



CONTENTS

Greetings.....	2
Introduction of Sharyn Gol JSC.....	4
Time chart for preparing for the Shareholders meeting.....	5
Board resolution	8
Shareholders meeting time schedule.....	11
Shareholders meeting tabulation committee resolution /draft/	12
Meeting agenda.....	13
Shareholders meeting action sequences.....	14
2017 operation report.....	15
2017 financial report	28
Corporate governance and Board operation report.....	42
Board meeting resolution.....	50
Shareholders meeting resolution /draft/	51
2018 expenditure budget of Board of director /draft/	53
Short Biography of the candidates for the BoD members	55
Shareholders meeting resolution /draft/	60
Board meeting resolution.....	61
Voting ballots	62



GREETINGS

Sincere greetings to dear shareholders of the company, business partners and colleagues that has a remarkable contribution on the development of the region and the Country with it's continues efforts and supports.

Board of Directors of the company continuously working towards implementing the Corporate governance codex in the board activity were focusing on its goal to be one of the leading corporate governance developer.

During this financially difficult time of Mongolia, Board of directors 2017 operation was mainly focused on finding it's strategy that meets the future goals of the company and work towards to implement developing strategy of becoming world standard mine.

Board of directors were taking decisions and giving approvals on certain important activities that was essential to accomplish the target for mine operation and tighten the financial management such us purchasing required assets and equipment, leasing machineries and, budget approval for rolling 12 months covering 2nd half of 2017 and first half of 2018, approval of renewed structure of the company .

In 2017 The company had received an award "Top 100 entities" from Government of Mongolia and Mongolian Chamber of Commerce for its recognitions of 2016 operation efforts which gives us more motivations and inspirations to our future commitments.

I sincerely believe that to reach and accomplish our goal is essentially dependent from the support of our shareholder and efforts and achievements of our miners and colleagues

I wish you all work success and happiness.

CHAIRMAN

A handwritten signature in black ink, appearing to be 'B. Batmunkh', written in a cursive style.

B.BATMUNKH



GREETINGS

DEAR SHAREHOLDERS

We are about to start our AGM to discuss and summaries the operation performance of the Company in 2017.

In 2017, coal extraction performance reached 119.4% and coal sales performance reached 112.2% and successfully fulfilled it's main responsibility to supply coal to the Northern part of country and particularly about 75-80% of total sales supplied to power stations and rest of the sales supplied to the other factory and retail users.

Over all production operation of the Company went up to plan in 2017 and fulfilled it's main responsibility. For that, the company was awarded with GRAND PRIX AWARD as top entity and become "Mining entrepreneur-2017" of Darkhan-Uul province, and received "Best entity" tribute from Sharyn Gol Soum.

In connection with increased demand from new costumers and expansions of power plants the coal sales had increased and reached the highest level over the last 20 years. However, I shall note that overburden removal performance was 86.0% which will have negative impact on our future productions and mine planning. The main reason for being behind of OB removal is shortage of cash flow due to selling about 80 % of coal sales with regulated price which is far lover it's own production cost and leads the company to face financial difficulties on loan and financial lease payments, required CAPEX in connection with mine production increase.

In 2018 we are planning to remove 9,132,000 m³ of OB removal to extract 1,063,833 tones of coal and sale 1,040,200 tones of coal. Besides the company is facing financial difficulties we are planning to work more intense towards to reaching our goal and overcome the challenges and I'm confident that with active participation, advises and supports from our shareholders, business partners and best efforts of our miners, colleagues we can accomplish our mission

Dear shareholders, miners, business partners and colleagues, I wish you all the best of luck and success.

LABOR RED BANNER MEDALIST SHARYN GOL JSC

CEO

B.BATBAATAR



БИДНИЙ ЭРХЭМ ЗОРЦЛГО

“ГАЗРЫН БАЯЛАГИЙГ ГҮН БОЛОВСРУУЛЖ, ХӨДӨЛМӨРИЙН БҮТЭЭМЖ
БҮТЭЭГДЭХҮҮНИЙ ЧАНАР, ХАРИЛЦАГЧИЙН ХЭРЭГЦЭЭГ ЭРХЭМЛЭНЭ”

INTRODUCTION OF SHARYN GOL JSC

Name: “Sharyn Gol” Joint Stock Company

Country of Origin: Mongolia, established in 1965

Address: Sanjit bag, Sharyn Gol soum, Darkhan-Uul province

Tel: 70372235, **Fax:** 70372235

Privatized from a state property between 2001 – 2004 “According to the Government resolution No162 of 2003 and State Property Commission resolution No 682 of 2003, Sharyn Gol became a public company”.

State Registration Certificate number: 1910010009 and Registration number: 2050374.

The company explores black sub bituminous coal and supply to thermal power plants of Darkhan and Erdenet cities and other contractual companies and industrial users.

Authorized body of the company: Shareholders meeting, BoD and CEO will be responsible for daily activities of the company.

APPROVED BY: CHAIRMAN (signed and stamped) B.BATMUNKH

Sharyn Gol JSC work frame for preparing materials for the shareholders' meeting

№	Due date by law	Planned date	Required work	Materials to be prepared
1	50 days after financial year end (February 20) CL 46-5	Before February 19	Decision on allocation of dividends (resolution required)	The Board shall make a decision on dividend allocation, If to allocate must inform the shareholders with registration date, forms, and distribution amount.
2	Report to MSE and FRC within one business day after the adoption of such decision	One business day after February 1	Delivery Board resolution on dividend to FRC and MSE	Provide official notification of Board resolution to MSE and FRC and upload on the website
3	Shareholders' meeting must be held within 4 months after end of the financial year and not less than 40 days from the date of a decision CL 59-4, 60-3 (April 20, 40 days)	March 12	Board decision on calling shareholders meeting /resolution required/	Board meeting will approve a committee to organize the shareholders' meeting, chairman of the meeting, its registration date, agenda, voting ballots sample The following will be discussed at the meeting. <ol style="list-style-type: none"> 1. 2017 Company operations and financial reports, with conclusions of Board of Directors, Board operation report and corporate governance report. 2. Approval of renewed charter of the company 3. Approval of the Board of Directors budget for salaries, incentives and expenditure for 2017. 4. Announcement of Board resolution on not allocating of Company dividend. 5. Appointment of members of the BoD and its independent member of the BoD.
4	Within 3 days after the decision to call a shareholders' meeting (March 16)	March 15	Delivery MSE and FRC of shareholders' meeting	Announcements: <ol style="list-style-type: none"> 1. Meeting announcement 2. Board resolution to call a shareholders meeting 3. Agenda and date for the meeting 4. Announcement designed for public news. 5. From board meeting minutes: member attendance, agenda, voting and decision outcome.

5	Within 5 days after the decision to call a shareholders' meeting (CL 60-4)	March 17 th , 5 days after March 12 th	Shareholders' meeting announcement	Information required for the shareholders' meeting announcement (MSE and other web pages and 2 or more adverts in a daily newspaper) <ol style="list-style-type: none"> 1. Meeting place, date and time announced 2. Registration date 3. Meeting discussions, decisions, resolution drafts, related material procedures and where available 4. Meeting announcement date 5. Meeting committee phone numbers, email addresses and working hours 6. Other necessary material
6	Registration date shall be determined by shareholders' meeting decision date and in accordance with Article 2.5 of the Joint Stock Company Shareholders' Meeting announcement procedures; within 10 days after public announcement	March 27	Registration date (within 10 days of first announcement of AGM) FRC's 244 resolution states 15-20 days	- Resolution 244 of FRC approved on July 27 th , 2016 and article 2.7 of "Shareholders materials delivery procedure" at 15 th day /Sunday/, but is Sunday, therefore date will be set on April 02 nd
7	Re-announcement (15 days after first public announcement)	April 01	Re-announce	15 days after the first shareholders' meeting announcement, But its Sunday, therefore date will be set on April 01 st .
8	Agenda, draft decisions and related materials to be delivered to brokerage companies within 5 days after public announcement	Before March 22	Shareholders' meeting material and explanations provided to broker/dealer companies in accordance with contract	- List of shareholders meeting materials - Meeting resolution Provide printed shareholders' meeting material to broker so as to be ready for pre introduction to shareholders
9	April 1 (Article 2.2.3 of Procedure for Security Issuer Information becomes public)	Before April 01	Delivery annual operation report to FRC and MSE.	

10	Delivery of annual audited report (Article 10.3 of the Accounting Law and 10.2.1 of the Auditing Law.	Before April 10	Delivery to MSE and FRC	Report to FRC and MSE in accordance with Article 10.2.1 of the Auditing Law due period
11	Shareholders meeting April CL59-4	April 26	Hold shareholders' meeting	Within 4 months after financial year ends
12	ХЭХ-ЫН материал Delivery to MSE and FRC (Article 20.1.8 of Mongolian Security Clearing House and Central Depository)/	Before May 01	Delivery of shareholders' meeting material with decisions to MSE and FRC.	FRC approval February 15 of 2012 Resolution 34 and Article 2.10 of Joint Stock Company Shareholders' Meeting Procedures before June 1 Article 20.1.8 of Law on Security Market of the State Great Hural (parliament) within 3 business days after delivery to FRC and MSE

Scheduled planner: Board secretary

(signed)

L.Batsuuri

RESOLUTION OF BOARD OF DIRECTORS

Mar 14, 2018

Doc № 06

Ulaanbaatar

Shareholders meeting announcement

The Board director of Sharyn Gol Joint Stock Company (the “Company”), hereby adopts the following resolutions pursuant to the Article 59.60 of the Company Law of Mongolia and Article 2.3 of the shareholders meeting regulation and the resolution of the Board meeting.

1. BE IT RESOLVED that the regular shareholders meeting of Sharyn Gol JSC to be held in the conference hall of Corporate hotel and Convention center on April 26th of 2018 at 3:30 PM.
2. BE IT FURTHER RESOLVED that the agenda of the regular shareholders meeting shall be as follows:
 - a. Approval of Board conclusion on operational and financial reports of 2017 of the Company and presentation of Board operation and corporate governance report
 - b. Approval of renewed charter of the company
 - c. Approval of the Board of director’s budget for salaries , incentive payments and expenditure for 2018
 - d. Appointment of members of the BoD and its independent member of the BoD.
 - e. Announcement of the Board decisions on not allocating dividend
3. BE IT FURTHER RESOLVED that the delivery notice of the meeting date will be March 19, 2018 and final date for submission of voting ballots should be the same date as Shareholders meeting day.
4. BE IT FURTHER RESOLVED that the registration dates for compiling the list of shareholders who are entitled to participate the shareholders meeting will be April 03, 2018.
5. BE IT FURTHER RESOLVED that hereby to approve voting ballots of the shareholders meeting as in Appendix #1, the list of the documents to be introduced to the shareholders as in Appendix # 2, and announcement of shareholder meeting as in Appendix # 3.
6. BE IT FURTHER RESOLVED that CEO (B.Batbaatar) and Chief accountant (L.Davaasuren) are hereby directed to prepare the documents to be introduced to the shareholders within the legal period.
7. BE IT RESOLVED that the Board of Directors Chairman (B.Batmunkh) is hereby appointed as the Chairman of the shareholders meeting.

8. BE IT RESOLVED that the committee to organize the shareholders meeting is hereby to be appointed as the following:

Director of Committee: B.Batmunkh /Chairman/
Members of Committee: James Passin /Board member/,
B.Batbaatar /Board member/,
D.Bailiikhuu /Board member/,
L.Batsuuri /Secretary of Board/,

9. BE IT RESOLVED that the tabulation committee if the meeting is to be appointed as following:

Head of the tabulation committee: B.Otgonzul /VP/
L.Oyundari /Economist/,
O.Uranbaigali /Manager of BDSec JSC/.

10. BE IT FURTHER RESOLVED that the Shareholders Meeting Organizing Committee / B.Batmunkh/ is hereby directed to create an appropriate plan for organizing the regular shareholders meeting in line with the relevant procedure.

CHAIRMAN (signed and stamped) B.BATMUNKH

SHARYN GOL JSC
BOARD OF DIRECTORS RESOLUTIONS

April 05, 2018

№13

Ulaanbaatar

About making changes to the tabulation committee
of the Shareholders meeting

WHEREAS the Board of Directors of the company had adopted the resolution # 06 dated form March 14th 2018 , announcing the annual shareholder meeting, and Otgonzul.B who had been appointed as a head of tabulation committee of the Shareholders meeting in accordance with Article #9 of the resolution is being nominated to BoD ;

WHEREAS the Board director of Sharyn Gol Joint Stock Company (the “Company”), hereby adopts the following resolutions based on decision of the Board meeting:

1. RESOLVED, that to discharge Otgonzul.B from the head of tabulation committee of Shareholders meeting
2. BE IT RESOLVED, that to appoint Oyundari.L (member of tabulation committee) as a head of tabulation committee and Uyanga.KH (economist) as a member of tabulation committee of the shareholders meeting .

