



Mongolia Extractive Industries Transparency Initiative (EITI)

Mongolia Second EITI Reconciliation and Report 2007

Final Report - 4 November 2009

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## Abbreviations / Definitions

EITI	Extractive Industries Transparency Initiative
Engagement	Second Mongolia Extractive Industry Transparency Initiative Reconciliation and Report 2007
“Ernst & Young” or the “Consultants”	Ernst & Young Mongolia Audit LLC and Ernst & Young Malaysia
GCAM	General Customs Administration of Mongolia
GDTM	General Department of Taxation Mongolia
Government	Government of Mongolia
Government Entities	MRAM, GDTM, MOET, GCAM, PAM, SPC, LSWSO and local governments (aimags and soums)
LSWSO	Labor and Social Welfare Service Office
MEITIS	Mongolia Extractive Industries Transparency Initiative Secretariat
MMRE	Ministry of Mineral Resources and Energy previously known Ministry of Trade and Industry
MNT	Mongolian Tugrik
MOF	Ministry of Finance of Mongolia
MOET	Ministry of Environment and Tourism Mongolia
MRAM	Mineral Resources Authority of Mongolia (formerly part of MRAMP)
MRAMP	Mongolian Regulatory Authorities of Minerals and Petroleum
PAM	Petroleum Authority of Mongolia (formerly part of MRAMP)
SPC	State Property Committee of Mongolia
USD	United States Dollar
VAT	Value Added Tax

## Executive Summary

*All amounts shown in this report are expressed in thousands of Mongolian Tugrik (“MNT”) unless otherwise stated.*

The approach to the Engagement was split into the following two phases.

- Phase 1     Analysis and Reconciliation; and
- Phase 2     Verification, Assessment and Conclusion

Under Phase 1 of the Engagement, it was resolved that some companies were still using the old EITI Template for submitting the information requested. The major issue identified during this phase was a discrepancy amounting to MNT27,221,026 due to items which were no longer required to be reported such as VAT, Social Insurance Premiums paid by employers and employees, Individual Income Tax and Insurance and Monetary Donations from Companies to Local Organizations. These were subsequently excluded from the aggregated discrepancy. Further analysis carried out during this phase indicated that the main discrepancies were from items such as taxes, fees and dividends on state and local property.

Phase 2 commenced after most of the information were received from the respective companies. The responses from the Government Entities however, were poor and the information which was eventually received was incomplete. Numerous follow up visits were necessary and this unduly contributed to the delay in the finalization of this report.

Our findings during Phase 2 of the engagement indicated that the bulk of the discrepancies were caused by numerous revisions made to the original information submitted by both the companies and the Government Entities. The main reason provided for these revisions by the companies was that the information submitted to EITI was different from that which was submitted to the Government Entities due to human errors and a general lack of understanding of the reporting requirements.

Other discrepancies indicated that information on certain taxes or fees paid were wrongly included under certain items in the EITI Templates. For example, Customs Tax included other taxes such as Excise Tax on Imported Fuel and Oil Materials and as per our findings in Phase 1, information which were not required such as VAT and Personal Income Tax were reported.

There were also discrepancies which were due to Government Entities not having records for certain payments made by the companies to soums or aimags, in particular, donations to governmental organizations and local governments, land rent and fee for water use. The confusion by some on whether amount payable or paid should be submitted also contributed to some of the discrepancies. Only for Dividends on State and Local Property did the Government Entities reported more than the companies. This was attributed to the inclusion by GDTM in its report of a dividend payment made by Erdenet Mining Corporation LLC in 2006 amounting to MNT59,151,641.

As for the unresolved discrepancies, there was insufficient detailed information available for further reconciliation to be carried out. Reasons given by the companies ranged from the absences of key personnel to limited details being available in the accounting records as well as files being archived and are therefore inaccessible.

From the Government Entities perspective, the main contributor to the unresolved discrepancies have been the incompleteness of information captured at the GDTM level and disputes on the amounts reported between MRAM and the companies. During the course of the Engagement it was also obvious that not all taxes collected at the soums and aimags were reported back to the GDTM on a regular basis. This would need to be addressed urgently if future reconciliation exercises are to be successful.

## Executive Summary (cont'd)

In conclusion, from the points mentioned above, it can be seen that the quality of the data from the companies could be further improved if the instructions for completing the EITI Templates are more comprehensive and specific in nature, coupled with the setting up of a help desk by MEITIS to resolve any queries that may arise when completing the EITI Templates. More importantly however, MEITIS will need to work with MOF and the respective Government Entities in developing a formalized reporting process aimed at improving the quality of the relevant data that is to be captured in the EITI Templates by all levels concerned.

# 1. Introduction

Ernst & Young Mongolia Audit LLC and Ernst & Young Malaysia (“Ernst & Young” or the “Consultants”) have been appointed by the Mongolia Extractive Industries Transparency Initiative Secretariat (“MEITIS”) to undertake the Mongolia Second Extractive Industries Transparency Initiative Reconciliation and Report 2007 (“Engagement”) done in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagement and the terms of reference as set out in the consultancy contract with the MEITIS, Contract (Mongolia EITI Second Reconciliation Report for 2007, Consultants’ Services, Lump-sum, Contract for Phase 1 and Phase 2), dated 13 April 2009.

This report details the work carried out for this Engagement, results of the reconciliation and analysis as well as the findings arising from the reconciliation and analysis and related recommendations. This report should be read in conjunction with the appendices of this report.

All amounts shown in this report are expressed in thousands of MNT unless otherwise stated. For the purposes of differentiation, where amounts reported by the companies have exceeded the amounts reported by Government Entities, these will be bracketed.

## 1.1 Objective

The objective of the Engagement is to determine, in compliance with the procedures set out by the Extractive Industries Transparency Initiative (“EITI”) International Secretariat, the transparency and credibility of mining sector payments and receipts in Mongolia. To this end, the Engagement entails an analysis and reconciliation of material payments and receipts made in fiscal year 2007 in the mining sector.

## 1.2 Scope of Work

To achieve the objective of this engagement, Ernst & Young is responsible to undertake the following scope of work:-

- ▶ Analyze all material payments by mining companies to the Government of Mongolia (“Government”) and material receipts by the Government from the mining companies for the tax year 2007. The analysis will be based, in the first instance, on reporting templates completed by each company and by the government for each company reporting. [The level of materiality of company payments has been set to be at a minimum of MNT200,000 during tax year 2007 (thus, approximately 38 companies)].
- ▶ Produce a report—in English and Mongolian—showing, on an aggregated and disaggregated basis of all company payments and government receipts, including by type of payment. We will work with both parties to explain any discrepancies between the payments and receipts; and the report shall highlight any unexplained discrepancies and causes. The report will include an opinion on the quality of the data and on the process of the exercise as a whole. The report will include recommendations on how to strengthen the exercise going forward, and on discrepancies and how to deeply examine their causes.

## 1. Introduction (cont'd)

### 1.3 Limitations to Scope

Except as described in the following paragraph, the analysis will be carried out on a cash accounting basis, with both cash and in-kind payments taken into account (done in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagement). We will perform the procedures detailed in the following section of this report and will report to MEITIS the factual findings resulting from our work.

The procedures that we will perform are solely to assist MEITIS in the analysis and reconciliation of material payments and receipts as included in the scope of work above, made in fiscal year 2007 in the mining sector.

The procedures that we performed do not constitute an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements and consequently, no assurance will be expressed.

The information available to test the declarations made consists of submissions by the mining companies' party to the initiative, the submission of the consolidated declaration made by the Ministry of Finance of Mongolia ("MOF") and the related supporting details of payments/receipts that were provided to the MEITIS.

If there are payments by the companies to the Government and material receipts by the Government from the companies omitted from both the completed reporting templates, our work would be insufficient to detect them and will therefore be excluded from our report.

In conducting our work, we have relied on the information and explanations obtained from the respective Government bodies and companies. No representation is made as to the accuracy or completeness of such information.

This report is also prepared in the Mongolian language. In the event of discrepancies or contradictions between the English version and the Mongolian version, the English version will prevail.

Our report incorporated the information received up to 4 November 2009. Any information received subsequently would therefore not be included in this report.

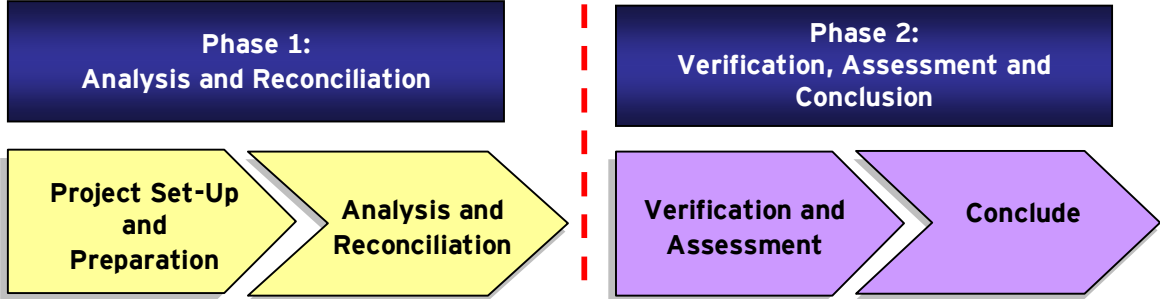
### 1.4 Acknowledgment

Ernst & Young would like to express our sincere appreciation to Mr. Sharyn Tsolmon and Mrs. Tumenjargalin Khurelchimeg from MEITIS who have provided us with invaluable insights and support during the whole Engagement. Mr. Tsolmon in particular, has been instrumental in assisting us with the arranging of meetings with the various key personnel at the Government Entities as well as the companies which was vital in ensuring that information was received on time for the completion of our report.



