



Mongolia – Investment Opportunity

Mr.Bold - Feb.2011

MONGOLIA COUNTRY OUTLOOK

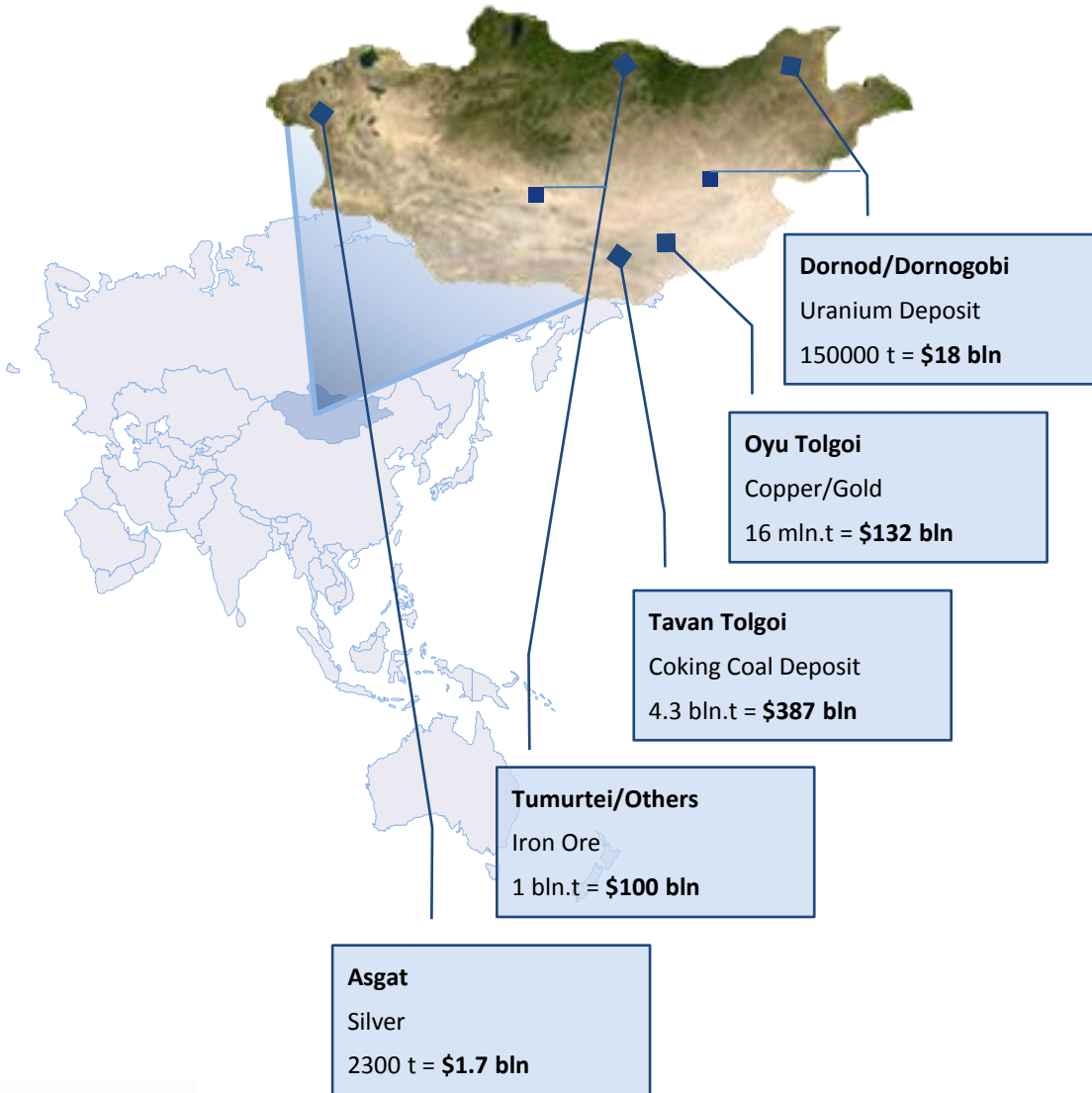
CAPITAL MARKET OVERVIEW

REFORM OF THE CAPITAL MARKET

FUTURE PROSPECTS FOR MSE

MONGOLIA INVESTMENT STORY

Mongolia: Richly endowed with Natural Resources



Country Info

AREA:	1.56 mln sq.km
POPULATION:	2.7 mln
LANGUAGE:	Mongolian
CURRENCY:	Tugrug (MNT) 1 USD = 1300 MNT
GDP:	\$ 5.8 bln (2010F)
RATING:	B1 (Moody's) B (Fitch) BB- (S&P)

