Proposals on realization of government stake in JSC “Shargunkumir” to strategic investors.

JSC “Shargunkumir” is the legal entity and implements its activity on the basis of current legislation of the Republic of Uzbekistan and the Charter of the Company, has the independent balance, settlement and other accounts in banks on the territory of the Republic of Uzbekistan, the round seal stating its full firm name in the state language and specifying its location.

The resources of coal in the Republic of Uzbekistan are located in Surkhandarya and Kashkadarya regions and make up 184,2 million tons, including those explored in detail - 82.2 million tons, projected - 20 million tons, prospective for coal extraction (requiring additional exploration) - 82 million tons.

JSC "Shargunkumir" produces coal mining by underground method on two coal mines located in Surkhandarya region.

The reserves of coal of JSC “Shargunkumir” make up 49.9 million tons, including those of Shargun field - 33.0 million tons, of Baysun field - 16.9 million tons.

“Shargun” mine was commissioned in 1958, burns off one high (from 2.0 to 12m) steeply pitching coal (40-50°) on the same field, which is located in mountainous terrain with absolute marks from +925 m to +1900 m at the distance of 20 km from enterprise campus Shargun and broad gage line railway spur.

Coal mark is SS (low-caking), the calories are from 5200 to 8100 Kcal/kg; ash content is from 25,5% to 30%.

The climate is sharply continental with long hot dry summer and cold winter with heavy precipitation.

Coal is estimated as prone to spontaneous combustion with high probability, as evidenced by the experience of mine development.

According to gas content (gas methane emission) the mine is referred to the category I, and at the lower level it is referred to category II and then – to category III.

- “Baysun” mine was commissioned in 1982 as the exploration and operational site of “Shargun” mine, burns off one steeply pitching coal (45 – 55град) having capacity of 1.5 – 3.0 m.

Coal mining in JSC “Shargunkumir” in 2014 made up 107 thousand tons, in 2015 – 124 thousand tons.

JSC "Shargunkumir" has goods transporting cableway (GTCW) and the briquetting factory with the capacity of 400 thousand tons of briquettes per year. Due to lowering the volumes of mined coal and economic inexpedience the briquette factory and GTCW were frozen. The length of the departmental broad gage line railway spur makes up 14.6 km.

Preparation (excavation) and coal mining (actual mining) are conducted by drill and blast tunneling method.

Coal seam uncovering is made by mining workings – the mine adits.
Power supply of the mine is carried out by two independent power transmission lines with the length of 18 km.
Substation and power transmission lines are on the balance of local enterprise JSC “Uzbekenergo”.
The total length of roads is 20 km, including: with asphalt cover - 14 km are the roads for general use and are managed by the company “Uzautoyul”; technological road of mine adit has the length of 6 km.
For 57 years of mines work different development systems have been tested: room-and-pillar, cut-and-fill, combined with flexible metal covering (FMC). Mainly, room-and-pillar mining system was used with the local name “Short stoping faces”. As the result the loss of coal was over 50%.
Conducted marketing researches have established:
Annual demands of JSC “Stroymaterials” (“Construction materials”) of the Republic of Uzbekistan in coal increase in the amount of over 1360 tons per year from 2020.
The issue on the construction of thermal power plant is worked out in the region with the use of coal with annual demand of up to 500 thousand tons of coal per year.
According to data of Sector Inspection for supervision in the oil and gas industry the annual demand of consumers in the real sector of economy in hard coal at the manufacture of brick, lime, plaster, etc. makes up 2.5 million tons.
The intentions in purchasing of Shargun and Baysun coals were expressed by Russia, Ukraine, and Afghanistan.
Kazakhstan, Kyrgyzstan and Tajikistan experience the deficiency of hard coal.
On the basis of the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 123 dated April 28, 2011 On measures for realization of the agreements reached during the State visit of the President of the Republic of Uzbekistan I. A. Karimov to People's Republic of China and for further development of bilateral cooperation in accordance with the Memorandum of understanding between the Ministry of Finance of the Republic of Uzbekistan and Export-Import Bank of China on the use of preferential credit funds for the implementation of the project “Modernization of JSC “Shargunkumir” with the power improvement on the coal production up to 900 thousand tons providing the payback of the project for 12 years, the decision was taken on the reasonability of developing the project of modernization of JSC “Shargunkumir” with the acquisition and commissioning of two water treatment mechanized complexes produced in PRC.
The study of the world experience of coal mining in underground work in conditions similar to “Shargun” mine has established that the most highly-productive equipment and technology using mechanized treatment complexes, the development of high steeply pitching coals, is conducted only in the mines of China, producing all the necessary basic and auxiliary equipment in its factories.
The specialists of JSC “Uzbekugol” and JSC “Shargunkumir” in 2010-2011 for three times visited the mines of PRC, where the specified highly-productive equipment and technology are used and the specialists of Chinese companies visited the “Shargun” mine. The results of the studies established the technical opportunity and economic reasonability of highly effective and safe equipment and technology installation for the development of high steeply pitching coals, applied on Chinese mines.