## 2. Approach

Based on the objective highlighted in the previous section and our understanding of the scope of work, the approach adopted by us was to carry out the reconciliation in two phases, namely, Phase 1: Analysis and Reconciliation and Phase 2: Verification and Assessment and Conclusion as depicted below:-



The broad overview of the main tasks for the two phases can be seen below.

PHASE 1: ANALYSIS AND RECONCILIATION
<i>Project Set-Up and Preparation</i>
<p><b>Main Tasks:</b></p> <ul style="list-style-type: none"> <li>▶ Established and agreed on Engagement and progress reporting timetable.</li> <li>▶ Identified and appointed a Client Project Coordinator to assist in scheduling of interviews and collation of data.</li> <li>▶ Obtained a preliminary understanding of the current reporting process, guidelines and procedures.</li> </ul>
<i>Analysis and Reconciliation</i>
<p><b>Main Tasks:</b></p> <ul style="list-style-type: none"> <li>▶ Obtained and reviewed the completed reporting templates by respective Ministries, Government agencies, local government (aimags and soums), various taxation offices and local organizations submitted by the MOF and selected companies.</li> <li>▶ Compared the Government receipts and company payments for the tax year 2007 based on cash accounting basis, taking into account cash and in-kind payments.</li> <li>▶ Where discrepancies were noted between Government receipts and company payments, further information on these were requested from the various Government bodies and companies.</li> <li>▶ A status report detailing the list of discrepancies and the status of the inquiries to the Government bodies and companies as well as highlighting any issues noted based on preliminary findings is prepared.</li> <li>▶ Submitted status report to Mongolia EITI Working Group.</li> </ul>

## 2. Approach (cont'd)

### PHASE 2: VERIFICATION, ASSESSMENT AND CONCLUSION

#### *Verification and Assessment*

##### **Main Tasks:**

- ▶ Updated the status of inquiries to Government bodies and companies.
- ▶ Obtained and reviewed the detailed listing of the breakdown provided for the reported amount from both Government bodies and companies.
- ▶ Where possible, confirmed the explanations provided for discrepancies noted with additional verification procedures.
- ▶ Recorded all material discrepancies noted on the relevant work papers supported by the necessary documentary evidences.
- ▶ Highlighted any issues noted and identified areas for improvements.

#### *Conclude*

##### **Main Tasks:**

- ▶ Collated information and prepared the reports.
- ▶ Submitted report to Mongolia EITI Working Group for discussion.

### 2.1 Our Detailed Approach

This section serves to highlight the detailed approach undertaken to carry out the Engagement. Where there were changes to our proposed approach, these will be highlighted and reasons for the changes will be provided.

### PHASE 1: ANALYSIS AND RECONCILIATION

#### *Project Set-Up and Preparation*

##### **Main Tasks:**

- ▶ Established and agreed on engagement and progress reporting timetable.
- ▶ Identified and appointed a Client Project Coordinator to assist in scheduling of interviews and collation of data.
- ▶ Obtained a preliminary understanding of the current reporting process, guidelines and procedures.

The following meetings were carried out during this initial stage of Phase 1.

- ▶ An initial meeting was arranged with the Client Project Coordinator, Mr. Sharyn Tsolmon, Coordinator of MEITIS, to confirm the project scope, approach and progress reporting timetable. The timeframe agreed to were as follows.
  - ▶ Commencement of Phase 1 on 11 May 2009.
  - ▶ Completion of Phase 1 on 5 June 2009.
- ▶ A meeting was also held with the representatives from the MOF and Mineral Resources Authority of Mongolia (formerly part of MRAMP)("MRAM"), to introduce the team and to determine which Government bodies to contact for further information on the amounts reported by the Government.

## 2. Approach (cont'd)

### 2.1 Our Detailed Approach (cont'd)

- ▶ Meetings were then arranged and held to introduce the team and confirm on the source of information for each of the line items reported on the EITI Template (as can be seen on **Appendix A - Source of Information - Government Entities**, of this report) with the following Government bodies.
  - ▶ General Department of Taxation Mongolia (“GDTM”).
  - ▶ Ministry of Environment and Tourism of Mongolia (“MOET”).
  - ▶ General Customs Administration of Mongolia (“GCAM”).
  - ▶ Petroleum Authority of Mongolia (“PAM”).
  - ▶ State Property Committee of Mongolia (“SPC”).
  - ▶ Labour and Social Welfare Service Office (“LSWSO”).

For the purpose of this report, “Government Entities” refers to MRAM, GDTM, MOET, GCAM, PAM, SPC, LSWSO and local governments (aimags and soums).

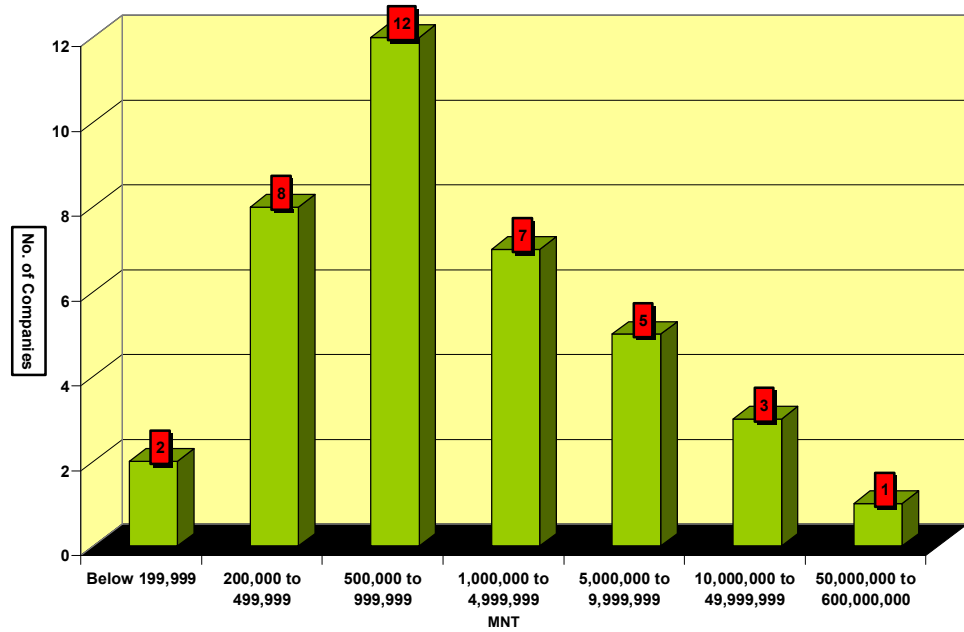
During this stage, information was also obtained to establish a preliminary understanding of the current reporting process, guidelines and procedures.

- ▶ For the purpose of the Mongolia EITI reconciliation and report for the year 2007, MOF has reported on the receipt of taxes, fees, charges and service charges, dividends on state and local property, other receipts on payments made to the Government such as entitlements under the production sharing contracts and donations for 186 companies (2006: 137 companies).
- ▶ However only 102 companies (2006: 64 companies) have reported the payments made on the abovementioned items to the EITI Mongolia.
- ▶ For the purpose of this Engagement, to keep the data analysis manageable for this Mongolia EITI reconciliation and report 2007, EITI Mongolia has set the level of materiality of company payments at a minimum of MNT200,000 during tax year 2007.
- ▶ Based on the selection criteria above, 38 companies were selected for further analysis by EITI Mongolia. Due to incomplete information submitted to EITI Mongolia, two other companies were selected instead, which resulted in the inclusion of companies which were below the abovementioned selection criteria of company payments above MNT200,000. Refer **Appendix B - List of Mining Companies**.

## 2. Approach (cont'd)

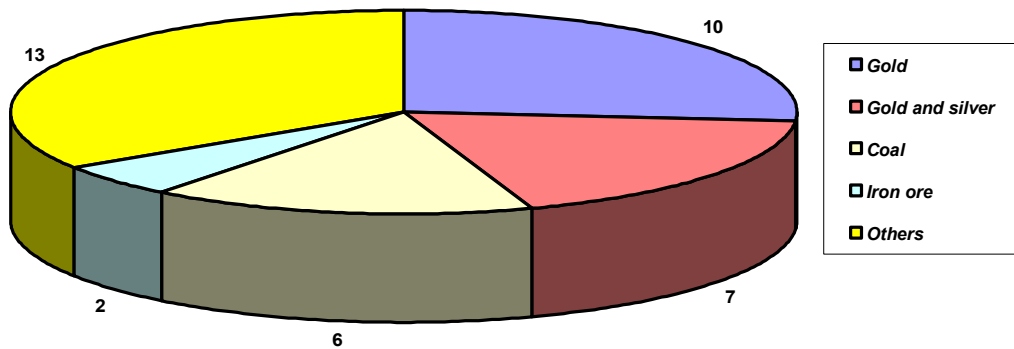
### 2.1 Our Detailed Approach (cont'd)

- ▶ For the tax year 2007, the number of companies falling under each band of payments to the Government Entities by the 38 companies can be seen below.