CHAIRMAN

/signed & stamped/

B.BATMUNKH

REGULAR SHAREHOLDERS' MEETING OF SHARYN GOL JSC: AGENDA SEQUENCE

April 26th of 2018

№	Items	Responsibilities
1.	Prepare report and invite all registered shareholders to the meeting.	Tabulation committee L.Oyundari
2.	Report on shareholders' meeting preparations under the scheduled plan.	Board secretary L. Batsuuri
3.	Report quorum of the shareholders of those eligible to attend	Tabulation committee L.Oyundari
4.	Open shareholders' meeting	Chairman B. Batmunkh
5.	Detail shareholders' meeting agenda and procedures	Chairman B. Batmunkh
6.	Presenting 2017 Operation report	CEO B. Batbaatar Chief engineer J. Erdenebat
7.	Company's 2015 financial report and Audit conclusions	CEO B. Batbaatar Chief accountant L. Davaasuren Economist L. Oyundari
8.	Board of Directors operations and Corporate Governance report	Chairman B. Batmunkh
9.	2018 Board expenditure budget	Chairman B. Batmunkh
10.	Board decisions regarding dividend allocation	Chairman B. Batmunkh Economist H.Uyanga
11.	Appointment of members of BoD and its independent members of BoD	Chairman B. Batmunkh
12.	Board conclusion on dividend allocation	
13.	Questions and answers	Chairman B. Batmunkh
14.	Break, count votes.	Tabulation committee L. Erkhbaatar
15.	Summary of votes (resolution of tabulation committee)	Tabulation committee L.Oyundari
16.	Introduce the resolution draft to be adopted from the meeting	Board secretary L. Batsuuri
17.	Adjournment of the meeting	Chairman B. Batmunkh

Draft

**“SHARYN GOL” JSC
SHAREHOLDERS MEETING
TABULATION COMMITTEE RESOLUTION**

26 April 2018

№ 01

Ulaanbaatar

ABOUT VALIDATING SHAREHOLDERS MEETING

In accordance with subject 67.3.1, 67.3.8 and 69.1 of the Company law of Mongolia, Article 7.4.1.9 of the company charter and the tabulation committee calculation result based on the registration record of the shareholders who are attending the meeting :

1. WHERE AS, it is noted that total of common shares with voting rights been registered to participate the shareholders meeting of the company for 2018 with percentage of from total of 10,170,242 common shares of the company.
2. RESOLVED that pursuant to the subject 69.1 of the Company law and article 4.7 of the shareholders meeting procedure that the quorum of the meeting shall deemed as sufficient enough.

HEAD OF TABULATION COMMITTEE

L.OYUNDARI

Meeting date: April 26th of 2018 at 15:30

Meeting place: Conference hall of Corporate hotel and Convention center.

MEETING AGENDA

1. Approval of Board conclusion on operational and financial reports of 2017 of the Company and presentation of Board operation and corporate governance report
2. Approval of renewed charter of the company
3. Approval of the Board of director's budget for salaries, incentive payments and expenditure for 2018
4. Appointment of independent and regular members of the BoD.
5. Announcement of the Board decisions on not allocating dividend



SHAREHOLDERS MEETING ACTION SEQUENCES

26 April 2018

Sharyn Gol

1. Presenting 2017 Operational report

CEO – B.Batbaatar
Chief engineer – J.Erdenebat
/10 minutes/

2017 Financial report and Audit conclusion

CEO – Б.Бамбаамап
Chief accountant – L.Davaasuren
Economist – LOyundari
/10 minutes/

Board of directors operation report and Corporate Governance report

Chairman – B.Batmunkh
/10 minutes/

2. Approval of renewed charter of the company

/10 minutes/

3. 2018 Board expenditure budget

Chairman – B.Batmunkh
/5 minutes/

4. Appointment of members of BoD and its independent member

/no timing/

5. Board decisions regarding dividend allocation

Chairman – B.Batmunkh
Economist – LOyundari
/5 minutes/

6. Questions and answers relevant to agenda

/each person 3 minutes/

7. Request and proposal relevant to agenda

/each person 4 minutes/

8. Break, count votes.

Tabulation committee
/15 minutes/

9. Summary of votes (resolution of tabulation committee)

Tabulation committee
/no timing/

10. Introduce the resolution draft to be adopted from the meeting

Board secretary – L.Batsuuri
/no timing/

*Total duration of the meeting is approximately 2 hours.
/If required meeting time can be extended upon request /*

CHAIRMAN

B.BATMUNKH

BOARD CONCLUSION ON 2017 OPERATIONAL AND FINANCIAL REPORT OF “SHARYN GOL” JSC IN 2017 AND BOARD OF DIRECTORS OPERATION AND CORPORATE GOVERNANCE REPORT.

/Chairman B.Batmunkh/

ONE. 2017 MINE OPERATIONAL REPORT

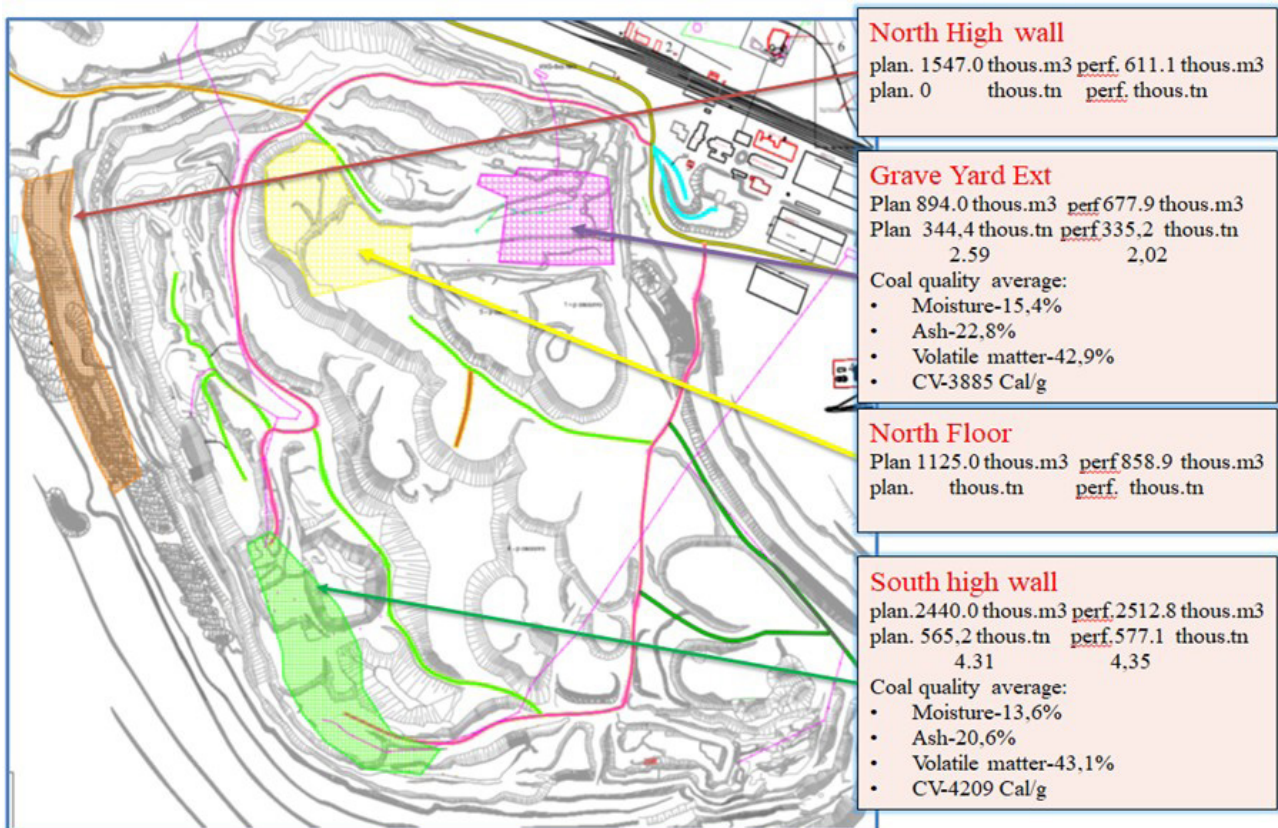
1. Mine operation target and its performance

The mining operation of 2017 was held in accordance with approved mining plan by BoD of the Company and MRAM. The main operation goal of 2017 was to open the coal reserve to be mined and sold for High winter season of 2017 to 2018, expose the coal to be transferred for the coming year and preparation works for future mine activity.

Mining activity and key results

№	Items	Meas	2016	2017		Performance vc targets
			Performance	Target	Performance	
1	Coal extraction	thous.tn	761.9	764.2	912.3	119.8
2	Coal sales	thous.tn	753.7	821.8	909.3	110.6
3	Total overburden	thous.m3	4340.3	5419.0	4660.7	86.0
4	By truck	thous.m3	4102.3	4429	4170.1	94.2
5	Non transportation	thous.m3	238	990	490.6	49.6
6	BCM	thous.m3	4926.4	6006.8	5362.5	89.3
7	Casting	thous.m3	672.7	-	364.7	-
8	Drilling	Thous.long.m	64.0	74.3	67.7	91.1
9	Strip Ratio	m3/tn	5.69	7.09	5.11	-

Operation performance and target, quality of coal by block /no extraction was done to North high wall/ and North floor

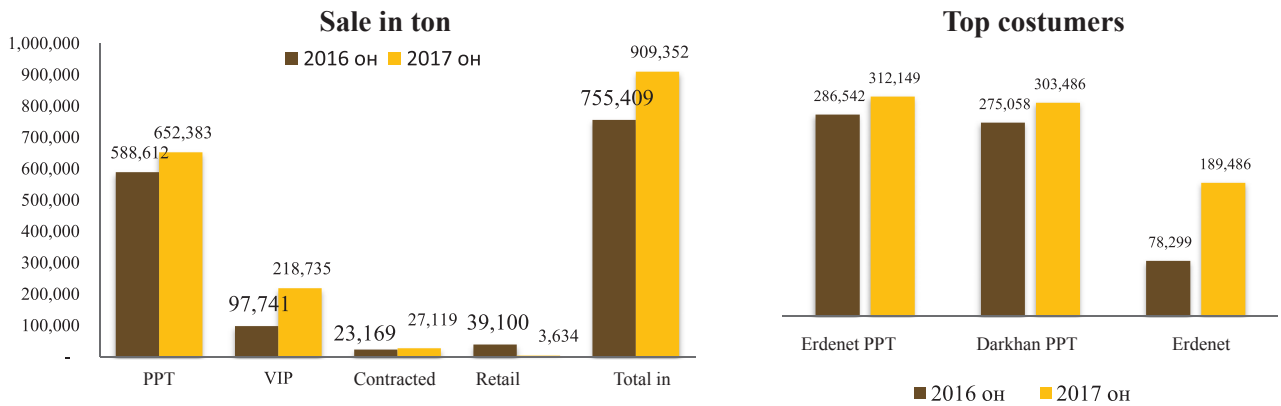


Average coal caloric value of 2017 equaled to 4079.9 kg/cal

Sales performance chart in 2017

Customer ranging

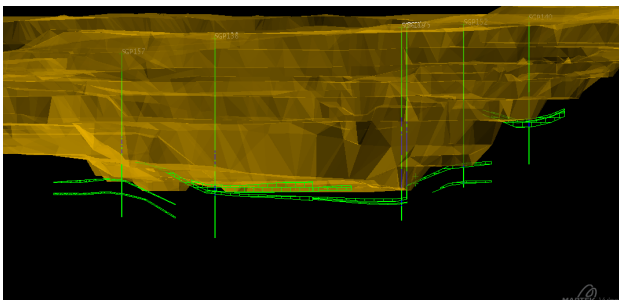
№	Customer	2016			2017			Difference		
		Ave price	Tn	Total	Ave	Tn	Total	Tn	Tn %	Price %
1	PPT	36,524	588,612	21,498,493,745	36,506	652,383	23,816,029,270	63,771	10.80%	10.80%
2	VIP	55,762	97,741	5,450,247,869	54,584	218,735	11,939,400,134	120,994	123.80%	119.10%
3	Contracted Retails	48,193	23,169	1,116,586,154	47,251	27,119	1,281,389,885	3,949	17.00%	14.80%
4	Not contracted individual	80,000	2,931	229,683,200	79,898	3,554	283,967,570	623	21.30%	23.60%
5	Retails	78,855	39,100	2,585,734,400	48,689	3,634	176,942,125	-35,466	-90.70%	-93.20%
6	SD: Discounted	42,402	3,916	166,041,377	41,895	3,927	164,507,177	11	0.30%	-0.90%
	Total /tn/	41,099	755,409	31,046,786,744	41,417	909,352	37,662,236,160	153,943	20.40%	21.30%



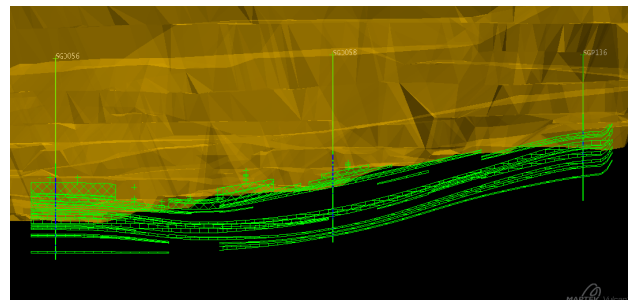
Updated coal reserve movements by 2017

Items	Meas	West of main op pit	Main pit	West side	Site lite	Overlapped area with Long named law	Minable resource
As of April 12, 2012	Thous.tn	43389,6	28053,4	374,8	124402,6	30310,4	165909,9
Extracted in 2013-2016	Thous.tn		3008,5				
Extracted in 2017	Thous.tn		912,2				
As of Jan 01, 2018	Thous.tn	43389,6	24132,7	374,8	124402,6	30310,4	161989,3