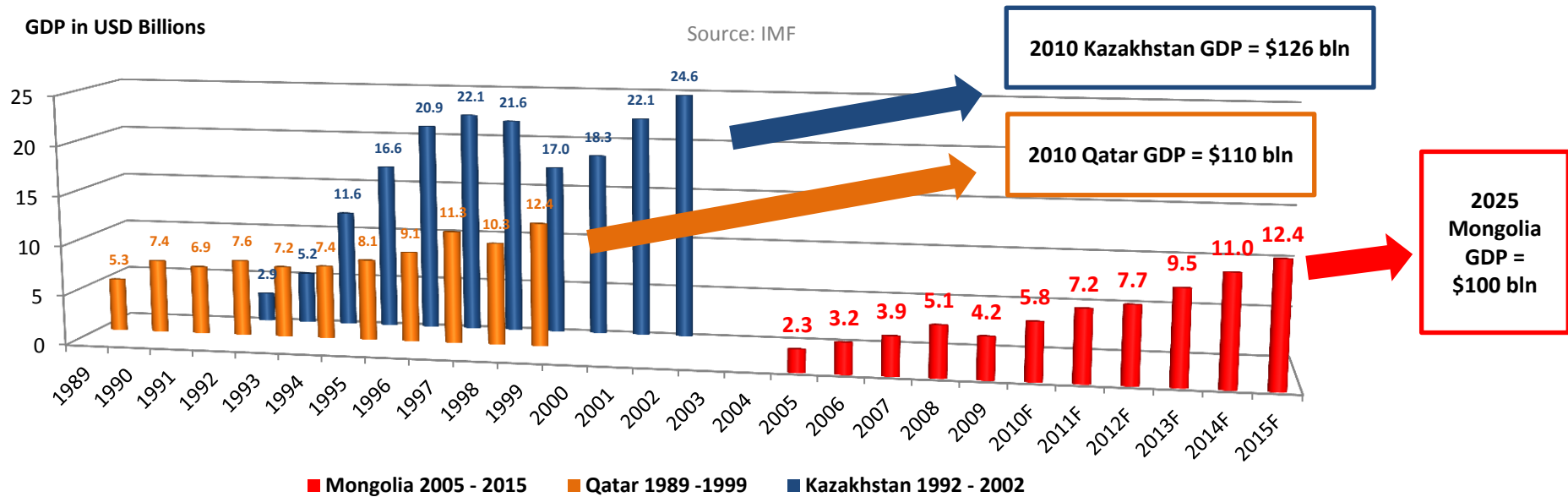
Growth Story Unfolds

- Location advantage: next to the largest commodity consumer in the world
- Recent massive investment flow into Northern China
- 15 Strategic Deposits with estimated resources valued at over \$1.2 trn
- Primary growth driver will be the development of world-class mineral deposits
- Sustained double-digit GDP growth expected in coming years
- Mining sector CAGR over the last 5 years is 27.8%
- Oyu Tolgoi copper/gold mine is to generate \$61 bln over 27 years
- Tavan Tolgoi coal mine is to operate for +200 years with an annual turnover of \$1.6 bln for the first 29 years

MONGOLIA INVESTMENT STORY

Mongolian Economy: A Story of Growth for Years to Come

GDP Growth: Mining will drive the economy – Is Mongolia the next Qatar?



Oyu Tolgoi: Copper & Gold

- Oyu Tolgoi alone will bring in \$5 bln in investments by 2013
- Over the next 27 years the mine will generate \$51 bln

Tavan Tolgoi: Coking Coal

- Estimated to operate for 200+ years
- Over the next 29 years the mine will generate \$87 bln

Other mineral resources:

- 15 Strategic Deposits with estimated resources valued at over \$1.2 trn
- Yet to be tapped resources include Silver, Uranium Gold, Phosphates, Iron ore and Zinc
- Only 30% of the country is prospected

Infrastructure:

- Infrastructure investments to further boost GDP
- Pipeline investments needed to build/update infrastructure through 2015: \$8.4 bln

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Capital Market Highlights

- Mongolia's equity market has a market capitalization of just under \$1 billion
- Average daily turnover: Around \$200,000
- There are 336 listed companies in Mongolia, with most of the larger ones based on metals and mining.
- In year 2010, 64.5 million shares and 3000 government bonds were traded;
- The total value traded in the 2010 was 62.8 billion MNT of which 32.8 billion MNT were traded in stocks while bonds trading amounted to 30.0 billion MNT.
- During the 2010, compared to the same period of previous year, market capitalization increased by 750 billion MNT and at the end of December amounted to 1.37 trillion MNT.