Source: MEITIS

- ▶ In addition, most of the companies selected are involved in the mining of gold, gold and silver, coal and iron ore as can be seen in the diagram below.

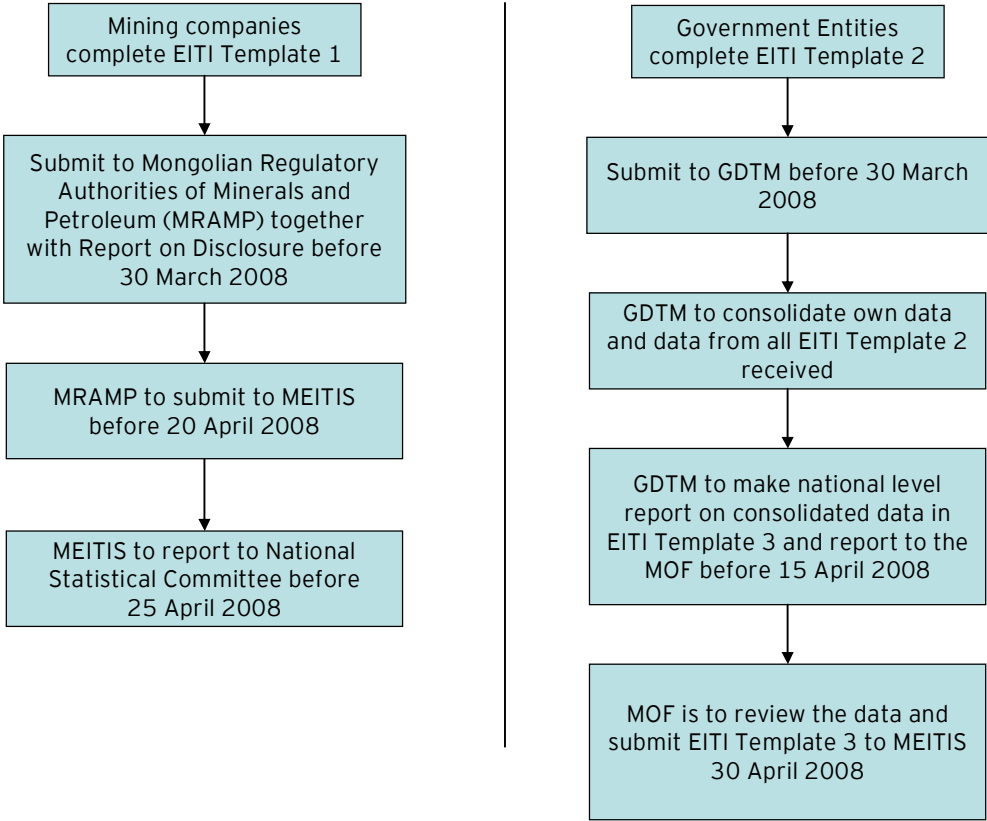


Source: MEITIS

## 2. Approach (cont'd)

### 2.1 Our Detailed Approach (cont'd)

- ▶ The EITI reporting process for both the companies and the various Government Entities were represented to us as follows:



Source: MEITIS

**PHASE 1: ANALYSIS AND RECONCILIATION**

*Analysis and Reconciliation*

**Main Tasks:**

- ▶ Obtained and reviewed the completed reporting templates by respective Ministries, Government agencies, local government (aimags and soums), various taxation offices and local organizations submitted by the MOF and selected companies.
- ▶ Compared the Government receipts and company payments for the tax year 2007 based on cash accounting basis, taking into account cash and in-kind payments.
- ▶ Where discrepancies were noted between Government receipts and company payments, further information on these were requested from the various Government bodies and companies.
- ▶ A status report detailing the list of discrepancies and the status of the inquiries to the Government bodies and companies as well as highlighting any issues noted based on preliminary findings is prepared.
- ▶ Submitted status report to Mongolia EITI Working Group.

## 2. Approach (cont'd)

### 2.1 Our Detailed Approach (cont'd)

- ▶ For the purpose of the EITI reconciliation and report for the year 2007, the following templates were used to report on the Government receipts and company payments made in the tax year 2007.
  - ▶ **EITI Template 1:** Completed by the respective companies which summarizes the payments made to the Government bodies and related voluntary disclosures such as tax exemptions or relief and tax deductible expenses such as staff training and development paid during the tax year.
  - ▶ **EITI Template 3:** Government bodies, such as Ministries, Government agencies, local governments (aimags and soums) and taxation authorities are required to complete EITI Template 2 which captures the amount received from the companies during the tax year and submit to the GDTM for consolidation as reported in the EITI Template 3.
- ▶ The following items reported under EITI Template 1, were confirmed by MEITIS to be excluded from the scope of work.
  - ▶ Scope 1: Revenue and Profit Flow, Indicators, Section 1. Production and Sales Products.
  - ▶ Scope 2: Revenue and Profit Flow (Voluntary Basis).
- ▶ All the completed reporting templates (EITI Template 1) submitted for the tax year 2007 by the selected companies were provided by MEITIS. A softcopy of the reporting template (EITI Template 3) which was compiled by the Information Technology and Statistic Division of GDTM was submitted to MEITIS by the MOF.
- ▶ MEITIS provided the softcopy of the reporting template (EITI Template 3) received from MOF as well as the payments information of the various individual companies which have been collated in an Excel spreadsheet by MEITIS.
- ▶ For each company selected, amounts for each item reported in the EITI Templates 1 and 3 were compared.
- ▶ For each discrepancy noted between EITI Templates 1 and 3, requests were made for further information on the company payments made by the respective companies and on the Government receipts received by the various Government Entities.
- ▶ For the following discrepancies noted, i.e.
  - ▶ Donations to Government bodies.
  - ▶ Stamp and other charge for state registration paid to state and local administration in accordance with relevant law.
  - ▶ Service charges paid to state and local administration in accordance with relevant law.
  - ▶ Some of the items reported as 'Others'.

The requests for further information were made to respective companies first. Once further information was received from the respective companies, requests for further information were made to the respective Government bodies through the MOF. However, the Consultants were advised by MOF to contact each entity, Ministries and agencies and local governments (aimags and soums) directly to request for more details on the above items.

## 2. Approach (cont'd)

### 2.1 Our Detailed Approach (cont'd)

- ▶ The request for information was sent to respective companies on the 23 May 2009 and on 29 May 2009 to Government Entities. The companies and Government Entities were given two weeks from the date of the letter to provide the information requested.
- ▶ The timeliness of the replies from the companies was as follows.

Period	Within two weeks (25 May to 5 June)	After two weeks (5 June)	After the 1st Reminder Letter (19 June)	Outstanding replies as at 26 June 2009
No. of companies	2	17	7	12

- ▶ Three out of seven Government Entities provided a reply without further details, two in the second week of June and one in the last week of June.
- ▶ Instead of sending three reminder letters to those which have yet to reply, only the 1st Reminder Letter was sent on 19 June 2009 for all the outstanding replies from the Government Entities and companies as it was later deemed to be more effective to visit these companies directly.
- ▶ As such, meetings were held with the companies and Government Entities to obtain confirmation as well as to gather further details and explanation on the amounts reported.
- ▶ Due to the unavailability of certain key personnel at GCAM and MOET, information required for was not forthcoming. Instead, the Consultants met with the following alternative personnel.
  - ▶ For GCAM, the Head of GCAM's Information Technology and Statistics Division was approached for assistance instead and provided the information extracted from the GCAM's database.
  - ▶ For MOET, a letter was sent to the Treasury Department of MOF requesting for the details on the 50% Contribution In Kind to Environmental Protection Special Account and Expenditure Incurred in Relation to Environmental Protection. However, they could not provide details on the later as these were not available to them.
- ▶ In addition, GDTM did not initially provide information on the Royalty Fees and advised the Consultants to contact MRAM. However, MRAM were unable to provide the information as they do not have the actual amount received.
- ▶ Upon receiving information from the respective companies, a request for confirmation on the description (if any) and details of amounts paid were then sent to the respective Government bodies, where material, for the following items.
  - ▶ Donations to Governmental organizations,
  - ▶ Stamp and other charge for state registration paid to state and local administration in accordance with relevant law,
  - ▶ Service charges paid to state and local administration in accordance with relevant law, and
  - ▶ Some of the items reported as 'Others'.
- ▶ Phase 2 of the Engagement commenced on 20 July 2009, after most of the responses were received from the Government Entities and companies on the requested receipt/payment details.