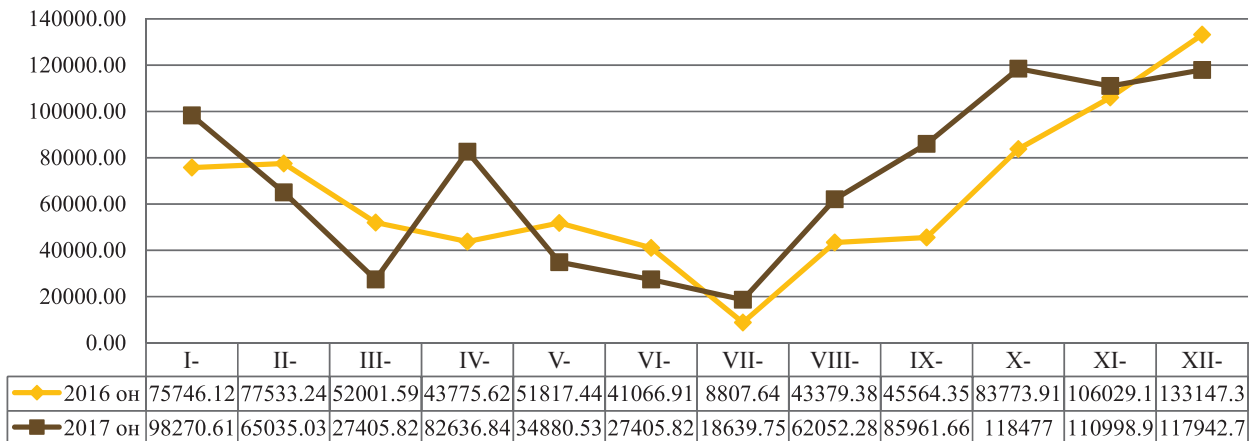
Grave Yard Extension block coal seam cross section /as of Dec 31, 2017/



Remnant block coal seam cross section /as of Dec 31, 2017/



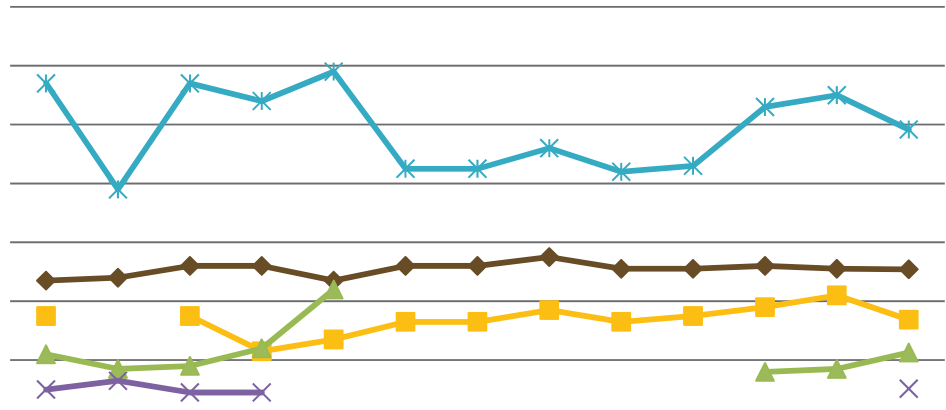
Coal extraction performance by month



Truck performance of coal and OB removal transporting /by year/

Items	2016				2017			
	Coal / thous. tn /	OB /thous. m3/	Total BCM /thous.m3/	% in BCM	Coal / thous. tn /	OB /thous. m3/	Total BCM /thous. m3 /	% in BCM
HD465-7R	645.4	3391.9	3888.4	74.6	636.0	2770.3	3259.5	55.8
Belaz	-	201.4	201.4	3.8	211.6	1660.5	1823.3	31.2
Leased Nord	149.7	625.2	740.4	14.2	179.3	472.0	609.9	10.5
Own Nord	102.9	305.4	384.5	7.4	75.3	90.1	148.0	2.5
Total	898.0	4523.9	5214.7	100.0	1102.2	4992.9	5840.7	100.0
Total consumed fuel 1,701.0 thous.liter Per unit - 0.326 liter/m3					Total consumed fuel 2,530.7 thous.liter Per unit - 0.433 liter/m3			

Average number of dump truck on operation from Jan 01, 2017 to Dec 31,2017

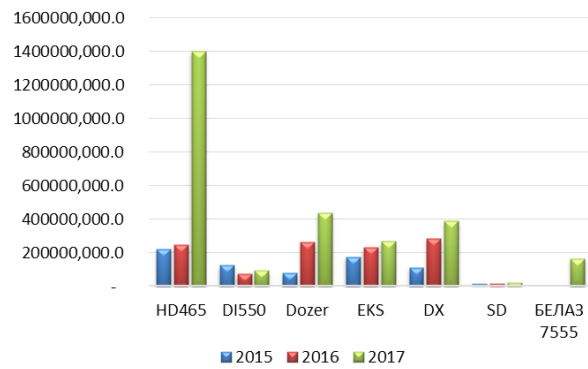


	I-	II-	III-	IV-	V-	VI-	VII-	VIII-	IX-	X-	XI-	XII-	Ave /du mp truck
—◆— Komatsu	4.7	4.8	5.2	5.2	4.7	5.2	5.2	5.5	5.1	5.1	5.2	5.1	5.1
—■— Belaz	3.5		3.5	2.3	2.7	3.3	3.3	3.7	3.3	3.5	3.8	4.2	3.4
—▲— Leasing	2.2	1.7	1.8	2.4	4.4						1.6	1.7	2.3
—×— Nord Benz	1	1.3	0.9	0.9									1
—*— Performed dump truck	11.4	7.8	11.4	10.8	11.8	8.5	8.5	9.2	8.4	8.6	10.6	11	9.8

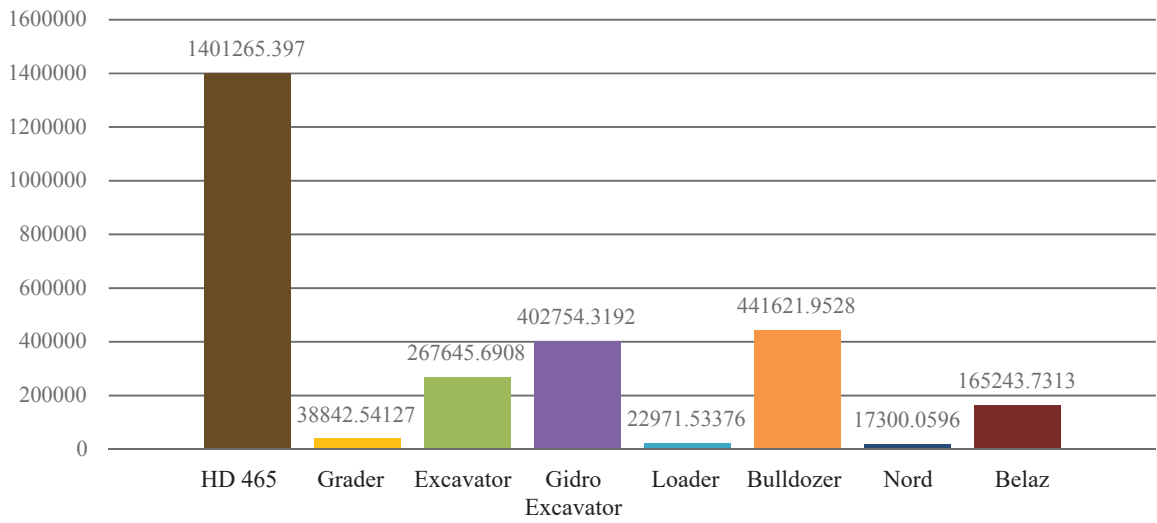
Technical usage and maintenance



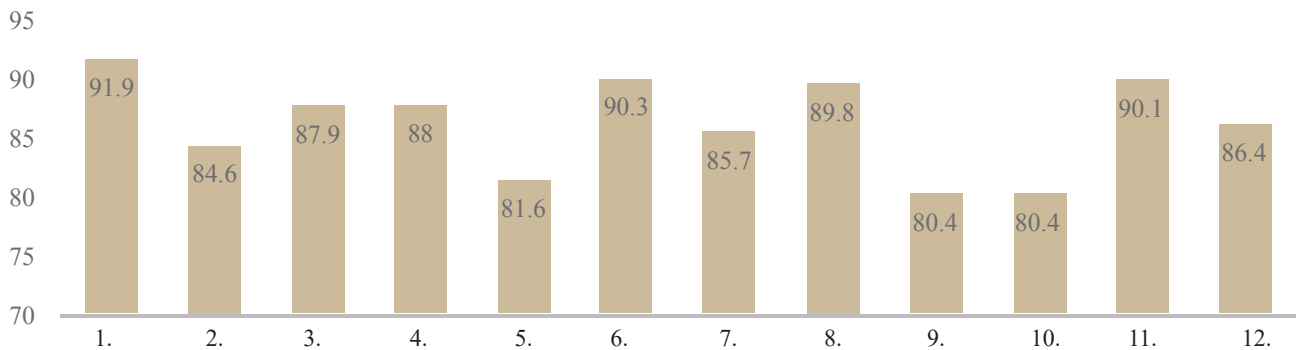
Spare parts cost



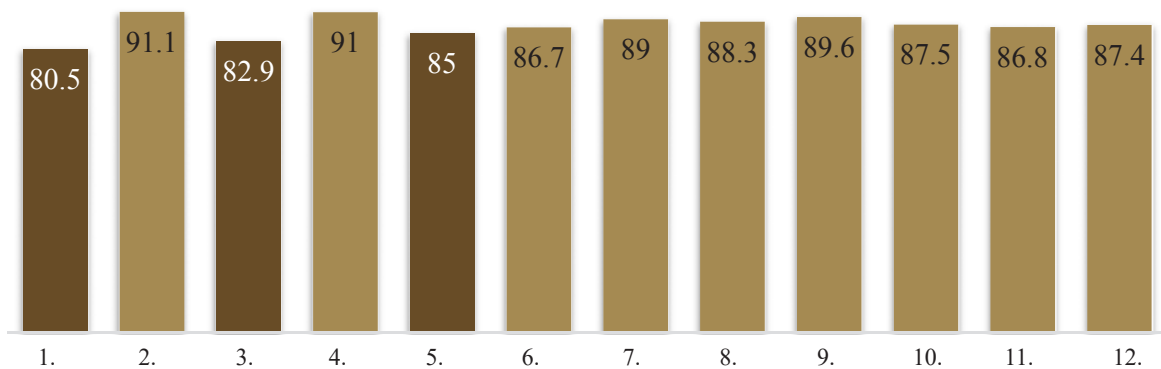
Spare parts cost in 2017 /million MNT/



Technical availability ratio in average was 86,4% in 2016

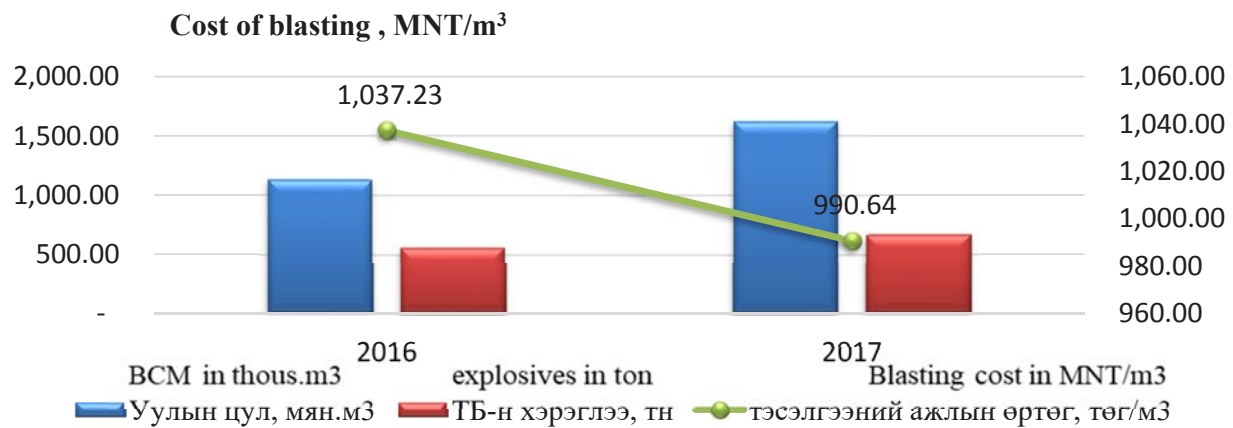
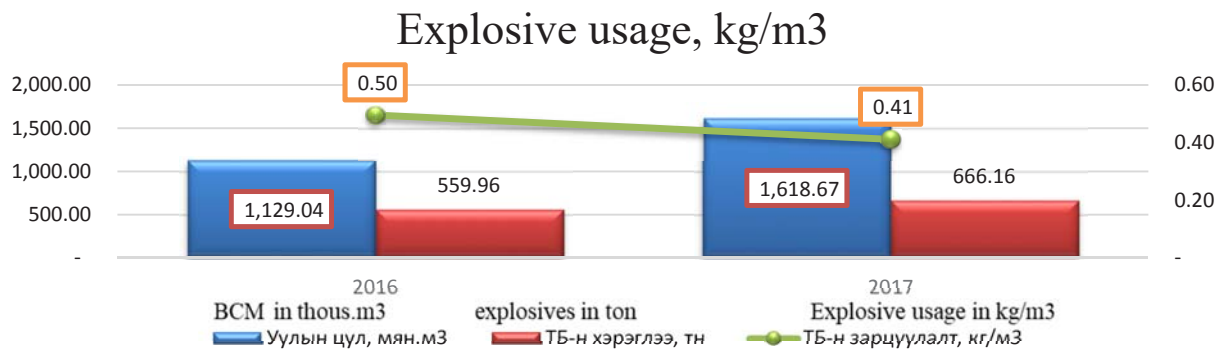