Government Organizations Related to Capital Market

Financial Regulatory Commission



Responsible for:

- Regulation and supervision of the securities market
- Regulation and supervision of commercial insurance organizations
- Regulation and supervision of non-bank financial institutions and savings and credit cooperatives

State Property Committee



Responsible for:

- Manage and monitor state owned properties and their operations
- Manage privatization of State Owned Enterprises

Bank of Mongolia



Responsible for:

- Ensure the stability of the Mongolian togrog
- Supervision of banking activities
- Organization of inter-bank payments and settlement
- Holding and managing of State's reserves and foreign currency
- Issue banknote

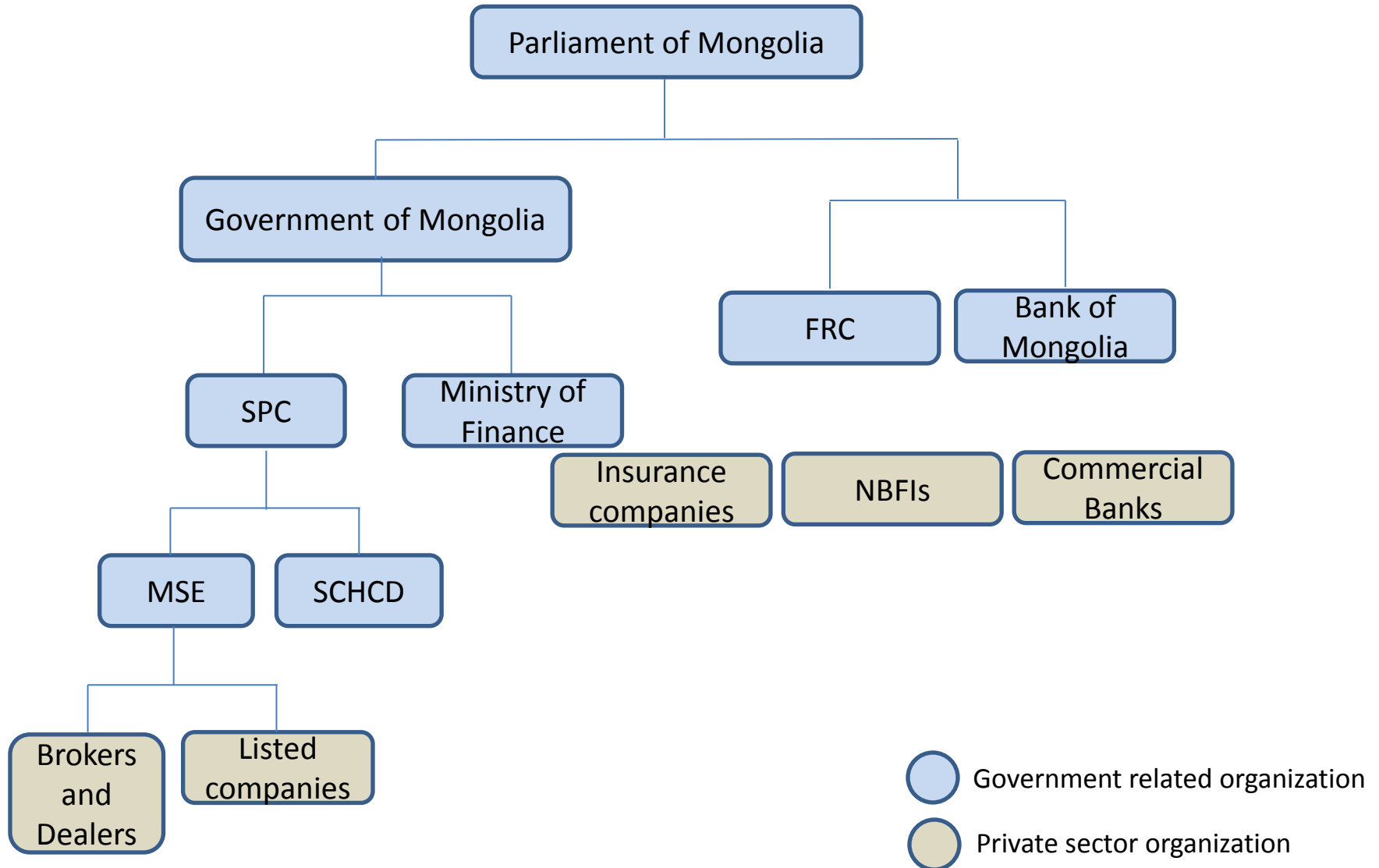
Ministry of Finance



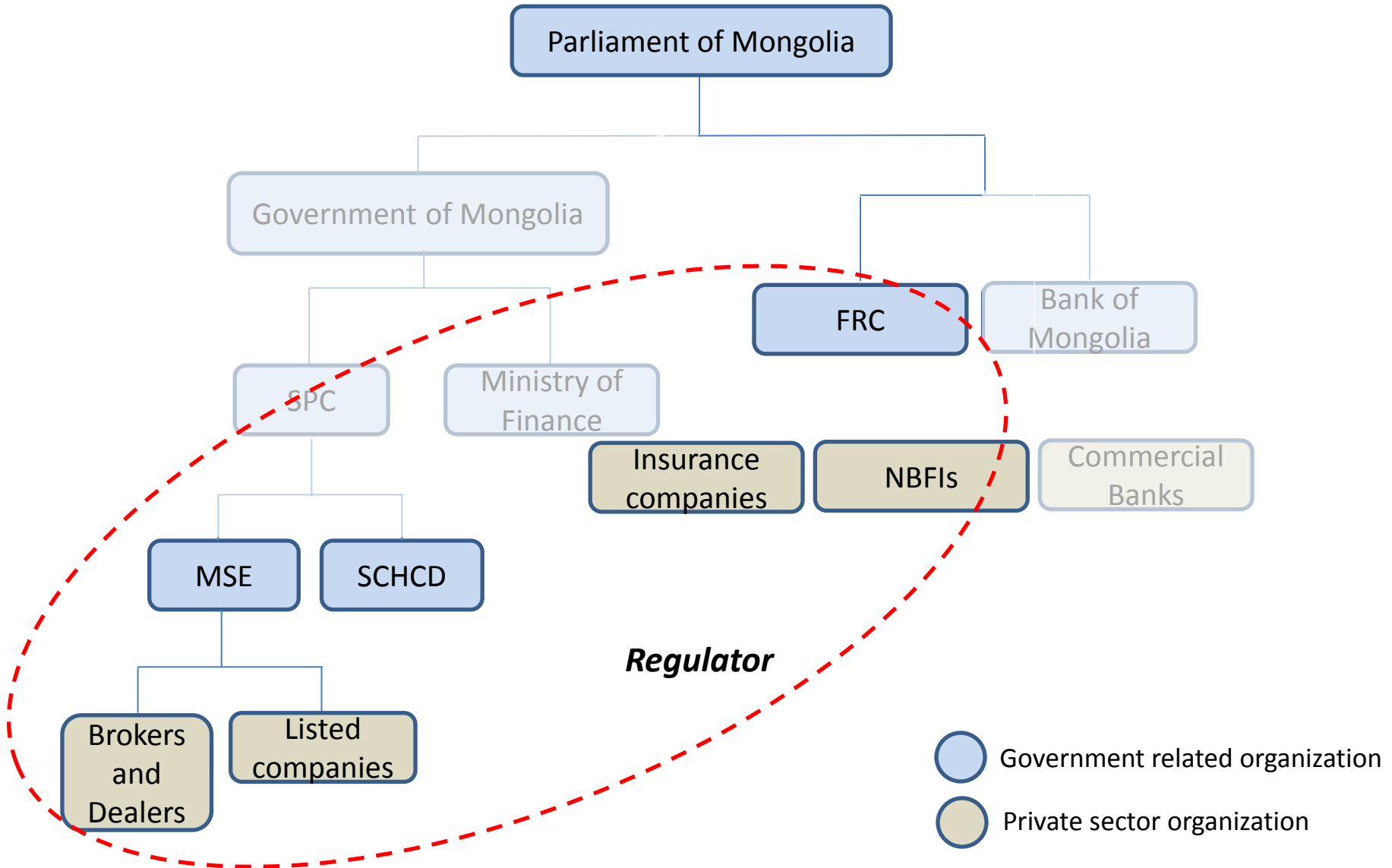
Responsible for:

- Issue the Government bonds
- Budget planning
- Funding arm of government

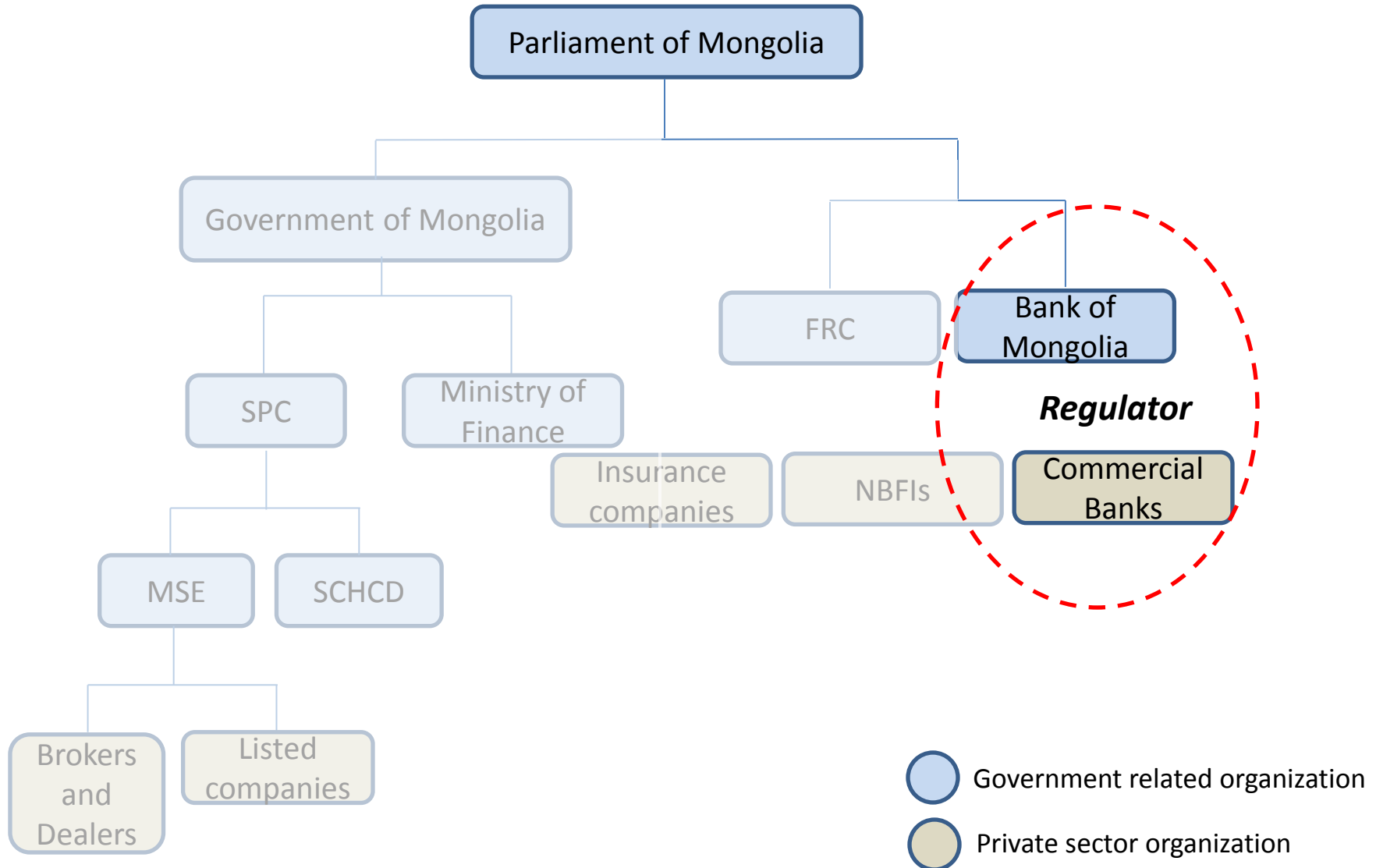
Regulatory Framework



Regulatory Framework: Financial Regulatory Commission



Regulatory Framework: Bank of Mongolia



Historical Background

- 1991.01.18 MSE was established by the Government Decree No.22.
- 1992.02.07 Primary market trading started
- 1994.09.26 Securities law enacted
- 1994.11.14 Mongolian Securities & Exchange Commission was established
- 1995.08.28 Secondary market trading started.
- 1996.10.25 Government bond trading first started.
- 1998.10.01 MSE joined Federation of Euro-Asian Stock Exchanges (FEAS).
- 2001.06.08 Corporate bond trading started.
- 2002.12.03 The MOU was signed with Taiwan Stock Exchange Memorandum of Cooperation
- 2003.03.26 Mongolian Stock Exchange became a Joint Stock Company
- 2004.10.29 First time, a special license of Underwriting Service was issued to Securities Company.
- 2005.01.02 Financial Regulatory Commission of Mongolia was established
- 2005.03.30 MSE information center was established.
- 2005.10.31 MSE Training Center was established.
- 2006.06.15 The MOU was signed with with Korea Exchange
- 2006.07.19 The MOU was signed with Istanbul Stock Exchange
- 2008.03.26 Market capitalization has reached it's peak of 893.4 bln MNT.
- 2008.04.10 MSE joined the Asia Ocenian Stock Exchanges Federation (AOSEF).
- 2008.04.10 The MOU was signed with Singapore Exchange.
- 2008.05.15 The MOU was signed with Tokyo Stock Exchange

Ongoing Development Activities



Activities for Development of Legal Environment

- Government established “Capital Market Development” Working Group led by Mr. Khurelbaatar, the cabinet minister
- Government took initiative in improvement of laws concerning capital market. This includes the changes in and development of:
 - Company Law (drafted)
 - Securities Market Law (drafted)
 - Investment Fund Law (drafted)
 - Pension Fund Law (Under development)
 - Asset Backed Securities (Under development)
 - Dual listing (need to be done)
- The government is highly supportive of developing the regulations in the MSE that meets with international standards. These includes:
 - Listing requirements
 - Stock Exchange Membership requirements
 - Regulation on IPO
 - Supervision Rule of MSE
 - Securities Trading Rule
- Also government is aiming to improve the SCHCD legal environment.