## 2. Approach (cont'd)

### 2.1 Our Detailed Approach (cont'd)

#### PHASE 2: VERIFICATION, ASSESSMENT AND CONCLUSION

##### *Verification and Assessment*

###### **Main Tasks:**

- ▶ Updated the status of enquiries to Government bodies and companies.
  - ▶ Obtained and reviewed the detailed listing of the breakdown provided for the reported amount from both Government bodies and companies.
  - ▶ Where possible, confirmed the explanations provided for discrepancies noted with additional verification procedures.
  - ▶ Recorded all material discrepancies noted on the relevant work papers supported by the necessary documentary evidences.
  - ▶ Highlighted any issues noted and identified areas for improvements.
- 
- ▶ The status of enquiries to Government Entities and companies were updated to determine whether all the information requested has been provided.
  - ▶ As the information from the companies was received earlier, the following tasks were performed for each discrepancy noted.
    1. Confirm that the information provided agreed with the amounts reported in the EITI Template 1. Reasons for any material changes were obtained.
    2. Any revisions to the initial amount reported were compared to the amounts reported by the Government Entities.
    3. No further actions were taken if there were no differences.
    4. For those with differences, further enquiries were made.
  - ▶ Upon receiving the information from the Government Entities, the same tasks as above were carried out for the amount reported in EITI Template 3.
  - ▶ For items requiring further investigation, the following tasks were performed.
    1. Reviewed the details of the payments and receipts provided to identify the transactions which may have resulted in the discrepancy.
    2. Upon identification of the differences, these were noted and explanations were sought from the respective companies and Government Entities through meetings, emails or telephone calls.
    3. All material discrepancies were quantified and highlighted in **Section 3: Findings** of this report with explanations by the respective parties, where possible.
  - ▶ The results and findings arising from the Engagement were presented to the Mongolia EITI Working Group on 11 September 2009.
  - ▶ Following on from the presentation, the Mongolia EITI Working Group requested for the Consultants to follow-up mainly with the Government Entities on the material unresolved discrepancies noted. The deadline for the submission of the final report was extended accordingly to accommodate this request.



### 3. Findings

This section presents the overall results of the reconciliation and summarizes the common issues or reasons for the discrepancies under each section of the EITI Template submitted by the Government Entities and the companies.

This section should be read in conjunction with the following appendices of this report.

- ▶ **Appendix C - Individual Company Reports** (Highlights the results of the reconciliation and analysis for the amounts reported for each company)
- ▶ **Appendix D - Initial Discrepancies** (A listing of all the initial discrepancies noted by each line item for each company)
- ▶ **Appendix E - Net Adjustments to Company and Government Reports** (A listing of all the net adjustments by each line item for each company)
- ▶ **Appendix F - Unresolved Discrepancies** (A listing of all the unresolved discrepancies by each company)

All amounts shown in this report are expressed in thousands of MNT unless otherwise stated. For the purposes of differentiation, where amounts reported by the companies have exceeded the amounts reported by Government Entities, these will be bracketed.

#### 3.1 Initial comparison

In Phase 1 of this Engagement, based on the submissions by the Government Entities and companies, an initial comparison was made and the discrepancies for each section of the EITI Template are tabulated below.

Sections	As Per Government Entities	As Per Companies	Discrepancies
	MNT	MNT	MNT
a) Taxes	485,995,569	541,717,007	(55,721,438)
b) Fees	108,739,039	123,453,990	(14,714,951)
c) Charges and service charges	22,397	2,230,353	(2,207,956)
d) Dividends on state and local property	138,635,635	79,662,181	58,973,454
e) Other payments to recipient Government	7,690,371	11,673,994	(3,983,623)
f) Donations to Governmental organizations	1,776,238	6,543,559	(4,767,321)
g) Expenditure for environmental protection	5,923,712	6,944,238	(1,020,526)
<b>Net Discrepancies</b>			<b>(23,442,361)</b>

Although the table above indicates that the net discrepancies is (MNT23,442,361) it would be misleading not to highlight that the net discrepancies are actually made up as follows:

	MNT
Amounts reported by companies exceeding those reported by Government Entities	(82,415,815)
Amounts reported by Government Entities exceeding those reported by companies	58,973,454

### 3. Findings (cont'd)

#### 3.1 Initial Comparison (cont'd)

The initial comparison highlighted that some companies reported items such as VAT, social insurance premium paid by employers and employees, individual income tax, insurance and monetary donations from companies to local organizations amounting to MNT27,221,026 in their submission.

However, these items were not required to be reported and therefore have resulted in higher amounts being reported for taxes and donations by the companies. The exclusion of these amounts had the effect of shifting the net discrepancies from (MNT23,442,361) to MNT3,778,665 as can be seen in the table below.

Sections	As Per Government Entities	As Per Companies	Initial Discrepancies
	MNT	MNT	MNT
a) Taxes	485,995,569	518,023,089	(32,027,520)
b) Fees	108,739,039	123,453,990	(14,714,951)
c) Charges and service charges	22,397	2,230,353	(2,207,956)
d) Dividends on state and local property	138,635,635	79,662,181	58,973,454
e) Other payments to recipient Government	7,690,371	11,673,994	(3,983,623)
f) Donations to Governmental organizations	1,776,238	3,016,451	(1,240,213)
g) Expenditure for environmental protection	5,923,712	6,944,238	(1,020,526)
<b>Net Discrepancies</b>			<b>3,778,665</b>

The aforementioned exclusions have revised the net discrepancies to the following:

	MNT
Amounts reported by companies exceeding those reported by Government Entities	(55,194,789)
Amounts reported by Government Entities exceeding those reported by companies	58,973,454

As can be seen from the table above, most of the discrepancies were due to companies reporting higher amounts paid than received by the Government Entities with the exception of dividends on state and local property.

The major discrepancies were from taxes, fees and dividends on state and local property sections.

From the Taxes Section the main discrepancies were mainly from items reported such as Corporate Income Tax, Customs Tax and Windfall Tax amounting to MNT8,863,564 (28%), MNT14,347,295 (45%) and MNT8,258,502 (26%) respectively.

The discrepancies noted for the Fees Section were mainly from items such as Royalty Fee, Land Rent and Fee for Recruiting Foreign Experts and Workers amounting to MNT2,448,533 (17%), MNT9,411,530 (64%) and MNT1,275,101 (9%) respectively.

The discrepancies noted for the Dividends on State and Local Property Section was mainly due to GDTM reporting a higher amount received for Dividends on State Property.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc

This section of the report serves to highlight the reasons for the adjustments that have been made to the initial discrepancies arrived at for each item after comparing the submissions made in **Section 3.1** of this report. The unresolved discrepancies will be dealt with in further detail in **Section 3.3** of this report.

One of the most prevalent reasons for adjustments made in almost all the items were for errors made in the initial submissions after having received further information from the respective companies and Government Entities. These were mainly due to accidental omissions as well as typological errors made. From the reconciliation exercise carried out, it was noted that some of these errors were material.

The aggregate discrepancies for each of the items shown on the table in the previous page have been further analyzed as follows.

##### a) Taxes

The following are the discrepancies noted for each of the items included under the Taxes Section.

Items	Initial Discrepancies MNT	Adjustments MNT	Unresolved Discrepancies MNT
Corporate income tax	(8,863,564)	8,681,430	(182,134)
Customs tax	(14,347,295)	14,336,682	(10,613)
Windfall tax	(8,258,502)	586,697	(7,671,805)
Real estate tax	4,930	(5,503)	(573)
Excise tax on imported fuel and oil materials	1,147,502	(1,185,991)	(38,489)
Tax on petrol and diesel fuel	(93,085)	98,946	5,861
Tax on automobile and self moving vehicles	4,835	9,070	13,905
Other taxes in monetary value (1)	(298,626)	-	(298,626)
Other taxes in monetary value (2)	(1,323,715)	1,323,467	(248)
Total	(32,027,520)	23,844,798	(8,182,722)

##### i. Corporate income tax

Item	Initial Discrepancy MNT	Adjustments MNT	Unresolved Discrepancy MNT
Corporate income tax	(8,863,564)	8,681,430	(182,134)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ Petro-China Daguang Tamsag LLC reported the amount paid for Customs Tax as Corporate Income Tax.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### a) Taxes (cont'd)

##### i. Corporate income tax (cont'd)

- ▶ Only Corporate Income Tax paid in the year 2007 should be reported. However, it was noted that the following companies reported the tax payable instead.
  - ▶ Shim Technology LLC and Shijir Alt SHC reported the Corporate Income Tax payable amounts and not the actual amounts paid in 2007.
  - ▶ Conversely, Erdes Holding LLC did not report the Corporate Income Tax paid in 2007 as this relates to the amount payable for the year 2006.
- ▶ Corporate Income Tax payments were offset against VAT refundable or tax paid in advance. For example:
  - ▶ Shivee Owoo SHC did not report any amount paid for Corporate Income Tax as the amount payable was offset against the VAT refundable; and
  - ▶ Datsan Trade LLC reported the balance of the payment made in 2006 for Corporate Income Tax which was used to offset the Corporate Income Tax amount for the year 2007.
- ▶ Taxes reported by some companies included Personal Income Tax and tax penalties and fines, which are not required to be reported. This was noted for the following companies.
  - ▶ Mongolyn Alt (MAK) Corporation LLC which included Personal Income Tax; and
  - ▶ Boroo Gold LLC and Mongol-Czech Metal LLC which included tax penalties paid.
- ▶ GDTM wrongly recorded a portion of the amount paid for Corporate Income Tax by Boroo Gold LLC and Tethys Mining LLC as payments for other taxes.
- ▶ Erdenet Mining Corporation LLC included Tax Withheld from Foreign Entities in the amount reported but GDTM did not record this payment under Corporate Income Tax paid.
- ▶ Gobi Coal and Energy LLC did not include the amount paid on their behalf by another company, Tulsh Altai. Since the company is registered with the tax office and will be liable for the taxes levied, they should have recognized the related liability and payment.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### a) Taxes (cont'd)