Technical availability ratio in average was 87,2% in 2017



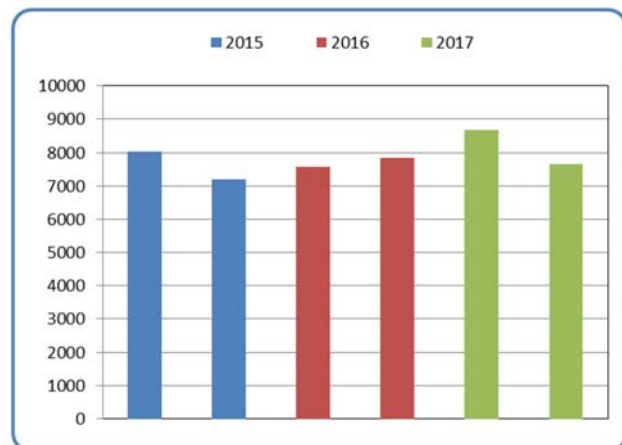
Blasting performance of 2017

Blasted BCM thous.m ³	Anfo /tn/			Emulsion φ120 /tn/		
	plan	perf	difference	plan	perf	difference
1619.0	621.0	320.9	- 299.7	416.0	345.2	- 70.8



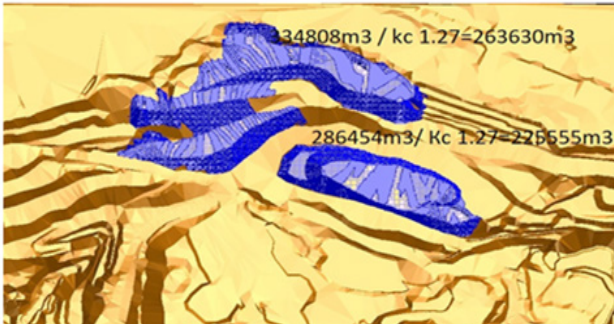
Electricity usage performance

Electricity cost			
Time period	Items		Price /MNT/kilowatt. hour/
2015.07.06	Day usage	06.00 - 17.00	155.90
	Evening usage	17.00 - 22.00	276.00
	Night usage	22.00 - 06.00	77.10
2017.07.17	Day usage	06.00 - 17.00	167.78
	Evening usage	17.00 - 22.00	287.88
	Night usage	22.00 - 06.00	88.98



Improvements of Mine operation and technology

Creating internal stockpile in the pit to transfer soil in short distance helped to improve its technical availability



HEALTH, SAFETY AND ENVIRONMENT



Analysis from 2015 to 2017

№	Items	2015	2016	2017
1	Factory accident	3	5	2
2	Near miss	6	4	3
3	Medical treatment incident	1	5	3
4	Time lost incident	4	0	2
5	Road traffic crash	2	3	3
6	Fire incident	2	1	3
7	Property damage	6	5	5
8	Alcohol	21	16	9
Total		45	39	30

Completed task towards to implementing H&S management

№	Items	Number of times	Performance number
1	Official Institution training	7	100 persons
2	All employees and management training	14	550 persons
3	Safety related competitions and events	6	over 500 persons
4	Report of near to incident	157 violation detected	144 violation were done
5	Risk assessment	Constantly	114 sections
6	Inspection	279	235 violation detected
7	Safety equipment providing	45 type	97.9 million MNT
8	Health inspection	Overlapped number	10142 persons
9	Drafted rules and regulation	Annually	22
10	Monthly campaign	Every month	12 times

PICTURES OF COMPLETED HEALTH AND SAFETY WORK



ENVIRONMENTAL PROTECTION AND REHABILITATION PERFORMANCE

Nº	Items	Numbers	
1	Items	Air	6
		Water	6
		Soil	6
		Radiation	3
2	Training	22 employees	
3	Inspection	38 times	
4	Official warning	37 times	
5	Rehabilitation	6.9 hectare, 1.610 meter	
6	Cleaning outside environment and Sharyn gol river	2 times, 1 time	
7	Planted tree	over 400	



HUMAN RESOURCE REPORT

Human resources information

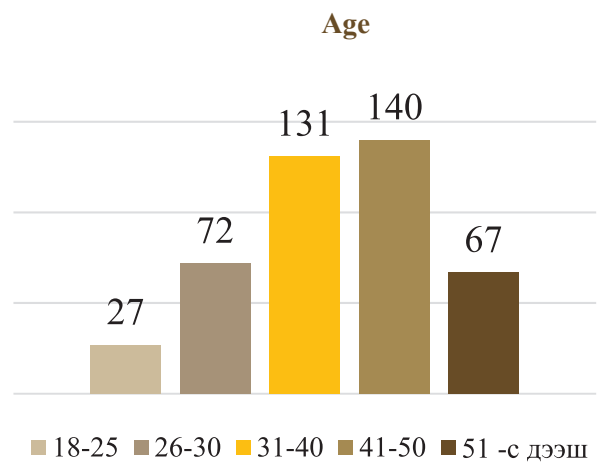


TOTAL EMPLOYEES: 437

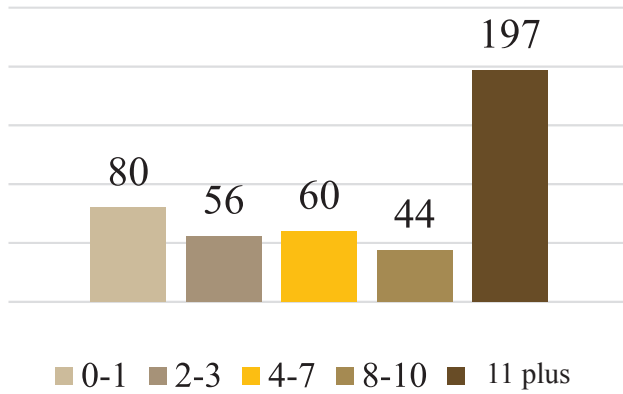
Management - 22
Engineer and technical - 55
Employees - 360

MALE, FEMALE:

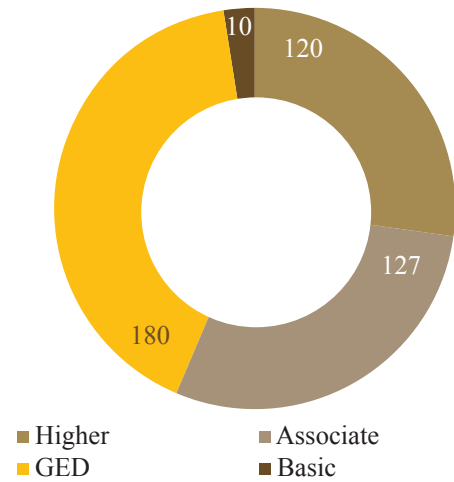
Male – 338
Female - 99



Duration of employment



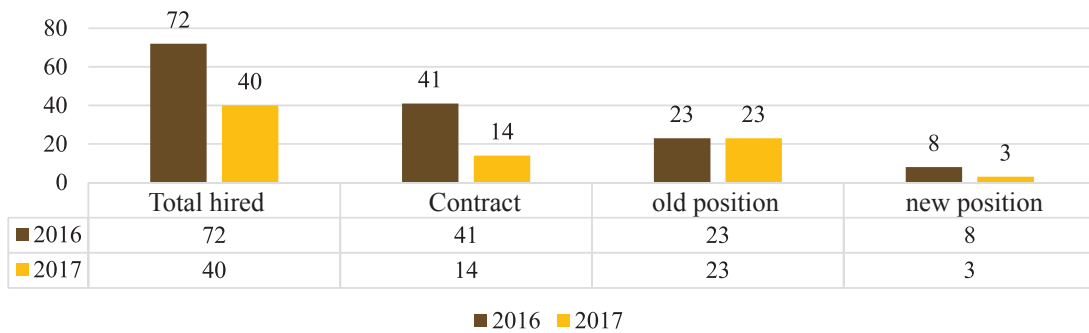
Education level



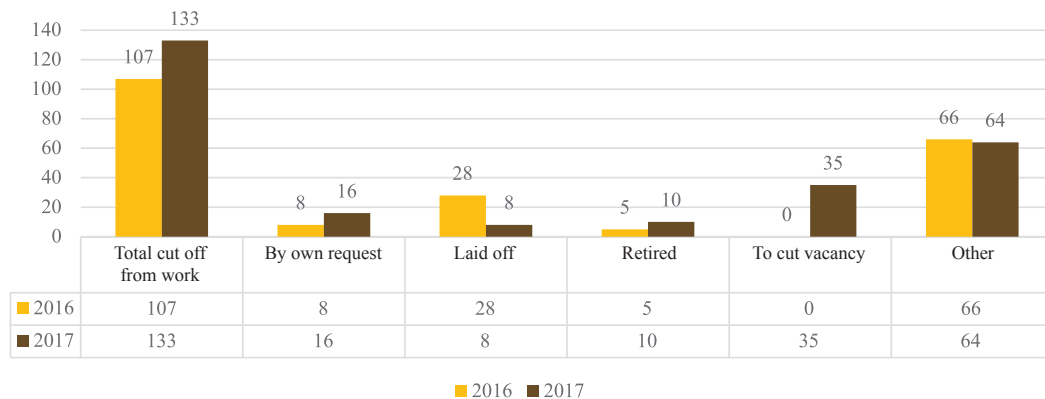
Employee training in 2017

Type	Subject	Numbers	Cost /million MNT/
Outside	HSE and professional field	15 times	14.0
Internal	Safety, health and legal	61 times and covered 8177 people	

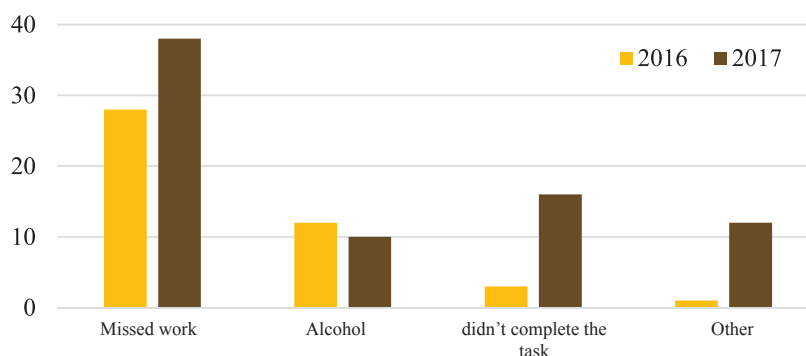
New employees



Cut off employees



Disciplinary violation



Performance of Internal control

Inspections	February 2017, assessment	Sept 2017 assessment
Wash plant examination XX-2,8	21,6% small risk	15% Small risk
Electrical operation examination XX-5.29	55% high risk	32,% Medium risk
Open pit mine operation examination XX-2.6	10% Small risk	7,3% Small risk
Road and infrastructure examination XX-5,17	67,5% High risk	37,5% Medium risk
Land owner, renter and user entities examination XX-2.12	43,6% Medium risk	6,0% Small risk
Labor health examination XX-4.1.1	28,9% Medium risk	19,4% Small risk
Packaged product measurement examination XX-5.28.1	55,0 High risk	34,6% Medium risk
Employees social protecting examination XX-4.2	Examination not conducted	9,9% Small risk
Building usage examination XX-5,2	45% Medium risk	-
Operation safety examination XX-	31% Medium risk	-
Operation communication examination XX-4,6	34% Medium risk	-

Internal control conducted inspection performance

№	Type	Number of times	Violation
1	Environmental affect	3	18
2	Work service and product quality inspection	4	35
3	Labor condition and safety monitoring inspection	12	74
4	Work time management and discipline inspection	4	9
5	Property usage and asset protection inspection	5	10
6	Guard monitoring and prevent crime inspection	18	33
	Total	46	179

TWO. FINANCIAL REPORT OF 2017 SHORT INTRODUCTION OF 2017 FINANCIAL ACTIVITY

- During fiscal year plan was to extract 764.2 thous.tn of coal and sale 821.9 thous.tn of coal. But actual extraction equaled to 912.3 thous.tn of coal and sold 909.4 thous.tn and increased its target by 10.6 %. Coal sales increased by 20.7% and total revenue increased by 6,314.8 million MNT.
- In 2017, total budget plan of Gold production was MNT 7,201.8 million but performance was MNT 4,982.0 million and expense decreased by total of 2,219.8 million MNT, Gold sales increased by 10,430.2 million MNT from last year.
- Last year, total loss of exchange rate difference equaled to 4,963.6 million MNT but in fiscal year profit gain of exchange rate equaled 177.9 million MNT.
- Compared to last year, cash inflow has increased and the company was able to pay some liabilities.
- Based upon board resolution order, total of 32 employees been laid off and decreased salary fund by 102.9 million MNT.
- To increase coal extraction we have purchased following machinery:
 - 1 Excavator - HITACHI EX 1200-6
 - 8 Dump trucks – BELAZ 7555
 - 1 Bulldozer - Liebherr 724
 - 1 Bulldozer - Komatsu D375

With total CAPEX of 6,411.4 million MNT production had increased by 19.7%.