Capital Market Development Projects

- Capital Market Development project by ADB: the expected outcome is deepening of capital market reforms through improved supervisory capacity, an improved legal and regulatory framework, strengthened securities market, and increased investor confidence.
- IPAS by GTZ: Development of legal environment of capital market, creation of complete strategy of capital market and improve foreign relations of MSE, especially Deutsche Borse
- Financial Sector Development Project by WB: The bank risk management was implemented at two participating banks, developing better credit and lending procedure and practices. The Switch Clearing Center and a new RTGS system were implemented at the Bank of Mongolia.
- EPCP by USAID: Improving the company governance & created the Company Governance Development Center in June, 2009. Assisted on the creation of regulation on IPO and company governance code. Improving the capacity of the SPC on valuation of state owned enterprises. Planning to assist to FRC on development of IT Security Policy.
- Capital Market Development 2009-2012 draft prepared by FRC

Privatization & IPO of state owned assets

- Management of MSE is to be overtaken by professional team
- Large state assets are being discussed to be privatized through MSE
- State mining assets might be distributed in the form of shares to public through MSE
- List of privatization of items are approved by the parliament



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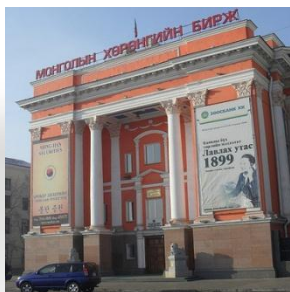
MSE Vision for future

Initial Development of Stock Exchange	Stock Exchange with High Investors Confidence	Internationally Recognized Stock Exchange
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- Year: 2010
- Market cap: \$1 bln
- Captivated by governance, IT and HR challenges
- Integrate the clearing & settlement function with MSE

- Year: 2015
- Market cap: \$10 bln
- Dual listing of MGL assets abroad
- Listing of SOE
- Well prepared to dual list the 15 strategic deposits

- Year 2020
- Market cap: \$40 bln
- Dual listing of MGL assets abroad
- Trading the privatized SOEs
- Listing the 15 strategic deposits
- All Mongolian people will have sufficient knowledge about the capital market



MONGOLIAN STOCK EXCHANGE WILL BE:



Reform features: Capital markets soon will be international standard

• MANAGEMENT

- ✓ LSE TEAM WILL TAKEOVER
- ✓ INTRODUCTION OF BEST PRACTICES
- ✓ SOUND MANAGEMENT
- ✓ PROFESSIONALISM

• REGULATORY INFRASTRUCTURE

- ✓ ASSIST IN DEVELOPING PROPER LEGAL FRAMEWORK
- ✓ TRAIN OF REGULATORY OFFICERS
- ✓ PROVIDE SURVEILLANCE MEASURES OVER THE MARKET



• CREATION OF MARKET

- ✓ TWO BOARDS: MAIN VS "MINING"
- ✓ DUAL LISTING OF FOREIGN COMPANIES WITH LOCAL OPERATION
- ✓ INSTITUTIONAL INVESTOR BASE

• TECHNICAL INFRASTRUCTURE

- ✓ INSTALLING OF NEW TRADING, CLEARING, SETTLEMENT & DEPOSITORY SYSTEMS
- ✓ PROPER SETTLEMENT PROCEDURES FOR INSTITUTIONAL INVESTORS
- ✓ SAFE DEPOSITORY