Preliminary feasibility study of the project “Modernization of JSC “Shargunkumir” has been developed and it was approved by the Cabinet of Ministers of the Republic of Uzbekistan.

Currently pre-contract negotiations are conducted with the Chinese company on the project implementation.

Fixed assets as at 01.01.2016 make up 5742,4 million soums, the authorized fund is 7029,4 million soums.

The company's shares are placed as follows: the share of JSC “Uzbekenergo” is 51 %, the share of JSC “Uzbekkumir” is 46,85 %, the share of personnel is 1.9% and other - 0.25%.

The average staff number is 444 persons.

**Major production**
commissioned in 1958
capacity – 150 thousand tons
maximum load was achieved in 1992 – 220 thousand tons
load level in 2015 - 83,0 %

**Engineering infrastructure**
The power is supplied from the external networks having voltage of 110 kV; 35 kV; 6kV. The supplier is JSC “UZBEKENERGO”. The contracted capacity is 245 mW.
The length of departmental railways of the enterprise is 14,6 km
The number of access routes – 1
Carrying capacity – 1,0 thousand tons per day

**The list of main kinds of raw materials used in production**

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Unit</th>
<th>Annual demand</th>
<th>Country demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Timber</td>
<td>m3</td>
<td>4500</td>
<td>Russia</td>
</tr>
<tr>
<td>2</td>
<td>Explosive substances</td>
<td>ton</td>
<td>45,1</td>
<td>Russia</td>
</tr>
<tr>
<td>3</td>
<td>Firing agents</td>
<td>thous.pc.</td>
<td>90</td>
<td>Russia</td>
</tr>
<tr>
<td>4</td>
<td>Oil and lubricants</td>
<td>ton</td>
<td>554</td>
<td>Uzbekistan</td>
</tr>
<tr>
<td>5</td>
<td>Ventilation pipes</td>
<td>rm</td>
<td>4500</td>
<td>Russia</td>
</tr>
<tr>
<td>6</td>
<td>Cable SBN – 35*50</td>
<td>rm</td>
<td>1500</td>
<td>Russia</td>
</tr>
<tr>
<td>7</td>
<td>Cable GERSHA 35*50</td>
<td>rm</td>
<td>1500</td>
<td>Russia</td>
</tr>
<tr>
<td>8</td>
<td>Ropes</td>
<td>rm</td>
<td>1200</td>
<td>Russia</td>
</tr>
<tr>
<td>9</td>
<td>Metal</td>
<td>ton</td>
<td>10</td>
<td>Uzbekistan</td>
</tr>
</tbody>
</table>
Information about the stockholders of JSC “SHARGUNKUMIR”

Authorized fund of JSC “Shargunkumir” - 7 029 420 pcs. of ordinary shares, including:
- 51 % - share of JSC “Uzbekenergo”
- 46,85 % - share of JSC “Uzbekugol”
- 1,9 % - share of personnel
- 0,25 % - other

The introduction of corporate management principles in JSC “Shargunkumir” is carried out by conducting general meetings of shareholders and Supervisory Board meetings.

At the meeting of the Supervisory Board quarterly the report is presented by the head on the implementation of the Business plan during the reporting period, as well as the reports of Internal Audit Service and members of the Board on business areas.

Additional sources of financing of the investment project are determined by government decisions with the special allowances being introduced from 2014 to the wholesale and retail price of coal, used for targeted purposes of the project.

<table>
<thead>
<tr>
<th>Description</th>
<th>JSC “Shargunkumir”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of activity</td>
<td>Coal industry</td>
</tr>
<tr>
<td>List of products produced</td>
<td>hard coal</td>
</tr>
<tr>
<td>Year of establishment</td>
<td>1958</td>
</tr>
<tr>
<td>Location</td>
<td>50- A.Ikramov Street, Shargun town, Saryasiya region, Surkhandarya area, Republic of Uzbekistan</td>
</tr>
<tr>
<td>Territory, total</td>
<td>316,92 ha</td>
</tr>
<tr>
<td>Number of personnel</td>
<td>444 persons</td>
</tr>
<tr>
<td>production personnel</td>
<td>334 persons</td>
</tr>
<tr>
<td>management personnel</td>
<td>110 persons</td>
</tr>
</tbody>
</table>

Volume of products currently produced in JSC “SHARGUNKUMIR”
Contacts

Kucharov Sayfulloh Khabibulovich
Chairman of the Board of JSC “Shargunkumir”
director@sharguncoal.uz
+998 90 226 51 11

Saidov Sattor Gapparovich
Director on perspective development, investments and
capital projects of JSC “Shargunkumir”
modernization@sharguncoal.uz
+998 915778644