- Total of 3.9 billion MNT of capitalized OB cost been recognized as an expense.



FINANCIAL STATEMENT, million MNT /Non audited/

	Balance	2016	2017	%	Difference
1	ASSET				
1.1	Current asset				
1.1.1	Cash and cash equivalents	784.0	849.6		65.6
1.1.2	Account receivables	4,240.8	3,185.6		(1,055.2)
1.1.3	Other receivable	4,089.5	5,477.1		1,387.7
1.1.4	Other financial assets	814.8	229.4		(585.5)
1.1.5	Inventory	2,585.0	2,519.5		(65.6)
1.1.6	Prepaid expense & prepayment	385.7	832.4		446.8
1.1.7	Other current assets	5.4	0.2		(5.1)
	Total current assets	12,905.1	13,093.8	18.7%	188.8
1.2	Non-current assets				
1.2.1	PPE	35,109.1	35,167.0		58.0
1.2.2	Intangible assets	105.0	22.2		(82.8)
1.2.3	Long term investment	2,917.9	2,209.8		(708.1)
1.2.4	Exploration and evaluation account	372.1	-		(372.1)
1.2.5	Other non current assets	21,484.1	19,447.7		(2,036.5)
	Total non-current assets	59,988.2	56,846.7	81.3%	(3,141.5)
1.3	TOTAL ASSETS	72,893.3	69,940.5	100.0%	(2,952.7)
2	Liability & Equity				
2.1	LIABILITY				
2.1.1	Current liability				
2.1.1.1	AP	4,238.9	3,377.3		(861.5)
2.1.1.2	Salary payable	491.4	494.2		2.8
2.1.1.3	Taxation payable	2,585.1	3,491.1		906.0
2.1.1.4	Social insurance payable	877.2	370.6		(506.6)
2.1.1.5	Short-term loan	11,531.1	15,378.6		3,847.5
2.1.1.6	Interest payable	1,939.7	3,642.5		1,702.9
2.1.1.7	Dividend payable	0.4	0.4		-
2.1.1.8	Accrued income	36.1	20.6		(15.5)
2.1.1.9	Other current liability	6,147.1	3,708.2		(2,439.0)
2.1.1.13	Total current liability	27,846.9	30,483.4		2,636.5

2.1.2	Non-current liability				
2.1.2.1	Long term loan	8,555.7	-		(8,555.7)
2.1.2.2	Provision	8,961.7	12,103.2		3,141.6
2.1.2.3	Deferred tax liability	240.5	666.0		425.5
2.1.2.4	Other non-current liability	1,312.0	638.3		(673.7)
2.1.2.5	Total non-current liability	19,069.9	13,407.5		(5,662.4)
2.2	TOTAL LIABILITY	46,916.8	43,890.9	62.8%	(3,025.9)
2.3	Equity				
2.3.1	Government equity				
2.3.2	Private equity	1,017.0	1,017.0		-
2.3.3	Share premium	23,145.2	23,145.2		-
2.3.4	Revaluation of PPE	11,613.1	9,539.0		(2,074.1)
2.3.5	Retained earnings	(9,798.8)	(7,651.5)		2,147.2
2.3.11	TOTAL EQUITY	25,976.5	26,049.6	37.2%	73.1
2.4	TOTAL LIABILITY & EQUITY	72,893.3	69,940.5	69,940.5	(2,952.7)

	Items	2016	2017	Difference
1	Operational revenue			
	Revenue	32,183.8	48,922.9	16,739.1
	Coal revenue	30,595.9	36,904.8	6,308.9
	Gold revenue	1,587.9	12,018.1	10,430.2
	COGS	25,854.1	40,169.5	14,315.4
	Coal revenue	24,701.4	35,187.5	10,486.1
	Gold revenue	1,152.7	4,982.0	3,829.3
	Total profit	6,329.7	8,753.4	2,423.7
	Coal	5,894.5	1,717.3	(4,177.2)
	Gold	435.2	7,036.1	6,600.9
2	Management and marketing expense	5,865.5	3,095.9	(2,769.6)
	Operational profit	464.2	5,657.5	5,193.3
3	Non operational revenue			
	Interest revenue	10.6	18.4	7.8
	Other revenue	484.7	1,836.3	1,351.6
	Other expense	3,220.5	4,903.0	1,682.5
	Rent revenue	27.3	23.5	(3.8)
	Non operational loss	(2,697.9)	(3,024.8)	(326.9)
4	FX rate profit/loss	(4,963.6)	177.9	5,141.5
5	Income tax		399.7	399.7
6	Net profit/loss	(7,197.3)	2,411.0	9,608.3

CASH FLOW /million MNT/

	Items	2016	2017	Difference
1	Operational cash flow			
1.1	Total inflow (+)	33,042.4	42,969.3	9,926.9
1.2	Total outflow (-)	(28,284.9)	(35,796.4)	(7,511.5)
1.3	Operational cash flow	4,757.5	7,172.9	2,415.4
2	Investment cashflow			-
2.1	Total outflow (-)			-
2.1.1	Investment cost	(443.2)	(1,866.4)	(1,423.1)
2.3	Investment cash flow	(443.2)	(1,866.4)	(1,423.1)
3	Financial activity cash flow			-
3.1	Total inflow (+)	301.3	0.1	(301.1)
3.1.1	Loan	300.0		(300.0)
	FX rate	1.3	0.1	(1.1)
3.2	Total outflow (-)	(4,299.3)	(5,241.0)	(941.8)
3.2.1	Loan payment	(630.0)		630.0
3.2.2	FX rate	(54.8)	(6.5)	48.3
3.2.3	Financial lease	(3,614.5)	(5,234.6)	(1,620.1)
	Financial activity cash flow	(3,998.0)	(5,240.9)	(1,242.9)
	Net cash flow	316.3	65.6	(250.7)
	Beginning balance	467.7	784.0	316.3
	Ending balance	784.0	849.6	65.6

CLARIFICATIONS ON MAJOR CHANGES ON FINANCIALS

CASH ASSETS

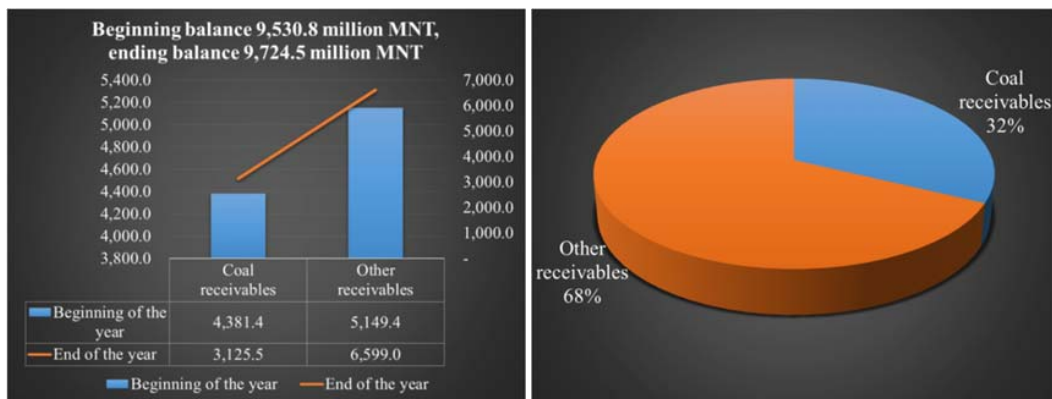
11.4% of total cash flow was from gold sales and 20.9% was from coal sales to Darkhan PPT and 26.6% was from coal sales to Erdenet PPT and 30.4% was from coal sales to Erdenet copper mine and 10.7% was from other customers.

- 15.7% of total cash outflow was spent on employees salary, 12.5% was spent on parts purchased, 16.7% was on fuel and oil purchase, 4.8% was paid to social insurance & tax payments and 12.2% was for lease payments.

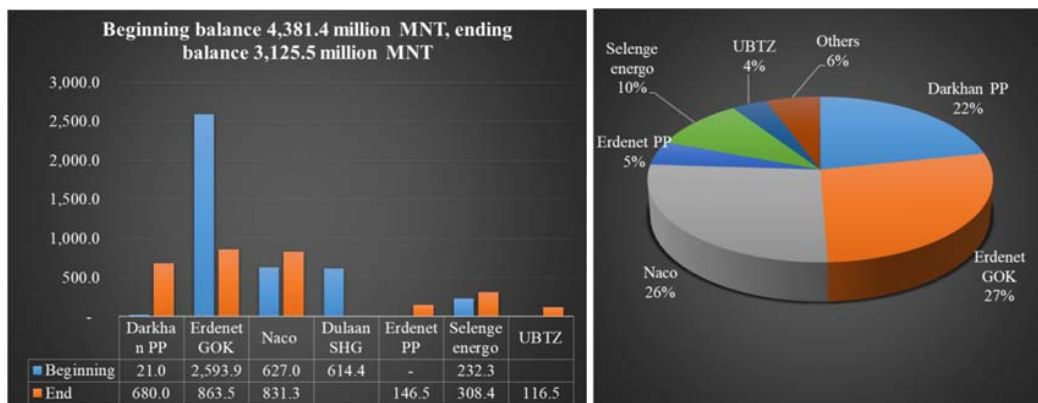
RECEIVABLES /AS OF DECEMBER 31, 2017/

- Coal receivables equals to 32.4 % of Total receivables. As of 01 January 2017, total coal receivables from entities and individuals equaled to 4,381.4 million MNT and from which 867.7 million MNT receivables were from Power Plants. Where as of 31 December 2017, total coal receivables equaled to 3,125.5 million MNT and from which 1,134.9 million MNT receivables were from Power Plants with increase of 267.2 million MNT compared to beginning of the year. The biggest portion of coal receivables are from Darkhan and Erdenet Power Plants and Naco fuel JSC.

Receivables chart:



Coal receivables chart /by company/:



ASSET

- The asset amount of the Company in fiscal year had increased by 6,411.4 million MNT in connection with production increase.
- Some of the asset purchased towards to increase the extraction amount was HITACHI EX1200-6 excavator, 7555B Belaz 8 units and Liebherr 724 & Comatsu D375 bulldozers.

CAPEX breakdowns:

№	Items	Number	Mil MNT	Purpose
1	Belaz 7555 B	8	2,894.5	OB and coal transporting
2	Land cruiser 200	1	177.5	For CEO
3	Toyota Hiace	1	25.7	Parts delivery
4	Compressor S10K10	1	3.6	
5	Pump TSNS 300/240	1	60.0	Water draining
6	Hitachi EX 1200-6 excavator	1	2,602.6	
7	Liebherr 724 bulldozer	1	147.0	
8	Komatsu D375 bulldozer	1	488.6	
9	Other		11.9	
	Total		6,411.4	



HITACHI EX 1200-6 excavator



LIEBHERR 724 bulldozer



BELAZ 755 B /8 units/



KOMATSU D375

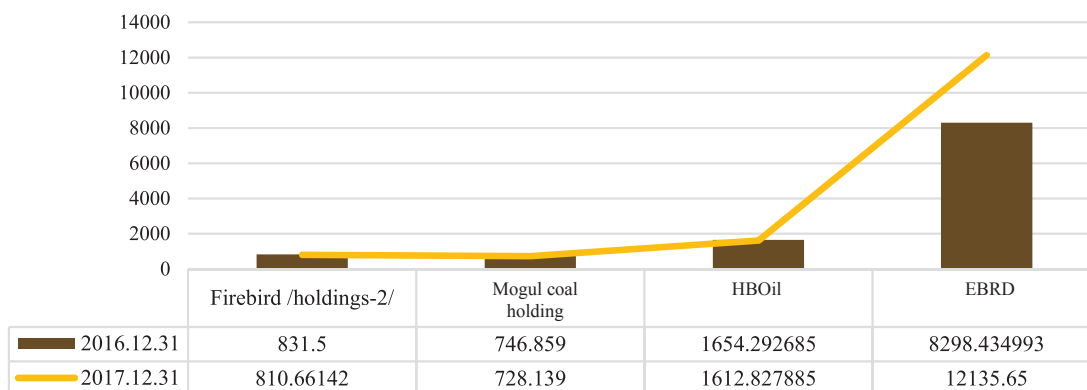
TOTAL LIABILITIES

- AS of December 31, 2017 Short-term liability shares 69.5% and long-term liability shares 30.5% of the total liability. Total liabilities had decreased by 3,025.8 million MNT from the beginning of the year.