• KNOWLEDGE TRANSFER

- ✓ BUILDING LOCAL EXPERTISE
- ✓ TRAINING ACROSS THE MARKET



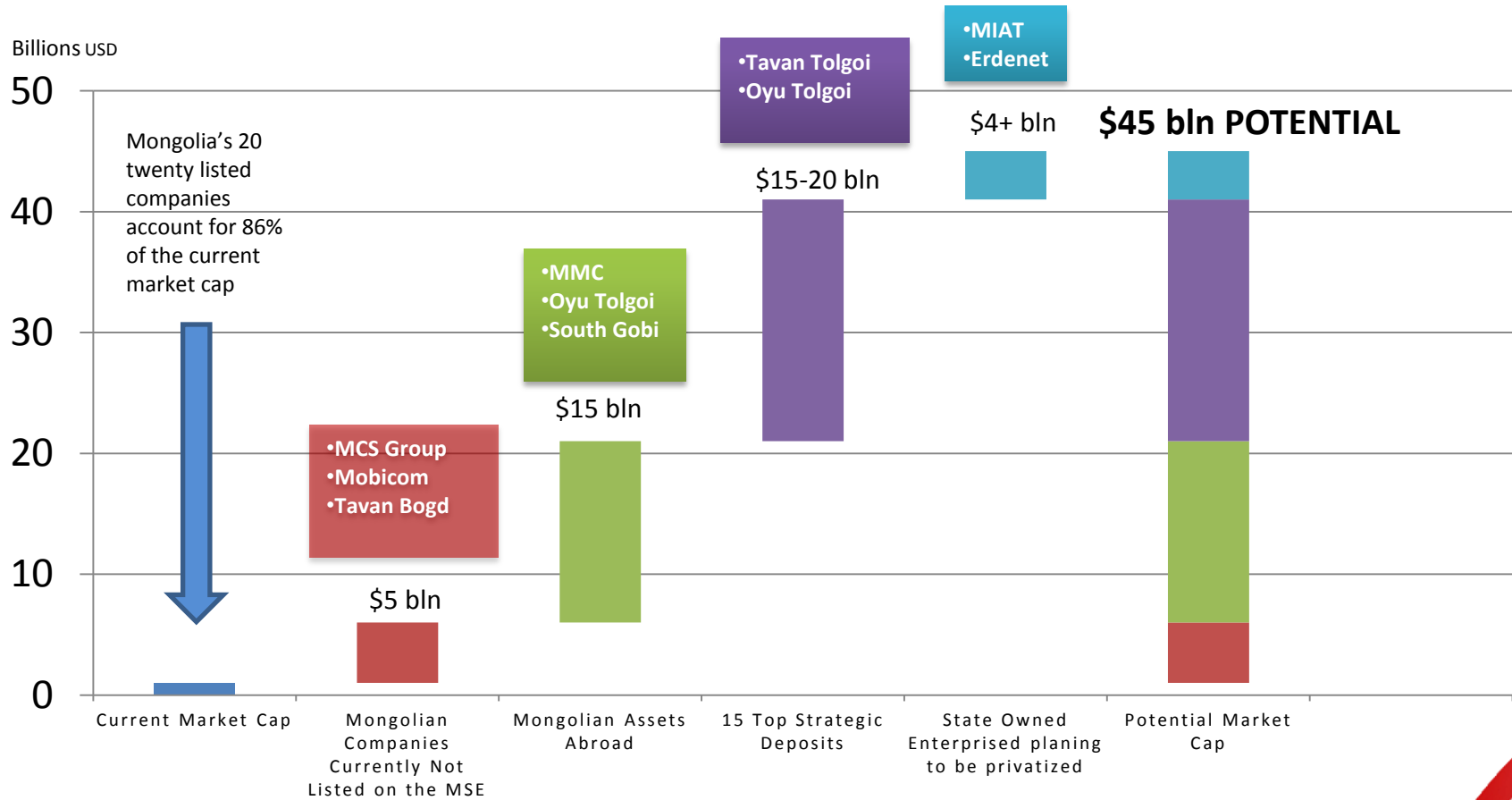
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Current Market Cap doesn't reflect the full market potential



Listing Opportunities: Non-listed Local Companies & Dual Listing

Mongolian companies not yet listed:

- There are 39000 private companies in Mongolia
- Only 15000 regularly operates & pay taxes
- Out of 100 top local companies in Mongolia only 13 are listed on MSE
- Well-recognized Mongolian companies that can be listed:
 - MCS
 - Newcom
 - Tavan Bogd
- There are about 3000 mining licenses:
 - Mining companies are capital intensive
 - But Mongolian junior companies do not have guarantees that can make them eligible for bank loans
 - Ideal target for MSE for expansion & new board can be created for junior mining companies
- Strategic deposits are to be listed:
- Erdenes Tavan Tolgoi is expected to be first out of the strategic deposits on the local exchange in near future

Major international mining companies in Mongolia

Code	Company name	Listed date	Mar.Cap* (mln US\$)
CG	Centerra gold	2010-06-29	4,225.9
ETG	Entrée gold	2006-04-24	320.3
ERD	Erdene resource development	2005-12-14	40.1
975	MMC	2010-10-13	4,174.8
IVN	Ivanhoe mines	1996-06-26	12,712.3
KRI	Khan resources	2006-08-01	20.2
POL	Polo resources	2010-04-01	157.9
SGQ	Southgobi energy resources	2009-12-03	2,268.3
276	MEC	-	2,476.5
	Petro matad	-	540.24