##### ii. Customs tax

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Customs tax	(14,347,295)	14,336,682	(10,613)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ As explained above, Petro-China Daguing Tamsag LLC reported the amount paid for Customs Tax as Corporate Income Tax.
- ▶ Initial amounts reported by the companies included payments of other taxes such as Excise Tax on Imported Fuel and Oil Materials, VAT, etc. For example:
  - ▶ Initially Erdenet Mining Corporation LLC, reported that a higher amount was paid for Customs Tax. However, it was noted that the amount reported wrongly included payments for Excise Tax on Imported Fuel and Oil Materials, Tax on Petrol and Diesel Fuel, Custom Service Fees and VAT.
  - ▶ Bold Tumor Eruu Gol LLC revised the amount reported as the initial amount reported was for VAT.
  - ▶ Datsan Trade LLC wrongly reported the amount paid for Personal Income Tax as Customs Tax.
- ▶ GCAM revised the amount reported for most companies as it was represented that for the purpose of completing the EITI Template, GCAM reported amounts received for "Importation of goods for home use" only whereas companies included payments made for all types of customs payments. As a result, when data was extracted from the GCAM's system the amounts reported were subsequently revised for the following companies.
  - ▶ Boroo Gold LLC
  - ▶ Chinhua MAK LLC
  - ▶ Cold Gold Mongol LLC
  - ▶ Erdenet Mining Corporation LLC
  - ▶ Erdmin LLC
  - ▶ Gobi Coal and Energy LLC
  - ▶ Ivanhoe Mines Mongolia Inc. LLC
  - ▶ Jump LLC
  - ▶ Petro-China Daguing Tamsag LLC
  - ▶ Shin Shin LLC
  - ▶ Tethys Mining LLC
- ▶ Some payment transactions were excluded from the reports of companies and GCAM. This was noted for the following companies.
  - ▶ Shin Shin LLC's reported amount excluded a number of payments made and GCAM also excluded payments received.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### a) Taxes (cont'd)

##### ii. Customs tax (cont'd)

- ▶ For Adamas Mining LLC, GCAM's reported amount did not include a payment made by the company.
- ▶ Gobi Coal and Energy LLC excluded the amount paid relating to the exploration licences as they misunderstood that the amount reported should only relate to the mining license.
- ▶ Shijir Alt SHC reported the Customs Tax payable amount and not the actual paid for the year 2007.

##### iii. Windfall tax

Item	Initial Discrepancy MNT	Adjustments MNT	Unresolved Discrepancy MNT
Windfall tax	(8,258,502)	586,697	(7,671,805)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ Shivee Ovoo SHC reported the amount paid for Real Estate Tax as Windfall Tax.
- ▶ Companies reporting the tax payable and not the actual paid for the year 2007. This was noted for the following companies.
  - ▶ Shijir Alt SHC
  - ▶ Gatsuurt LLC
  - ▶ Bud Invest LLC
  - ▶ Monpolimet LLC
- ▶ Erdes Holding LLC did not report any amount in their submission as the payment related to the sale of gold in 2006 but was paid in 2007. As it was paid in 2007, the amount should have been reported accordingly.
- ▶ Mon Dulaan Trade LLC included a payment made for fines and penalties. This amount should have been excluded from the amount reported.

##### iv. Real estate tax

Item	Initial Discrepancy MNT	Adjustments MNT	Unresolved Discrepancy MNT
Real estate tax	4,930	(5,503)	(573)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ As explained above, Shivee Ovoo SHC reported the amount paid for Real Estate Tax as Windfall Tax.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### a) Taxes (cont'd)

##### iv. Real estate tax (cont'd)

- ▶ Shanlun LLC reporting the tax payable and not the actual paid for the year 2007.
- ▶ GDTM included a payment received from Boroo Gold LLC which was not reported by the company as it was paid in 2006. As it was paid in 2006, it should not be included in the amount reported.
- ▶ Tsairt Mineral LLC included land compensation fee in the amount reported. This fee is not required to be reported.

##### v. Excise tax on imported fuel and oil materials

Item	Initial Discrepancy MNT	Adjustments MNT	Unresolved Discrepancy MNT
Excise tax on imported fuel and oil materials	1,147,502	(1,185,991)	(38,489)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ Erdenet Mining Corporation LLC reported the amount paid for Excise Tax on Imported Fuel and Oil Materials in the amount reported for Customs Tax.

##### vi. Tax on petrol and diesel fuel

Item	Initial Discrepancy MNT	Adjustments MNT	Unresolved Discrepancy MNT
Tax on petrol and diesel fuel	(93,085)	98,946	5,861

The adjustments to the initial discrepancy for this item were due to revisions in the amounts reported by GDTM for Petro-China Daguang Tamsag LLC and Jump LLC.

##### vii. Tax on automobile and self moving vehicles

Item	Initial Discrepancy MNT	Adjustments MNT	Unresolved Discrepancy MNT
Tax on automobile and self moving vehicles	4,835	9,070	13,905

The adjustments to the initial discrepancy for this item were mainly due to GDTM excluding some payments received from Mongolroostsvetmet LLC which were paid to Khentii Aimag, Ulaanbaatar City and Tuv Aimag.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### a) Taxes (cont'd)

##### viii. Other taxes in monetary value (2)

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Other taxes in monetary value (2)	(1,323,715)	1,323,467	(248)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ Chinhua MAK LLC reporting payments made for Personal Income Tax for dividends received by the company's Chinese shareholders; and
- ▶ Buurgent LLC reporting payments made for Social Insurance Premium.

Personal Income Tax and Social Insurance Premium payments are not required to be reported in the EITI Template and therefore should be excluded.

##### b) Fee

The following are the discrepancies noted for each of the items included under the Fees Section.

Items	Initial Discrepancies MNT	Adjustments MNT	Unresolved Discrepancies MNT
Fee for exploitation of mineral resources ("Royalty fee")	(2,448,533)	1,318,181	(1,130,352)
License fee for exploitation and exploration of mineral resources	102,974	(170,060)	(67,086)
Reimbursement of deposit, exploration of which is carried by the budget fund	(411,277)	101,083	(310,194)
Land rent	(9,411,530)	9,284,738	(126,792)
Fee for water use	(666,722)	110,054	(556,668)
Fee for forestry use and firewoods	(974)	250	(724)
Fee for recruiting foreign experts and workers	(1,275,101)	1,015,955	(259,146)
Fee for use of mineral resources of wide spread deposit	(602,396)	592,497	(9,899)
Other	(1,392)	1,392	-
<b>Total</b>	<b>(14,714,951)</b>	<b>12,254,090</b>	<b>(2,460,861)</b>



### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### b) Fee (cont'd)

##### i. Fee for exploitation of mineral resources ("Royalty fee")

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Royalty fee	(2,448,533)	1,318,181	(1,130,352)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ Erdmin LLC reported the amount paid for Royalty Fee as License Fee for Exploitation and Exploration of Mineral Resources.
- ▶ Petro-China Daguing Tamsag LLC reported the amount paid to PAM for training fees as Royalty Fee.
- ▶ GDTM included an overpayment of Royalty Fees by Sharin Gol LLC whereas the Company only reported the actual amount due and paid in 2007.
- ▶ Tavan Tolgoi LLC did not include payments made for Royalty Fee and also for tax penalties which were included by GTDM. Tax penalties are not required to be reported.
- ▶ GDTM excluded some payment transactions from the amount reported. This was noted for Bold Tumur Eruu Gol LLC and Mongolrostsvetmet LLC.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### b) Fee (cont'd)

##### ii. License fee for exploitation and exploration of mineral resources

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
License fee for exploitation and exploration of mineral resources	102,974	(170,060)	(67,086)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ As explained above, Erdmin LLC reported the amount paid for Royalty Fee as License Fee for Exploitation and Exploration of Mineral Resources.
- ▶ Gobi Coal and Energy LLC excluded the amount paid relating to the exploration licences as they misunderstood that the amount reported should only relate to the mining license.
- ▶ Mongolyn Alt (MAK) LLC included service fees and licence extension fees which were excluded by MRAM.
- ▶ Eltrana LLC included in the amount reported a prepayment made in 2006 and licence extension and transfer service fees which were excluded by MRAM.
- ▶ Erdenet Mining Corporation LLC excluded reimbursements made on license fees by another company but included other payments such as license extension fees which were excluded by MRAM.
- ▶ For Adamas Mining LLC and Tethys Mining LLC, MRAM included some license fee payments received in 2006. Some payments made by Adamas Mining LLC in 2008 were also included.
- ▶ For Ivanhoe Mines Mongolia Inc. LLC, MRAM included license fee payments paid by a related company.
- ▶ Some payment transactions were excluded from the reports of companies and MRAM. This was noted for the following companies.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

b) Fee (cont'd)

ii. License fee for exploitation and exploration of mineral resources (cont'd)

**By Companies**

- ▶ Gobi Coal and Energy LLC
- ▶ Datsan Trade LLC
- ▶ Erdes Holding LLC
- ▶ Gobi Coal and Energy LLC
- ▶ Mon Dulaan Trade LLC
- ▶ Jump LLC

**By MRAM**

- ▶ Boroo Gold LLC
- ▶ Datsan Trade
- ▶ Erdes Holding LLC
- ▶ Jump LLC
- ▶ Erdes Holding LLC
- ▶ Mon Dulaan Trade LLC
- ▶ Mongolrostsvetmet LLC
- ▶ Mongolyn Alt (MAK) LLC
- ▶ Shin Shin LLC
- ▶ Tethys Mining LLC

iii. Reimbursement of deposit, exploration of which is carried by the budget fund

Item	Initial Discrepancy MNT	Adjustments MNT	Unresolved Discrepancy MNT
Reimbursement of deposit, exploration of which is carried by the budget fund	(411,277)	101,083	(310,194)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ Companies revising the initial amounts reported.
- ▶ Due to foreign exchange translation differences which was noted for Tsairt Mineral LLC and Shin Shin LLC.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### b) Fee (cont'd)

##### iv. Land rent

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Land rent	(9,411,530)	9,284,738	(126,792)

The adjustments to the initial discrepancy for this item are as follows:

- Payments made by companies to some tax units and land authorities in soums and aimags were not included in GDTM's report for the following companies.