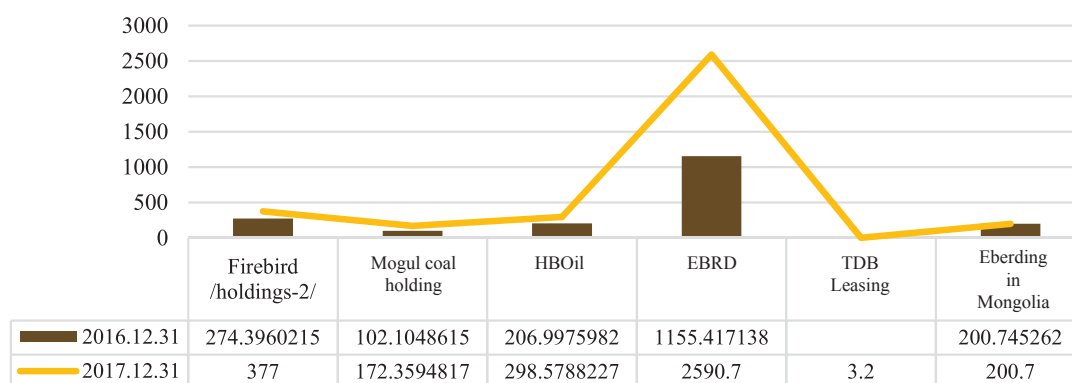
SHORT-TERM LIABILITIES

- Accounts payables** – payables to suppliers, Individuals and duties performed by others had decreased from the beginning of the year but payables for purchased spare parts had increased compared to beginning of the year.
- Short-term loan and interest payables** – Compared to last year, Short-term liabilities and loan interest payables had increased in connection with accumulated interest payment to EBRD loan interest. In 2017, did not receive any additional loan. The loan due amount was down by 289.0 million MNT from exchange rate difference.

**Short term loan beginning balance 11,531.1 million MNT,
ending balance 15,287.3 million MNT**



**Interest beginning balance 1,939.7 million MNT,
ending balance 3,642.5 million MNT**



- **Tax and social insurance payables** – Total charged tax amount for the reporting period equaled to 4,207.4 million MNT from various tax purposes and from which 3,301.1 million MNT had been paid. Therefore tax liabilities increase equaled to 906.0 million MNT since beginning of the year. Social insurance payments decreased by 506.6 million MNT and remaining tax liabilities re as follows:
 - Corporate income tax - 296.4 million MNT,
 - VAT - 2,433.6 million
 - Royalty - 760.0 million MNT.
- **Other payables** – Total of 3,572.9 million MNT payables includes financial activity, operation lease payments and financial provisions payables.

LONG-TERM LIABILITIES

- Firebird loan had been fully paid and remaining amount of EBRD loan has reclassified to short-term loan and in a result there is no ending balance for long-term loan. For the reporting year total of 285.6 thousand USD for loan interest had been accrued and total of 550.0 thousand USD had been paid off. The remaining due balance of loan interest is 262.7 thousand USD.

Organization	2016.12.31	2017.12.31
Loan		
Firebird SHG investment Pte Ltd	4,406.5	-
EBRD	4,149.2	-
Total	8,555.7	-
Interest		
Firebird SHG investment Pte Ltd	1,312.0	638.3
Total	1,312.0	638.3

INVENTORY

- AS of 31 December, inventory balance was 2,519.7 million MNT and had been decreased by 70.7 million MNT as of beginning of the year. The amount of finished goods had decreased and the amount of spare parts had increased by 654.0 million MNT.

№	Items	Beginning balance	Income	Expense	Ending balance	Difference (+,-)
			Total	Total		
1	Raw materials	68.4	131.3	90.1	109.7	41.2
2	Finished goods	1,183.2	33,660.1	34,493.9	349.5	(833.8)
3	Procurement materials	95.6	677.8	632.9	140.4	44.9
4	Diesel fuel	125.9	6,063.0	6,092.4	96.5	(29.4)
5	Fuel	-	18.4	18.4	-	-
6	Oil and lubricant	56.8	1,250.5	1,206.0	101.3	44.5
7	Parts	505.5	845.7	842.8	508.5	3.0
8	Delivery parts	523.6	4,047.3	3,393.2	1,177.6	654.0
9	HS	25.9	104.1	94.1	35.9	10.0
TOTAL		2,585.0	46,798.3	46,863.8	2,519.5	(65.6)
10	Livestock	5.4	4.6	9.7	0.2	(5.1)
TOTAL		2,590.4	46,802.8	46,873.5	2,519.7	(70.7)

SALES, COST OF GOODS SOLD

REVENUE

- THE Company has generated total of 51,902.9 million MNT of revenue during the financial year and from which 71.1% was generated from coal sales, 23.2% was from gold sales, 2.1% was from foreign exchange rate and 3.6% was from others

Revenue breakdowns:

	Revenue items	2016		2017		difference
		Mill.mnt	%	Mill.mnt	%	Mill.mnt
1	Coal revenue	30,595.9	90.6	36,904.7	71.1	6,308.8
2	Gold revenue	1,587.9	4.7	12,018.1	23.2	10,430.2
3	Non-operational revenue	82.7	0.2	99.2	0.2	16.5
4	Parts	179.2	0.5	57.9	0.1	(121.3)
5	Scrap metal	82.7	0.2	4.3	0.0	(78.4)
6	Fx rate profit/loss	1,078.2	3.2	1,101.8	2.1	23.6
7	Other	178.1	0.5	1,716.9	3.3	1,538.8
Total		33,784.7	100.0	51,902.9	100.0	18,118.2

- Total revenue had increased by 53.6% or 18,118.2 million MNT compared to last year. The biggest impacts for the increase was:

- Gold sales increased by 10,430.2 million MNT from last year.
- Coal sales increased by 155.6 thous.tn total additional revenue of 6,314.8 million MNT from last year.
- However the sales revenue had been increased, the loss from coal quality equaled to 568.4 million MNT and from which loss from weight equaled to 276.9 million MNT, loss from low caloric value equaled to 260.4 million MNT and loss from rock content equaled to 31.1 million MNT. 55.7% of total loss was from Erdenet PPT.

Coal quality loss breakdown /by customers/ /million MNT/:

Customer	CV 260.4 Mill.mnt	Weight 276.9 Mill.mnt	Rock 31.1 Mill.mnt	Total 568.4 Mill.mnt
Darkhan PP		104.6 Mill.mnt		104.6 Mill.mnt
Erdenet PP	220.3 Mill.mnt	86.8 Mill.mnt	9.6 Mill.mnt	316.7 Mill.mnt
Erdenet GOK	20.7 Mill.mnt	72.5 Mill.mnt		93.2 Mill.mnt
Others	19.4 Mill.mnt	13.0 Mill.mnt	21.5 Mill.mnt	53.9 Mill.mnt

EXPENSE

- During financial year total expense equaled to 49,092.2 million MNT and from which: 71.7% was for coal production, 10.1% was for gold production, 6.3% was for sales and administration expense, 3.6% interest expense, 1.5% was for social activity expense, 2.2% was for fines and contractual penalties and 4.6 % was for other expense.

Expense breakdown:

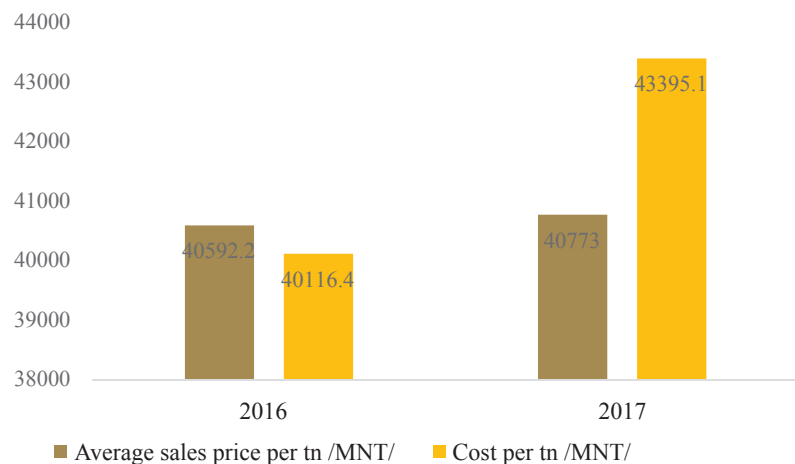
	Cost items	2016		2017		Difference
		MNT million	%	MNT million	%	
1	Coal	24,701.4	60.3	35,187.5	71.7	10,486.1
2	Gold	1,152.7	2.8	4,982.0	10.1	3,829.3
3	Sales & Admin	5,865.4	14.3	3,095.9	6.3	(2,769.5)
4	Non operational	479.5	1.2	390.9	0.8	(88.6)
5	Parts sales cost	120.9	0.3	43.5	0.1	(77.4)
6	Write off cost	66.0	0.2	42.4	0.1	(23.6)

7	Interest	622.3	1.5	1,772.1	3.6	1,149.8
8	Social activity expense fund	295.6	0.7	747.1	1.5	451.5
9	FX rate profit / loss	6,041.9	14.7	923.9	1.9	(5,118.0)
10	Fines and contractual penalties	196.9	0.5	1,063.6	2.2	866.7
11	Other	1,439.3	3.5	843.3	1.7	(596.0)
	Total	40,981.9	100.0	49,092.2	100.0	8,110.3

COST PER TONE OF COAL AND AVERAGE SALES PRICE

Cost per tone of coal increased by 3,278.71 MNT. Main reason of increase was FROM increase of spare parts cost , depreciation cost, tire cost and recognition of 3.9 billion MNT as an expense from capitalized OB cost. However cost for electricity, salary, interest fee and G&A expenses had been decreased.

Cost per tone of coal and average sales price /MNT/



Cost per tone of coal shown in the spread sheet:

Costs	2016	2017	Difference /MNT/
Blasting	1,631.1	1,706.0	74.9
Fuel	5,697.1	6,273.5	576.4
Electricity	1,549.7	1,198.6	(351.1)
Salary	7,041.2	6,991.8	(49.4)
Social insurance	918.0	922.0	3.9
Depreciation	5,088.1	6,710.4	1,622.3
Spare parts	2,330.3	3,890.9	1,560.6
Heating	542.9	566.3	23.3
Security	481.0	489.5	8.4
Contracted services	1,545.0	337.3	(1,207.7)
Royalty	1,594.8	1,011.3	(583.5)
Interest	1,540.1	1,430.3	(109.8)
Tire cost	528.8	705.4	176.7
Rent	1,333.7	1,330.5	(3.2)
OB removal cost		4,287.0	4,287.0
Other	596.6	2,150.7	1,554.1
Sales & Administration expense	7,697.9	3,393.6	4,304.3)
TOTAL	40,116.4	43,395.1	3,278.7

Main factors for cost increase:

BLASTING EXPENSE

- Blasting expense had increased by 313.5 million MNT compared to last year. From January to May of 2016, Special mining LLC and from June to present Monmac LLC's are performed blasting.
- Blasting cost increased by 470.7 million MNT due to 43.4 % /489.6 thous.m3/ increased BCM to blast.

FUEL COST

- In 2017, Total spending on fuel equaled to 5,237.5 million MNT or 3,755.0 thousand liter and the expense had increased by 30.8% or 1,232.3 million MNT. The fuel consumption had increased by 28.0% or 821.6 thousand liter compared to last year. 67.3% of total fuel consumption were for dump trucks, 7.1% were for heavy machineries and 18.2% were for loaders.
- In connection with new additional equipment operation the fuel cost increased by 988.3 million MNT

items	Unit	2016 OH	2017 OH	difference
Actual in liter	thous.litr	2,933.4	3,755.0	28.0
In value	MNT million	4,005.2	5,237.5	30.8
Average price	mnt	1,365.4	1,394.8	2.2

SALARY EXPENSE

Salary fund increased by 18.9% compared to last year.

- Number of employees had increased by 15 people on Coal production operation in 2017. Which has increased the salary fund by 243.3 million MNT.
- Average salary amount increased by 14.2% or MNT 793.7 million. (employee salary increased by 10.0% from June 6th, 2016 in accordance with Labor union agreement,)
- Total of 32 employees had been laid off based upon the change on structure which cut down the cost by 102.9 million MNT.

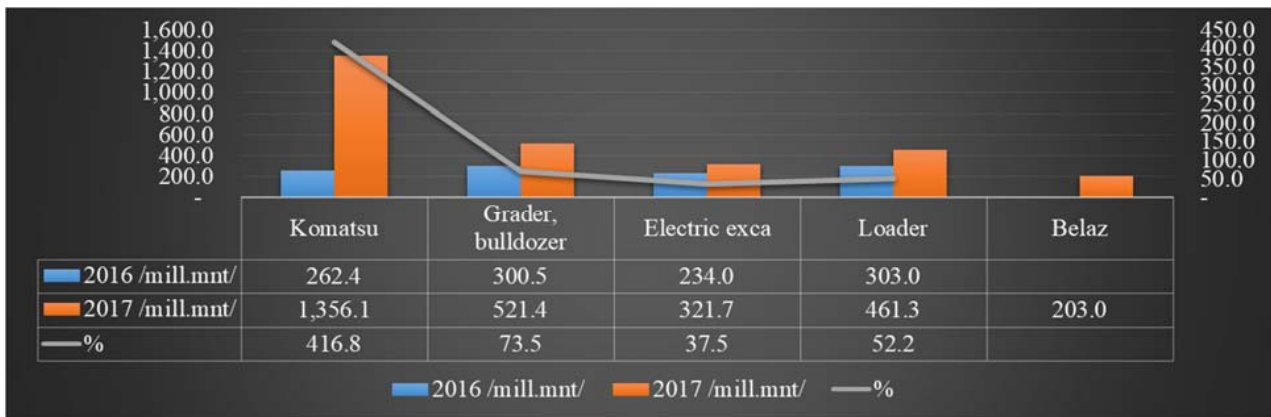
items	Unit	2016	2017	difference %	difference
Salary fund /MNT million	MNT million	5,365.1	6,378.5	18.9	1,013.4
Average salary /MNT thousand	mnt	1,183.1	1,351.4	14.2	168.3

SPARE PARTS EXPENSE

- Spare parts expense increase equaled to 1,774.9 million MNT compared to last year. The expense for Komatsu dump trucks, Bulldozer, grader, Electric and diesel excavator parts expense increased by 1,560.6 million MNT compared to last year.