Benefits of listing in Mongolia

- ✓ Will enable the company to capture a wider investor universe
- ✓ In the long run, can provide the company with dual-source of liquidity
- ✓ Hedge against fall-out in one market
- ✓ Good for the company's local corporate image, particularly with national government
- ✓ Can potentially lead to additional research coverage from Mongolia
- ✓ With bullish mining sector in Mongolia, can function to re-animate trading of company's stock in other exchanges

Potential listing: ASX listed companies with operation in Mongolia

Company name	Aspire Mining	Company name	Hunnu Coal
Securities code	AKM	Securities code	HUN
Market capital	AUS \$385M	Market capital	AUS \$252.4M
YTD	AUS \$0.24; 50%	YTD	AUS -\$0.145; -10.86%
Last price (Feb.16)	AUS \$0.72	Last price (Feb.16)	AUS \$1.185
Listing Date	Feb.06.2007	Listing Date	Feb.12.2010
Principle activity	Coal, gold, copper etc. exploration	Principle activity	Coal
Assets	Ovoot Coking Coal	Assets	Khar Toirom, Tsant Uul
Company name	Haranga Resources	Company name	Xanadu Mines
Securities code	HAR	Securities code	XAM
Market capital	AUS \$113.92M	Market capital	AUS \$111.18M
YTD	AUS -\$0.03; -4.69%	YTD	AUS \$0.095; 16.81%
Last price (Feb.16)	AUS \$0.61	Last price (Feb.16)	AUS \$0.64
Listing Date	Dec.09.2010	Listing Date	Dec.21.2010
Principle activity	Exploration	Principle activity	Resource exploration
Assets	Tumurtein Khudag, Sumber, Khundlun	Assets	Khar Tarvaga, Galshar Coal Project

According to the Mineral Law 10% of strategic deposits will be listed

	Deposit name	Mineral type	Resources
1	Erdenes Tavan Tolgoi	Coal	6,5 bln tones /1,4 bln tones of coked coal/
2	Shivee ovoo	Brown coal	645 mln tones
3	Baganuur	Brown coal	512810,4 mln tones of balance, 195438 mln tones of non-balance
4	Nariin Sukhait	Coal	295,226 mln tones
5	Dornod	Uranium	49796,7 thous tones of ore, 56865 tones of metal
6	Gurvanbulag	Uranium	10560 thous tones of ore, 16073 tones of metal
7	Mardai	Uranium	924,6 thous tones of ore, 1104 tones of metal
8	Tumurtei	Iron ore	229.5 mln tones
9	Oyu Tolgoi	Copper, molybdenum	45032 thous tones of copper, 157 thous tones of molybdenum, 12049 tones of silver, 1838 tones of gold
10	Tsagaan Suvarga	Copper, molybdenum	1611,2 thous tones of copper, 66,2 thous tones of molybdenum, 10,7 thous tones of gold
11	Erdenet	Copper, molybdenum	6 mln tones of copper, 170 thous tones of molybdenum
12	Burenkhan	Phosphorite	162,56 mln tones of phosphorite ore
13	Boroo	Gold	13,4 mln tones of ore, 38,4 tones of gold, 5 tones of silver
14	Tumurtein ovoo	Zinc, lead	7,5 mln tones of ore
15	Asgat	Silver	24886,7 thous tones of ore, 6,7 thous tons of silver, 210,9 thous tones of copper

State Ownership Entities are to be privatized

	Entities	Activity	Privatization type	Estimated privatization date
1	Baganuur	Coal mining	51% state property	Preparation in 2011, privatization in 2011
2	3 rd thermal power station	Electricity production	100% concession contract	Preparation in 2011
3	Thermal power station of Erdenet	Electricity production	100% concession contract	Preparation in 2011
4	Thermal power distribution companies	Electricity distribution	100% private	Preparation in 2010-2011, privatization in 2012
5	Mongolian stock exchange	Stock exchange	-	Privatization in 2012
6	Erdene zam	Roadway repairing	100% private	Privatization from 3Q, 2010
7	Auto Impex	Trade	51% private	Privatization from 2Q, 2010
8	Mongolian telecom communication	Telecommunication	54.76% private	Privatization from 3Q, 2010
9	Ulaanbaatar roadways repairing	Roadway repairing	49% concession contract	Preparation in 2010
10	Cement and lime of Khotol	Cement lime production	-	Privatization in 2Q-3Q, 2010

**MORE
COMING IN
NEXT 5
YEARS**

THANK YOU FOR YOUR ATTENTION