Companies	Paid to
Adamas Mining LLC	Dashinchilen Soum of Bulgan Aimag
Baganuur SO	Baganuur District Land Department
Datsan Trade LLC	Ulaanbaatar City, Tuv Aimag, and Tarialan Soum of Uvs Aimag
Erdenet Mining Corporation LLC	Orkhon Soum Land Department
Erdmin LLC	Orkhon Aimag
Gatsuurt LLC	City Land Department
Jump LLC	City Land Department and Galuut Soum of Bayankhongor Aimag
Khan Shijir SHC	Bumbugur Soum of Bayankhongor Aimag
Mongol-Czech Metal SPIE	Bayantsagaan Soum and City Land Department
Monpolimet LLC	Tuv Aimag and Bulgan Aimag
Mongolroostsvetmet LLC	Hentii Aimag and Tuv Aimag
Petro-China Daqing Tamsag LLC	Dornod Aimag

- Bold Tumur Eruu Gol LLC included a payment made in 2008.
- Boroo Gold LLC excluded a payment made in the amount reported.
- Amounts received by GTDM for Land Rent has been offset against VAT refundable by Erdenet Mining Corporation LLC.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### b) Fee (cont'd)

##### v. Fee for water use

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Fee for water use	(666,722)	110,054	(556,668)

The adjustments to the initial discrepancy for this item are as follows:

- Payments made by companies to some tax units and water authorities in soums and aimags were not included in GDTM's report for the following companies.

Companies	Paid to
Adamas Mining LLC	Dashinchilen Soum of Bulgan Aimag
Khan Shijir SHC	Bayankhongor Aimag Tax Office
Petro-China Daguing Tamsag LLC	Khalkh Gol Soum of Dornod Aimag
Monpolimet LLC	Tuv Aimag and Bulgan Aimag
Tethys Mining LLC	Jargalant Soum of Arkhangai Aimag

- Erdenet Mining Corporation LLC excluded a payment made in the amount reported.

##### vi. Fees for forestry use and firewoods

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Fees for forestry use and firewoods	(974)	250	(724)

The adjustments to the initial discrepancy for this item were mainly due to revisions in the amounts reported by companies.

##### vii. Fees for recruiting foreign experts and workers

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Fee for recruiting foreign experts and workers	(1,275,101)	1,015,955	(259,146)

The adjustments to the initial discrepancy for this item are as follows:

- Amounts reported for Ivanhoe Mines Mongolia Inc. LLC and Gatsuurt LLC excluded refunds from LSWSO.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### b) Fee (cont'd)

##### vii. Fees for recruiting foreign experts and workers (cont'd)

- ▶ Amounts reported included other payments.

Companies	Items included in Amounts Reported for Fee for Recruiting Foreign Experts and Workers
Shin Shin LLC	Service fee and a fee for foreign experts paid to MOF
Gobi Coal and Energy LLC	Work permission fees paid to another company
Eltrana LLC	Payments made on behalf of an associate company
Tethys Mining LLC	Salary payments

- ▶ Amounts reported excluded payment transactions. This was noted for the following companies.
  - ▶ Boroo Gold LLC did not record some payments made by some of their workers who paid for their own fees directly to the LSWSO.
  - ▶ Buurgent LLC
  - ▶ Shim Technology LLC
  - ▶ Shanlun LLC

##### viii. Fee for use of mineral resources of wide spread deposit

Item	Initial Discrepancy MNT	Adjustments MNT	Unresolved Discrepancy MNT
Fee for use of mineral resources of wide spread deposit	(602,396)	592,497	(9,899)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ MRAM not capturing the following payments made to the following companies.
  - ▶ Boroo Gold LLC which reported that a payment was made to Mandal Soum of Selenge Aimag, State Fund.
  - ▶ Petro-China Daguang Tamsag LLC which reported that a payment was made to Erdenetsagaan Soum of Sukhbaatar Aimag.
- ▶ Ivanhoe Mines Mongolia Inc. LLC excluding a payment made.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### b) Fee (cont'd)

##### ix. Other

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Other	(1,392)	1,392	-

This amount related to Ivanhoe Mines Mongolia Inc. LLC reporting payments made for Fee for Use of Domestic Roads to Khanbogd Soum of Umnugobi Aimag and Manlai Soum of Umnugobi Aimag. This fee is not required to be reported and therefore should be excluded.

##### c) Charges and service charges

The following are the discrepancies noted for each of the items included under the Charges and Service Charges Section.

Items	Initial Discrepancies	Adjustments	Unresolved Discrepancies
	MNT	MNT	MNT
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	(83,553)	68,748	(14,805)
Service charges paid to state and local administration in accordance with relevant law	(422,683)	176,532	(246,151)
Custom service fee	(1,627,121)	1,662,305	35,184
Other	(74,599)	29,019	(45,580)
<b>Total</b>	<b>(2,207,956)</b>	<b>1,936,604</b>	<b>(271,352)</b>

##### i. Stamp and other charges for state registration and service charges paid to state and local administration in accordance with relevant law

Item	Initial Discrepancies	Adjustments	Unresolved Discrepancies
	MNT	MNT	MNT
Stamp and other charges for state registration paid	(83,553)	68,748	(14,805)
Service charges paid	(422,683)	176,532	(246,151)

The adjustments to the initial discrepancy for this item are mainly due to MRAM and LSWSO reporting payments received from companies.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### c) Charges and service charges (cont'd)

###### ii. Custom service fee

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Custom service fee	(1,627,121)	1,662,305	35,184

The adjustments to the initial discrepancy for this item are as follows:

- ▶ GCAM did not report any amount received from Chinhua MAK LLC for coal exports.
- ▶ Erdmin LLC included payments made for Customs Tax and VAT in the amount reported for Custom Service Fee.

###### iii. Other

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Other	(74,599)	29,019	(45,580)

The adjustment to the initial discrepancy for this item was due to Ivanhoe Mines Mongolia Inc. revising the initial amount reported.

##### d) Dividends on state and local property

The following are the discrepancies noted for each of the items included under the Dividends on State and Local Property Section.

Items	Initial Discrepancies	Adjustments	Unresolved Discrepancies
	MNT	MNT	MNT
Dividends on state property	59,415,473	(59,415,473)	-
Dividends on local property	(442,019)	442,019	-
<b>Total</b>	<b>58,973,454</b>	<b>(58,973,454)</b>	<b>-</b>

###### i. Dividends on state property

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Dividends on state property	59,415,473	(59,415,473)	-



### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### d) Dividends on state and local property (cont'd)

##### i. Dividends on state property (cont'd)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ GDTM including a dividend payment made in 2006 by Erdenet Mining Corporation LLC.
- ▶ As is consistent with the findings of the Mongolian First Reconciliation and Report 2006, Shijir Alt SHC again wrongly included a dividend paid to Mongolrosvetment LLC as dividends paid to the state due to a misunderstanding on the definition of Dividends on State Property.
- ▶ As is consistent with the findings of the Mongolian First Reconciliation and Report 2006, GDTM reported payments received from Tavan Tolgoi LLC for dividends on 'State' property instead of 'Local' property.

##### ii. Dividends on local property

Item	Initial Discrepancy MNT	Adjustments MNT	Unresolved Discrepancy MNT
Dividends on local property	(442,019)	442,019	-

The adjustments to the initial discrepancy for this item are as follows:

- ▶ As explained above, GDTM reported payments received from Tavan Tolgoi LLC for dividends on 'State' property instead of 'Local' property.
- ▶ The initial amount reported by Tavan Tolgoi LLC was wrongly reported and the revised amount did not include a payment made for Withholding Tax on dividends paid to other companies whereas GTDM included in the amount reported.

##### e) Other payments to recipient Government

##### i. Entitlement under Production Sharing Contract to Government

Item	Initial Discrepancy MNT	Adjustments MNT	Unresolved Discrepancy MNT
Entitlement under production sharing contract to Government	(3,983,623)	3,983,623	-

Petro-China Daguing Tamsag LLC is the only company out of the 38 selected companies which has a Production Sharing Contract with PAM. Both PAM and Petro-China Daguing Tamsag LLC subsequently revised the amount reported and both amounts agree.

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### f) Donations to Governmental organizations

The following are the discrepancies noted for each of the items included under the Donations to Governmental Organizations Section.