- Main reason is ageing of the heavy equipment and requirements for high cost spare parts. For example:
 - Engine MNT 597.5 million
 - Engine maintenance 66.5 million MNT.
 - Turbine 15.4 million MNT
 - Control and gear switcher 32.2 million MNT
 - Cardan shaft 20.3 million MNT

Spare parts expense increase by equipment and trucks (in percentage)



HEATING EXPENSE

- In Oct, Nov, Dec of 2017, heating cost increased by 81.9 million MNT due to conveyer section started getting its heating from Dulaan Sharyn gol.

TIRE EXPENSE

- Total of tire cost increased by 248.3 million MNT. Compared to last year, Tire cost of Howa, Grader, Loader SD300 increased by 16.5%-156.7% and equaled to 86.7 million MNT. Also additional purchased Belaz /6 UNITS/ tires cost increased by 68.8 million MNT in 2017.

SALES AND ADMINISTRATION EXPENSE

- Sales and administration cost decreased by 2,769.6 million MNT compared to last year.
- Expense shown in the spread sheet.

Costs	2016			2017			Difference		
	Admin	Sales	Total	Admin	Sales	Total	Admin	Sales	Total
Fuel	8.4	140.3	148.6	8.2	2.0	10.2	(0.2)	(138.3)	(138.4)
Salary	1,806.8	572.4	2,379.2	1,516.5	215.3	1,731.8	(290.3)	(357.1)	(647.4)
Social insurance	233.2	74.1	307.3	195.9	28.1	224.0	(37.3)	(46.0)	(83.3)
Depreciation	117.7	29.7	147.4	153.0	30.8	183.8	35.2	1.1	36.4
Spare parts	37.5	286.9	324.4	20.9	84.5	105.4	(16.6)	(202.4)	(218.9)
Heating	55.2	-	55.2	54.8	-	54.8	(0.5)	-	(0.5)
Duties completed by others	475.2	528.4	1,003.6	113.1	17.9	131.0	(362.1)	(510.5)	(872.6)
Business trip	47.3	3.2	50.5	21.6	3.1	24.7	(25.7)	(0.1)	(25.8)
Communication	39.9	5.5	45.4	35.4	1.0	36.5	(4.5)	(4.4)	(9.0)
Rent	155.4	292.6	448.0	87.7	3.8	91.5	(67.7)	(288.8)	(356.5)
Advertisement	2.3	55.5	57.8	0.9	0.6	1.5	(1.5)	(54.8)	(56.3)
Wagon utilization	-	452.1	452.1	-	75.7	75.7	-	(376.4)	(376.4)
Board expense	323.3	-	323.3	370.0	-	370.0	46.7	-	46.7
Other	87.3	35.4	122.6	39.9	15.1	55.0	(47.4)	(20.3)	(67.7)
Total	3,389.5	2,476.0	5,865.5	2,617.9	478.0	3,095.9	(771.6)	(1,998.0)	(2,769.6)

THREE. CORPORATE GOVERNANCE AND BOARD OF DIRECTORS OPERATION REPORT OF 2017

-

The Board of directors of the company had been operated sustainably within the frame of authority given by Company's charter and rules and implemented following activities in 2017: Defined short & long term policies, made effective decisions towards to best interest for the company, monitoring and supervising the operation within the legal frame.

CORPORATE GOVERNANCE PLAN OF 2017

The Company and it's Board of Directors had been operating in compliance with the principles of Corporate Governance codex on it's activity and implemented the following plans in 2017:

- Agenda to be discussed in board of directors meeting in 2017
- Schedule of events of the Company in 2017
- Board of Directors committees activity plan of 2017 /auditing committee, remuneration committee, and nomination committee/
- Shareholders meeting time charts and work plan
- Company operation budget for rolling 12 month 2nd half of 2017 and 1st half of 2018

The Board of Directors of the Company had been operating in accordance within the relevant procedures and rules within the corporate governance codex.

INFORMATION DELIVERY

We kept the principles of transparency:

- Shareholders meeting date, agenda, registration date, voting ballots and list of related materials shall be advertised twice on the daily newspaper, on TV and through other information channels.
- Completed activities that prepared for shareholders meeting had been announced.
- For the shareholder meeting; Shareholders holding more than 5 percent of the shares, annual operational report, annual activities of Board of directors, and corporate governance report
- Information about shareholders meeting decision (25 Apr 2016)
- Information about executive team
- The elected Board members by shareholders of the company and shareholders representatives had been receiving board draft materials in advance and implemented their proposal to on going decisions.

*The report for AGM*

STOCK EXCHANGE INFORMATION – COMPANY SHARES

Share trading price of last 52 weeks of /2016, 2017/

Items	2016	2017
Number of issued shares	10,170,242	10,170,242
Type	Common	Common
Number of traded shares	21,592	274,522
Closing price	2750	2299
Highest price	4000	2600
Lowest price	2000	1870
Average price	2323	2271
Traded value	50,164,695	535,461,087

SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARES OF SHARYN GOL JSC

Total shares 10,170,242

№	Name	Number of shares	Percentage
1	SHG HOLDINGS 3	2,318,451	22,79
2	SHG HOLDINGS 2	2,028,906	19,94
3	NIHAN HOLDINGS	1,598,889	15,72
4	NATIONAL INVESTMENT BANK	1,158,520	11,39
5	SHG HOLDINGS 1	1,142,674	11,23
6	MOGUL RESOURCES	1,000,000	9,83

The company has total of 1040 shareholders as of Dec 31 of 2017 and table above shows top 6 shareholders that holds more than 5% of the shares.

SHAREHOLDERS MEETING

Head of the company is shareholders meeting and each meeting held within April in line with a Company law of Mongolia.

- Board resolution number 08 about Announcing shareholders meeting approved on March 09th, 2017
- In accordance with a decision, the meeting held at meeting room of Bayangol hotel on April 27th, 2016.



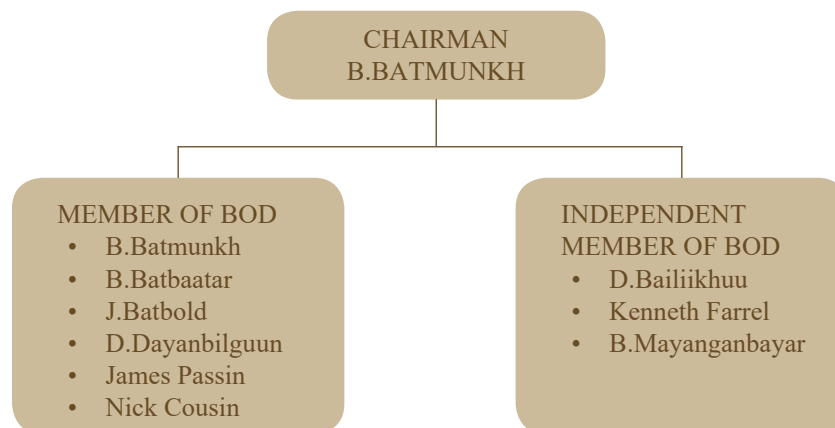
Shareholders meeting process on April 27th, 2017

In the meeting:

- Approval of Board conclusion on operational and financial reports of 2016 of the Company and presentation of Board operation and corporate governance report
- Approval of the BoD's budget for salaries, incentive payments and expenditure for 2017.
- Election of regular and independent members of BoD.
- Announcement of the Board decisions on not allocating dividend

Shareholders meeting quorum was 93,84 %.

- Meeting materials printed in two languages Mongolian and English. The contracted broker company delivered materials to shareholders.
- Shareholders meeting process and decision information provided to FRC and MSE in accordance with time period stated in the Law and was published on websites of the company and MSE
- Elected members of BoD for next two years from shareholders meeting in April 27th, 2017



BOARD OF DIRECTORS WORKED IN 2017



B. Batmunkh
Chairman of BoD



B. Batbaatar
Member of BoD
Head of Remuneration committee
Chief Executive officer



J. Batbold
Member of BoD
Member of Auditing committee



D. Bailikhuu
Member of BoD
Head of Nomination committee



D. Dayambilguun
Member of BoD
Member of Nomination committee



James Passin
Member of BoD
Member of Auditing committee



Nick Cousin
Member of BoD
Member of Remuneration committee



Kenneth Farrell
Member of BoD
Member of Nomination committee



B. Mayanganbayar
Member of BoD
Head of Auditing committee
Member of Remuneration committee



L. Batsuuri
Board Secretary

BOARD OF DIRECTORS MEETING

The Board of Directors undertook their obligation stable inline with Company law of Mongolia, company's charter and board of director procedure.



Board of directors meeting on September 9th, 2017

The Board of directors operated in accordance with plan of 2017 and made accurate decisions by its schedule. Depending on location and availability of the board members, the meetings were held in 2 forms: physical and online. The meetings held 8 times through online and 4 times in physical.

Board of Directors had adopted 22 resolutions in 2017 covering below stated matters:

- **Announcement of the shareholders meeting**
- Selection of Auditing company
- Board work plan for 2017, schedule of events and information delivery
- Appointment of Chairman for the Board
- Establishment of Auditing, Nomination and Remuneration committees
- Approval of renewed structure of the company.
- **Business plan 2017**
- Board conclusion on financial report and operation report of 2016
- Operation of Naco fuel JSC

- About Dividend
- CAPEX budget
- Approval of audited financial report
- Approval of operation budget on last half of 2017 and first half of 2018.
- Opening bank account
- Write off some assets from balance record sheet
- Employee training

MANAGEMENT TEAM IN 2017



B. Batbaatar
Member of BoD
Head of Remuneration committee
CEO



B. Otgonzul
Head of Corporate Development
& Investor Relations



L. Davaasuren
Chief accountant



J. Erdenebat
Chief engineer



T. Shofyor
Director of Government relation

CORPORATE GOVERNANCE AND OPERATION ASSESSMENT

Company operation received following awards in 2017 from Darkhan-Uul province.

- “Mining sector entrepreneur of 2017” award from Chambers of commerce of Darkhan-Uul province
- “Best firm” honor from Employer association of Darkhan-uul province
- “ Best enterprise of 2017” honor from Sharyn gol soum
- Nominated as one of “Top 100 enterprise of Mongolia in 2016” and received the award from Chambers of commerce of Mongolia.



This represents that so far the company had fulfilled its main duty and obligation sufficient enough among the society

**SHARYNGOL JSC RESOLUTION OF
BOARD OF DIRECTORS**

Mar 14, 2018

Doc №03

Ulaanbaatar

About BoD conclusion on Companies annual
report and financial report of 2017

WHEREAS, it has been determined pursuant to the subject 76.1.11 of the Company Law, 8,15,11 of company charter and following decisions of board meeting as follows :

1. BE IT RESOLVED, that the Operational report and Financial reports 2017 of the Company deemed as sufficient enough.
2. BE IT FURTHER RESOLVED that the Chairman /B.Batmunkh/ is hereby directed to present and introduce the BoD's conclusion report on Operational and Financial report of the Company at the Regular Shareholders' meeting.

CHAIRMAN

(signed and stamped)

B.BATMUNKH

Draft

**“SHARYN GOL”JSC
SHARE HOLDERS MEETING DECISION**

April 26, 2018

№ 01

Ulaanbaatar

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

WHEREAS the meeting has discussed the BoD conclusion on annual report and financial report for the fiscal year of the company and Board operation report and,

It is noted that operational report of the company deemed to be as sufficient enough , however the financial report deemed to be not sufficient due to defaults on accrued interest and principal payments on EBRD loan and couldn't fulfill it's contractual obligation,

NOW THEREFORE, 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:

BE IT RESOLVED that to approve the Board of directors conclusion on Operational report and Financial reports for 2017 of the Sharyn Gol JSC.

CHAIRMAN

B.BATMUNKH

Draft

**“SHARYN GOL”JSC
SHARE HOLDERS MEETING DECISION**

April 26, 2018

№ 02

Ulaanbaatar

Approval of amendments of the Company’s charter

WHEREAS, It has been determined pursuant to the tabulation commission result of the shareholders meeting as follows:

1. BE IT RESOLVED, that the article 9.3 of the Company’s charter which states “ The CEO of the Company can not be a Board member of the Company” shall be amended as “The Executive director may be a member of BoD but not the Chairman or the governing body of the other companies and entities.”

CHAIRMAN

.BATMUNKH

Draft

**“SHARYN GOL”JSC
SHARE HOLDERS MEETING DECISION**

April 26, 2018

№ 03

Ulaanbaatar

About the approval of expenditure budget of
Board of directors for 2018

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:

1. BE IT RESOLVED, that the expenditure budget of Board of Directors for 2018 in a form attached hereto is hereby approved
2. BE IT FURTHER REOLVED, that the Remuneration Committee is directed to maintain monitoring of the Board of Directors budget expense.

