and 8.5% moisture), proximity to China and state-supported railroad infrastructure development in the region. Before 2004 the company had been selling coal only to the domestic market that was limited to a few provinces in the Southern Mongolia, but since that year, it started testing Chinese market by exporting initially around 100 thousand tones of coal per annum.

Annual coal production of Tavantolgoi JSC



Source: www.open-parliament.mn, Ajnai corporation

Since 2006 Ajnai Corp.'s daughter company "Tavan Tolgoi Trans" LLC has been appointed as the company's main agent to the transfer its coal to Chinese border. Tavan tolgoi's second largest shareholder, Ajnai Corp has a strong interest to build a coal washing plant based on the Tavan Tolgoi deposit. In 2011, Tavan Tolgoi's shareholders approved the Board of Director's decision to issue additional shares that could be around 20%-30% of the company in order to raise capital to finance its planned projects. However there is no information regarding the company's issue of the new shares yet.

Conclusion

Tavan Tolgoi is the one of the largest mining companies in Mongolia. Compared to the other companies listed at the MSE, Tavan Tolgoi is the best company in dividend dissemination and market capitalization. Due to its high dividend yield, its stock attracts many investors and its very liquid. During the first half of the 2012, the stock price remains stable. In terms of coal quality, Tavantolgoi has good quality coking coal used for steel making which is better than those supplied by Canada and Australia. According to research done by Hatch leading engineering management and consulting company in the mining, metallurgical and energy sectors, global steel production will increase by 5.2% annually due to the demand of the India and China. Therefore, global demand for coking coal will increase by 115 million tonnes by 2015 on top of current 250-300 million tonnes per annum. Such an increase in global steel demand means high demand in coking coal, thus rather stable prices. The company's financial statement analysis show that in 2011 it's ROA increased by 4% from previous year reflecting better use of company's assets. However, the company's ROE declined by 4% due to stock split of June 2011. As we see, if Tavan Tolgoi's coal production, price and export increase, then the company's profit will rise, bringing more dividends to its shareholders. The company issued 0,18-1,368 MNT as dividends in 1996-2011.

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