Items	Initial Discrepancies	Adjustments	Unresolved Discrepancies
	MNT	MNT	MNT
Monetary donation from company to Ministries and agencies	(652,816)	256,199	(396,617)
Monetary donation from company to aimag	(556,158)	428,969	(127,189)
Monetary donation from company to soum	555,062	(35,521)	519,541
Fund disbursed by company in sustainable development and community relations	(546,893)	450,459	(96,434)
Other	(39,408)	-	(39,408)
<b>Total</b>	<b>(1,240,213)</b>	<b>1,100,106</b>	<b>(140,107)</b>

##### i. Monetary donations from companies to Ministries and agencies

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Monetary donation from company to Ministries and agencies	(652,816)	256,199	(396,617)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ Donations made by companies to the following Ministries and agencies were not included in the Government report.
  - ▶ National Emergency Management Agency
  - ▶ Ministry of Mineral Resources and Energy (“MMRE”) previously known Ministry of Trade and Industry
  - ▶ State Professional Inspection Agency
  - ▶ MRAM
- ▶ The following companies also wrongly reported the amounts donated to non-governmental organizations under this item.
  - ▶ Erdenet Mining Corporation LLC
  - ▶ Shim Technology LLC

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### f) Donations to Governmental organizations (cont'd)

##### ii. Monetary donation from company to aimag and soums

Item	Initial Discrepancies	Adjustments	Unresolved Discrepancies
	MNT	MNT	MNT
Monetary donation from company to aimag	(556,158)	428,969	(127,189)
Monetary donation from company to soum	555,062	(35,521)	519,541

The adjustments to the initial discrepancy for this item are as follows:

- ▶ Donations made by companies to some soums and aimags were not included in the Government report. This was noted for the following soums and aimags.
  - ▶ Mandal Soum
  - ▶ Bayangor Soum
  - ▶ Darkhan Uul Aimag
  - ▶ Selenge Aimag
  - ▶ Bayankhongor Aimag
  - ▶ Umnogobi Aimag
  - ▶ Dornogovi Aimag
- ▶ Khan Shijir SHC excluded the donations made on behalf by another company, Odod Munkh Company.
- ▶ Jump LLC reported donations made to soums as Fund Disbursed by Company in Sustainable Development and Community Relations.
- ▶ Erdmin LLC wrongly included donations to local organizations in the amount reported.
- ▶ The following companies reported donations paid to development funds as Monetary Donation from Company to Aimag. Payments made to development funds established for a particular aimag or soum should be reported under Fund Disbursed by Company in Sustainable Development and Community Relations instead.
  - ▶ Datsan Trade LLC
  - ▶ Gurvan Tuhum LLC
  - ▶ Mongolroostsvetmet LLC
  - ▶ Shin Shin LLC

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### f) Donations to Governmental organizations (cont'd)

##### iii. Fund disbursed by company in sustainable development and community relations

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
Fund disbursed by company in sustainable development and community relations	(546,893)	450,459	(96,434)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ Only payments made to development funds established for a particular aimag or soum should be reported here. However, it was noted that the following companies also included other donations.
  - ▶ Bold Tumor Eruu Gol LLC
  - ▶ Chinhua MAK LLC
  - ▶ Ivanhoe Mines Mongolia Inc. LLC
  - ▶ Mon Dulaan Trade LLC
  - ▶ Petro-China Daguing Tamsag LLC
  - ▶ Shim Technology LLC
  - ▶ Tsairt Minerals LLC

In addition, as mentioned above, some companies reported the payments made to development funds as Monetary Donation from Company to Aimag.

##### g) Expenditure for environmental protection

The following are the discrepancies noted for each of the items included under the Expenditure for Environmental Protection Section.

Items	Initial Discrepancies	Adjustments	Unresolved Discrepancies
	MNT	MNT	MNT
50% contribution in kind to environmental protection special account	(25,961)	(11,811)	(37,772)
Expenditure incurred in relation to environmental protection	(994,565)	519,302	(475,263)
<b>Total</b>	<b>(1,020,526)</b>	<b>507,491</b>	<b>(513,035)</b>

##### i. 50% contribution in kind to environmental protection special account

Item	Initial Discrepancy	Adjustments	Unresolved Discrepancy
	MNT	MNT	MNT
50% contribution in kind to environmental protection special account	(25,961)	(11,811)	(37,772)

### 3. Findings (cont'd)

#### 3.2 Analysis by Taxes, Fees, Charges and Service Charges, etc (cont'd)

##### g) Expenditure for environmental protection (cont'd)

##### i. 50% contribution in kind to environmental protection special account (cont'd)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ Ivanhoe Mines Mongolia Inc. LLC included the amount paid for Expenditure Incurred in Relation to Environmental Protection in the amount reported.
- ▶ Shariin Gol LLC reported the amount paid for 50% Contribution In Kind to Environmental Protection Special Account as Expenditure Incurred in Relation to Environmental Protection.
- ▶ Companies excluded payments made which were included in the amounts reported by MOET.

Companies	
Shariin Gol LLC	Excluded two payments
Mongol-Czech Metal SPIE	Excluded payments made by another company which rents Mongol-Czech Metal SPIE's office
Erdes Holding LLC	Erdes Holding LLC did not report any amount paid

##### ii. Expenditure incurred in relation to environmental protection

Item	Initial Discrepancy MNT	Resolved Discrepancy MNT	Unresolved Discrepancy MNT
Expenditure incurred in relation to environmental protection	(994,565)	519,302	(475,263)

The adjustments to the initial discrepancy for this item are as follows:

- ▶ Buurgent LLC included other expenses not related to environmental expenditure in the amount reported.
- ▶ As explained above,
  - ▶ Ivanhoe Mines Mongolia Inc. LLC included the amount paid for Expenditure Incurred in Relation to Environmental Protection in the amount reported; and
  - ▶ Shariin Gol LLC reported the amount paid for 50% Contribution In Kind to Environmental Protection Special Account as Expenditure Incurred in Relation to Environmental Protection.

### 3. Findings (cont'd)

#### 3.3 Unresolved Discrepancies

This section of the report serves to highlight the unresolved discrepancies after adjustments have been put through to the initial discrepancies in the previous section. Please refer to **Appendix F - Unresolved Discrepancies**, for the detailed listing of all the unresolved discrepancies by each company.

Sections	Initial Discrepancies MNT	Adjustments MNT	Unresolved Discrepancies MNT
a) Taxes	(32,027,520)	23,844,798	(8,182,722)
b) Fees	(14,714,951)	12,254,090	(2,460,861)
c) Charges and service charges	(2,207,956)	1,936,604	(271,352)
d) Dividends on state and local property	58,973,454	(58,973,454)	-
e) Other payments to recipient Government	(3,983,623)	3,983,623	-
f) Donations to Governmental organizations	(1,240,213)	1,100,106	(140,107)
g) Expenditure for environmental protection	(1,020,526)	507,491	(513,035)
<b>Net Discrepancies</b>	<b>3,778,665</b>	<b>(15,346,742)</b>	<b>(11,568,077)</b>

From the table above, it would appear that the net discrepancies have increased from MNT3,778,665 to (MNT11,568,077). However, a clearer picture can be seen when the discrepancies are analysed as follows.

	Initial Discrepancies MNT	Adjustments MNT	Unresolved Discrepancies MNT
Amounts reported by:			
Companies exceeding those reported by Government Entities	(55,194,789)	43,626,712	(11,568,077)
Government Entities exceeding those reported by companies	58,973,454	(58,973,454)	-
<b>Overall discrepancies</b>	<b>114,168,243</b>	<b>102,600,166</b>	<b>11,568,077</b>

Since the brackets are merely inserted to differentiate the discrepancies where the amounts reported by the companies have exceeded those reported by the Government Entities, the actual overall discrepancies have been effectively reduced by MNT102,600,166 thus reducing the initial discrepancies from MNT114,168,243 to an unresolved discrepancy balance of MNT11,568,077.

### 3. Findings (cont'd)

#### 3.3 Unresolved Discrepancies (cont'd)

As further information cannot be provided by both Altan Dornod Mongol LLC and Tun Shen LLC, the unresolved discrepancies from both these companies have been excluded from the analysis as follows.

Sections	Unresolved Discrepancies	Altan Dornod Mongol LLC and Tun Shen LLC	Remaining Unresolved Discrepancies
	MNT	MNT	MNT
a) Taxes	(8,182,722)	(8,140,373)	(42,349)
b) Fees	(2,460,861)	(1,523,556)	(937,305)
c) Charges and service charges	(271,352)	(8,745)	(262,607)
d) Dividends on state and local property	-	-	-
e) Other payments to recipient Government	-	-	-
f) Donations to Governmental organizations	(140,107)	(339,426)	199,319
g) Expenditure for environmental protection	(513,035)	(780,834)	267,799
<b>Net Discrepancies</b>	<b>(11,568,077)</b>	<b>(10,792,934)</b>	<b>(775,143)</b>

From the table above it can be seen that, the balance of unresolved discrepancies were mainly from Fees Section. The balance of the unresolved discrepancies could not be further reconciled mainly due to the following reasons.

##### a) Taxes

The unresolved discrepancies for this section were mainly from Customs Tax and Excise Tax on Imported Fuel and Oil Materials. The occurrence of unresolved discrepancies for each company for Customs Tax is most prevalent and consists of material amounts as highlighted below.

Companies	Unresolved Discrepancies MNT
Baganuur SO	25,935
Bold Tumor Eruu Gol LLC	(66,281)
Cold Gold Mongol LLC	(53,847)
Erdenet Mining Corporation LLC	(138,153)
Erdes Holding LLC	143,302
Erdmin LLC	147,149
Ivanhoe Mines Mongolia Inc. LLC	(24,828)
Jump LLC	(36,649)
Mon Dulaan Trade LLC	(21,759)
Mongolrostsvetmet LLC	31,673
Monpolimet LLC	(55,373)
Tsairt Minerals LLC	32,363
Ulz Gol Cooperative	(15,568)
Others	14,213

### 3. Findings (cont'd)

#### 3.3 Unresolved Discrepancies (cont'd)

##### a) Taxes (cont'd)

The reasons for the unresolved discrepancies for the Customs Tax are mainly due to the following.