CHAIRMAN

B.BATMUNKH

*Appendix of the Resolution # of the Sharyn Gol JSC's
 Shareholders meeting of 2018*

BUDGET OF BOD FOR THE YEAR 2018

№	Items	Total expense /thous.MNT/
1	Salaries for the chairman and members of BoD	345,600.0
2	Social insurance	34,560.0
3	Postal and communication expense	8,124.0
4	Clerical expense	480.0
5	Business trips	12,000.0
6	Fuel expense	8,415.3
7	Advertisements	3,000.0
8	Meeting expense	2,000.0
9	Receptions and events	12,000.0
10	Promotion fund of BoD	10,000.0
11	Others completed tasks	3,500.0
12	Repair cost	5,000.0
13	Insurance	980.0
TOTAL		445,659.3

INTRODUCTION OF THE BOARD MEMBER NOMINEES OF SHARYN GOL JSC

Nominees for regular members of the bod

BATMUNKH BATKHUU



- Born in 1974, Ulaanbaatar, Mongolia
- 1996 graduated from School of Economics Science, National University of Mongolia
- 2000 graduated from university of California, USA
- Majored in Finance and Economics
- 1996-1998 VP of Bodi Leasing LLC
- CEO of Orix Consulting LLC
- CEO of B&G Equipment LLC
- Board member of Sharyn Gol JSC
- 2008- up to present, Chairman of Sharyn Gol JSC

BATBAATAR BADAN



- Born in 1977, Warsaw, Poland
- 2000 graduated from George Mason University with bachelor degree
- 2004 graduated from George Washington university with Master's degree
- Majored in Business administration and finance
- 2006-2007 Millennium challenge
- 2007-2009 CCP LLC
- 2009-2014, CEO of CBM LLC
- June 2014- up to present, CEO of Sharyn Gol JSC

BATBOLD JIGJIDSUREN



- Born in 1964, Khuvsgul province, Mongolia
- 1986 graduated from Federal State Technical institution in Sverdlovsk
- 2003 graduated from Academy of Management
- Majored in Mining electro mechanical engineering, administration methodology and holds masters of business administration
- 1987-1993 instructor of Technical college of Darkhan province
- 1993-1998 Deputy CEO of Arvis LLC
- 1998-2001 State property committees agency of Darkhan province
- 2001-2004 Chief engineer of Mining LLC
- 2005-2007 CEO and Board member of Sharyn Gol JSC
- 2007- up to present, CEO of Sharyn Gol Energo LLC

JAMES PASSIN



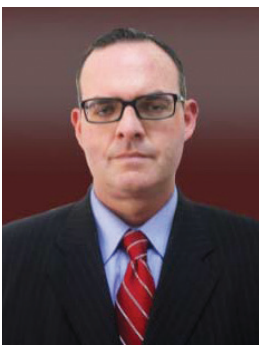
- Born in 1971, Chicago, USA
- 1994 Graduated from ST.John's college with bachelor degree of Philosophy and classical Literature
- 1995-1999 Editor and Research director of Taipan international investment magazine
- 1999- up to present, fund manager of Firebird Management LLC
- 2000 started Firebird investment fund
- 2006 started Firebird 2 investment fund
- 2008- up to present, Board member of Sharyn Gol JSC
- Also Board member of following companies: Baganuur JSC, BD Sec JSC,
- Berkh-Uul JSC, Mongol Shiltgeen JSC and National Investment Bank

ITGEL BOLD



- Born in 1986, Ulaanbaatar, Mongolia
- 2005 graduated from York high school of USA
- 2008 graduated from George mason university of USA
- Majored in Economics
- 2009-2010 Teller, economist, relation manager at Khan bank
- 2010-2013 Investor manager and analyst at Newcom LLC
- 2013- up to present, CEO of Nowa Terra LLC

NICK COUSIN



- Born in 1969, Newport Beach CA, USA
- Bachelor of Arts Economics, University of California at Riverside
- 1999-2002 Nasdaq Trading & Sales, Deutsche Bank
- 2002-2004 Institutional Sales, Wells Fargo Bank
- 2006-2009 Vice President of, First Horizon Bank
- 2009-2012 Managing director CRT Capital
- 2012-2017 Chief operating officer BD Sec JSC
- 2017- up to present, investor and consulting at BD SEC LLC

OTGONZUL BAATAR



- Born in 1980, Ulaanbaatar, Mongolia
- 2003 graduated from State University of Education
- 2009 graduated from University of Finance and Economics, Mongolia
- 2010 Completed Recent Changes to IFRS training course by Ernst & Young Malaysia
- 2011 Completed New Manager Boot Camp training course by University of California Berkley and AUM Center for Executive Education
- 2012 Completed Corporate Governance course by Mongolian Corporate Governance Institute
- 2013 Completed Coal trading and risk management training course by Coaltrans, London training
- Majored in Linguistics and Finance
- 2003-2010 general secretary of B&G group
- 2005-2010 Executive Assistant to the President of Sharyn Gol JSC
- 2010-2013 Project and Office manager of Sharyn gol JSC
- 2013- up to present, Head of Business development and Investor relations of
- Sharyn Gol JSC

TULGA BATBAYAR



- Born in 1989, Darkhan-Uul province
- 1994-2004 graduated high school at Tes soum of Zavkhan province
- 2004-2008 University of Finance and Economics, Mongolia
- Majored in business economics
- 2008-2009 Auditor and economist of Zoos Bank
- 2009-2011 Market risk and internal control specialist of State Bank
- 2011-2012 economist of National Investment bank
- 2012-2013 Loan economist of National investment bank
- 2013-2016 Head of Corporate investment department
- 2016-2017 Head of Corporate bank division
- 2017- up to present, CEO of National investment Bank

ERDENEBAT JAMAA



- Born in 1996, Ulaanbaatar, Mongolia
- 1977 graduated high school
- 1986 graduated from mining institute of Kryvoi Rog city of Ukraine
- 2008 received master's degree of Mongolian University of Science and technology
- Holds state honored consulting engineer title
- Profession in mining engineer and surveyor
- Distinguished miner of Mongolia
- 1984 section surveyor , Sharyn gol mine
- 1984 chief surveyor , Sharyn Gol mine
- 2003 chief technologist Sharyn Gol JSC
- 2012- up to present, Chief engineer Sharyn Gol JSC

ERDEMBILEG JUGDERNYAMJAL



- Born in 1976, Ulaanbaatar, Mongolia
- 1994 graduated from National university of Mongolia
- 2003 graduated from National Academy of Governance
- Majored in economics
- 2004 Masters in business administration
- 1998-2004 specialist at Government agency for policy coordination on state property
- 2005-2009 Project manager of Energy-resource LLC
- 2010-2011 International relation officer at Ministry of energy and Erdes bayalag
- 2016- up to present, CEO of Gobi caravan LLC
- From March 2018 -present, Appointed to temporary member of BoD of Sharyn Gol JSC until next Shareholders meeting.

Nominees for independent member

BAILIKHUU DAMBACHULTEM



- Born in 1947, Uvs province, Mongolia
- 1978-1982 graduated from School of Economics Sciences, National university of Mongolia
- 1991, 1995 advanced his major in university of Maryland, USA
- 1993 graduated from School of Economics Sciences, National University of Mongolia with MBA
- Majored in Economics and Holds state honored Economics title
- 1991-1992 Advisor of Government Privatization Commission of Mongolia
- 1992-1996 Secretary of Government Privatization Commission
- 1996- up to present, Advisor to the State property Committee

BATSUREN MAJIGSUREN



- Born in 1977, Ulaanbaatar, Mongolia
- Graduated Ulaanbaatar University in 2001
- Majored in Mathematics
- Board member of HBOil JSC

MAYANGANBAYAR BATSUKH



- Born in 1987, Uvs province, Mognolia
- 2006 graduated from Saint Benedict's School, NJ, USA
- 2011 graduated from Saint John's University, Minnesota
- Majored in Mathematics
- 2012 completed temporary course of Mongolian security market
- 2013 completed corporate governance course of FRC
- 2013 completed mine course of Runge
- 2008 office manager of Mondo printing company, USA
- 2011-2015 financial analyst of CBM LLC
- 2016- up to present, Investor relation manager of Gobi Garavan LLC,
- Also Board member of Khuh Gan JSC, RAB LLC, NACO FUEL JSC, HBOIL JSC, and E-TRANS JSC

KHULAN GEREL



- Born in 1985, Tokyo, Japan
- 2000 graduated Shoto middle school in Japan
- 2004 graduated Kokusan high school in Japan
- 2008 graduated Asian university in Japan
- Majored in Foreign relations
- 2011-2013 CEO of Solongo Eco Camping LLC
- 2014-2018 General manager of ISAK International smart Aqua Kalcha
- 2017- 2018 CEO of Danfo GHO LLC

Draft

**“SHARYN GOL” JSC
SHARE HOLDERS MEETING DECISION**

26 April 2018

№ 04

Sharyn Gol

Appointment of BoD member and its independent members

WHEREAS, it has been determined pursuant to the subject 62.1.7 of the Company law of Mongolia, article 8.3 of the Company charter and following tabulation commission result of the shareholders meeting as follows:

NOW, THEREFORE, it is hereby

RESOLVED that following nominees shall be appointed as follows

Regular Members of the BoD

-
-
-
-
-
-

Independent members of the BoD

-
-
-

BE IT RESOLVED, that the selected nominees shall be appointed for 2 years of duration starting from 26 April 2018 until the shareholders meeting to be held in 2020.

CHAIRMAN

B.BATMUNKH

SHARYN GOL JSC
BOARD OF DIRECTORS RESOLUTIONS

19 April 2018

№01

Ulaanbaatar

WHERE AS, the net profit of the company for the fiscal year come up with 2,4 Bill MNT with the performance of 120% on coal sales, however the accumulated loss as of 2017 reported 7.6 bill MNT. Debt to asset (D/A) ratio was down by 4% from previous year to 60% but the financial position remains critical and lower the acceptable level ;

WHERE AS , OB removal is behind the plan with performance of 86% which worsening the mining condition and leads to high strip ratio going forward and, the company is behind of 5.5 million m3 of OB removal over the last 5 years and 61,0 million m3 in over all mine life period;

WHEREAS, the loan obligation to EBRD by 2107 is 14,7 bill MNT for the received loan with amount 5,0 mill USD in accordance with loan agreement back from 2014. Subject to Article 3.01 of the Loan agreement the company shall not declare or pay dividends unless the full or sufficient completion of it's contractual obligation;

WHERE AS in connection with major customers expansion such as Erdenet PP, Darkhan PP and Erdenet Copper mine, the mine production for 2018-2022 is estimated to be 1.1-1.6 mill tones of coal per annum which particularly triples the BCM from current capacity. Therefore the company will be in need of CAPEX with initial estimation of 45 bill MNT to upgrade the mine fleet in order to meet the increased production and demand,

NOW, THEREFORE, it is hereby

1. BE IT RESOLVED, that not to allocate dividend from operation outcome of the fiscal year of 2017.
2. BE IT FURTHER RESOLVED that the CEO /Batbaatar.B/ is hereby directed to present this resolution and its substantive explanation with estimation to the Shareholders meeting.

CHAIRMAN

(signed and stamped)

B.BATMUNKH

*Appendix of the Resolution # of the Sharyn Gol JSC's
Board of Directors meeting of 2018*

SHARYN GOL JSC

Voting ballots for Shareholders Meeting

Shareholder's Surname..... Given name.....

Registration /ID number/

Shareholders registration number.....

Type of the holding shares.....

Share quantity.....

The regular shareholders meeting of Sharyn Gol JSC will take place in the conference room of Corporate hotel and Convention center at 3:30pm of the 26th April, 2018.

№	Agenda	Decision draft	For	Against	Abstain	Proposal if any
1	BoD conclusion on annual report and financial report for the year 2017 of the Company and Board activity report	Resolution required, Approve BoD's decision				
2	Approval of renewed charter of the company	Take off some article, resolution required				
3	Salary, incentive and expense budget of members of the BoD in 2018	Resolution required, Approve BoD salary, incentive and expense				
4	Appointment of members of BoD		Vote number for nominees (cumulative calculation)			
	1	Batkhuu Batmunkh				
	2	Badan Batbaatar				
	3	Jiggidsuren Batbold				
	4	James Passin				
	5	Bold Itgel				
	6	Nick Cousin				
	7	Baatar Otgonzul				
	8	Batbayar Tulga				
	9	Jugdernyamjil Erdembileg				
	10	Jamaa Erdenebat				
	Appointment of independent members of BoD		Vote number for nominees (cumulative calculation)			
	1	Dambachultem Bailiikhuu				
	2	Majigsuren Batsuren				
3	Batsukh Mayanganbayar					
4	GerelKhulan					
5	BoD conclusion on not allocating dividend		Resolution does not required			

Deadline of the ballot is 26th of April

Shareholders signature.....

The valid voting ballot has been counted by:

Committee director.....

Members:

.....

Reason if ballot will be invalid.....

.....

Usage guide of voting ballots:

1. Use ✓ mark to vote.
2. Cumulative calculation will be used to choose BoD member. Number of vote for cumulative calculation
.....
 - Explanation: All common stock number will multiply by 9 in order to find all numbers of vote. This possess 2/3 of votes will choose 1-6 members of BoD, 1/3 votes will be choose 1-3 independent members of BoD. If you didn't vote in line with explanation, your vote will be disqualified.
3. 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.
4. The voting ballots with the correction or extra marks will be disqualified.
5. Any information of the meeting can be accessed by following phone numbers +976-11-311073, 99293913 and 99031917.