- ▶ No further details were available from the companies. For example:
  - ▶ Erdenet Mining Corporation LLC could not provide any further breakdowns of the amounts which were reported.
  - ▶ For Erdmin LLC and Mon Dulaan Trade LLC the key personnel were not available to provide the information and explanations required.
  - ▶ Lump sum payments were provided by Tsairt Minerals LLC whereas GCAM reports payment transactions by each customs declaration.
- ▶ Amount reported included other payments such as VAT, Excise Tax on Imported Fuel and Oil Materials, Custom Service Fee, but no breakdown of these amounts were available for the following companies.
  - ▶ Cold Gold Mongol LLC
  - ▶ Jump LLC
  - ▶ Monpolimet LLC
- ▶ Erdes Holding LLC confirmed that no payments were made whereas GCAM reported payments have been received from them.

##### b) Fees

The unresolved discrepancies for this were mainly from Royalty Fee and Reimbursement of Deposit, Exploration of Which is Carried by the Budget Fund and Fee for Water Use.

##### i. Royalty fee

The unresolved discrepancies were mainly from the following companies.

Companies	Unresolved Discrepancies MNT
Cold Gold Mongol LLC	(38,078)
Mongolroostsvetmet LLC	89,843
Shanlun LLC	(423,542)
Others	(13,179)

The reasons for the unresolved discrepancies for Royalty Fee are mainly due to the following.

- ▶ GDTM confirmed that they did not receive any payments reported by Shanlun LLC.
- ▶ No further details were available from Mongolroostsvetmet LLC.
- ▶ No further details were provided by Cold Gold Mongol LLC as their accounting records were stolen and they do not have any backup.



### 3. Findings (cont'd)

#### 3.3 Unresolved Discrepancies (cont'd)

##### b) Fees (cont'd)

##### ii. Reimbursement of deposit, exploration of which is carried by the budget fund

The unresolved discrepancies were mainly from the following companies.

Companies	Unresolved Discrepancies MNT
Boroo Gold LLC	(280,615)
Mongolyn Alt (MAK) LLC	(36,842)
Petro-China Daguing Tamsag LLC	67,791
Shanlun LLC	(41,052)
Shariin Gol LLC	(19,477)

The reasons for the unresolved discrepancies were mainly due to the following.

- ▶ MRAM did not receive any payments reported by Boroo Gold LLC, Mongolyn Alt (MAK) LLC, Shanlun LLC and Shariin Gol LLC.
- ▶ Both Petro-China Daguing Tamsag LLC and MRAM were not aware of any payment which was included in the Government Template submitted to MEITIS.

##### iii. Fee for water use

The unresolved discrepancies were mainly from the following companies.

Companies	Unresolved Discrepancies MNT
Erdes Holding LLC	(19,660)
Jump LLC	(11,415)
Mongolroostsvetmet LLC	(45,995)
Monpolimet LLC	(44,449)
Shijir Alt SHC	(44,791)
Others	(5,607)

- ▶ The reasons for the unresolved discrepancies except for Shijir Alt SHC were mainly due to no further details available from GTDM as some of the Fee for Water Use were paid to the soums and aimags.

### 3. Findings (cont'd)

#### 3.3 Unresolved Discrepancies (cont'd)

##### c) Charges and service charges

The unresolved discrepancies for this section were mainly from service charges.

##### i. Service charges paid to state and local administration in accordance with relevant law

Companies	Unresolved Discrepancies MNT
Boroo Gold LLC	(67,193)
Petro-China Daguing Tamsag LLC	(166,530)
Others	(12,428)

The unresolved discrepancies were mainly due to the Foreign Affairs and Immigration Office of Mongolia not being able to provide any further information on the amounts reported for the two companies.

##### d) Donation to Governmental organizations

The unresolved discrepancies for this section were mainly due to lack of information from the various Government bodies. The tables below highlight the amount of some of the material unresolved discrepancies for the various donations.

##### i. Monetary donation from company to Ministries and agencies

Companies	Unresolved Discrepancies MNT
Boroo Gold LLC	(60,518)
Monpolimet LLC	(15,000)
Petro-China Daguing Tamsag LLC	(10,720)
Tsairt Mineral LLC	(28,000)
Others	(41,552)

##### ii. Monetary donation from company to aimag

Companies	Unresolved Discrepancies MNT
Boroo Gold LLC	(39,963)
Cold Gold Mongol LLC	10,000
Gobi Coal and Energy LLC	(10,073)
Ivanhoe Mines Mongolia Inc. LLC	(31,804)
Petro-China Daguing Tamsag LLC	(11,916)
Tavan Tolgoi LLC	(14,545)
Others	(9,581)

### 3. Findings (cont'd)

#### 3.3 Unresolved Discrepancies (cont'd)

##### d) Donation to Governmental organizations (cont'd)

##### iii. Monetary donation from company to soum

Companies	Unresolved Discrepancies MNT
Boroo Gold LLC	571,032
Chinhua MAK LLC	(20,337)
Gatsuurt LLC	88,868
Gobi Coal and Energy LLC	(51,465)
Mongolyn Alt (MAK) LLC	(26,830)
Monpolimet LLC	54,000
Shanlun LLC	(13,760)
Tavan Tolgoi LLC	(18,111)
Tsairt Minerals LLC	(12,138)
Others	(2,559)

##### e) Expenditure for environmental protection

The unresolved discrepancies for this section were mainly from Expenditure Incurred in Relation to Environmental Protection. The reason for the unresolved discrepancies were mainly due to MOET and companies not being able to provide further details on the amounts reported.

##### i. Expenditure incurred in relation to environmental protection

The unresolved discrepancies were mainly from the following companies.

Companies	Unresolved Discrepancies MNT
Boroo Gold LLC	(268,700)
Erdenet Mining Corporation LLC	136,656
Erdes Holding LLC	170,763
Gatsuurt LLC	293,520
Jump LLC	131,800
Monpolimet LLC	150,200
Mongolroostsvetmet LLC	(167,313)
Petro-China Daguing Tamsag LLC	(157,550)
Others	9,637

For some companies, the unresolved discrepancies may be due to the different sources of information for which the amounts reported here have been derived. It is our understanding that MOET has based their submission amounts on the 'Report on Actual Execution of Environmental Plan' which were submitted by companies whereas the companies have based their submission on the amounts reported in their financial statements.

## 4. Issues

This section captures the issues encountered during the Engagement and is presented in a format consistent with the Mongolia First Reconciliation and Report 2006 to allow for comparison, where relevant.

### 4.1 Timing and Timelines

The Second Mongolia EITI Reconciliation and Report 2007 was carried out in two phases. Phase 1 commenced on 11 May 2009 and Phase 2 on 20 July 2009. The Engagement coincides with the Nadaam and summer holidays, a time where most key personnel of companies and Government Entities were away which consequently caused unforeseen delays in the provision of details and explanations from both parties.

The companies and Government Entities were given two weeks to reply to MEITIS from the date the first letters requesting for further information to aid the reconciliation exercise were sent. Half of the companies provided some form of reply after the first two weeks and only three out of seven of the Government Entities replied within the stipulated timeframe. Most of the information provided served only to confirm or revise the amount reported but no further details e.g. payment/receipt details, were available to support the amounts reported.

Due to the poor response, meetings were arranged with both the companies and the Government Entities individually to elicit more information. Most of the information was only provided after these meetings. However, information on Royalty Fee and updated information for License Fee for Exploitation and Exploration of Mineral Resources were received late from the relevant Government Entities due to the lack of ownership and completeness of the information.

The confirmation on the amounts reported for donations, stamp and other charges and service charges, Land Rent and Fee for Water Use were also received late due to delays in receiving the information from the companies. The reply from MOET on the amounts reported for Expenditure Incurred in Relation to Environmental Protection was also received late.

### 4.2 Incomplete Government Data

The consolidation of EITI Template 2 into EITI Template 3 was carried out by the Information Technology and Statistic Division of GDTM before being submitted to the MOF. It was represented that for reports on donations, the MOF assisted in the collation of data from the various Government bodies. Despite efforts to collect the information on donations, there were still insufficient details provided on the amounts donated for further reconciliation.

During the initial reconciliation, the following items which were reported by the companies were left out by the Government Entities.

- ▶ Tax on Petrol and Diesel.
- ▶ Dividends on Local Property.
- ▶ Stamp and Other Charge for State Registration and Service Charges Paid To State and Local Administration in Accordance with Relevant Law.

## 4. Issues (cont'd)

### 4.2 Incomplete Government Data (cont'd)

This was consistent with previous year's findings and was mainly due to the following reasons.

- ▶ Information was not sought from all Government bodies by GDTM, where there were several Government bodies involved; and
- ▶ There was inadequate follow up by GDTM with the various Government Entities on the information requested resulting in an extremely slow response rate for information due to lack of resources.
- ▶ There was also a lack of cooperation by the various Government Entities in providing the information requested.

In addition, it was represented that information provided by soums on Land Rent and Fee for Water Use were lacking in details as communication on the amounts reported to the Tax offices in aimags were usually received through telephone.

### 4.3 Format of Templates

A revised EITI Template was issued in March 2008 following on from the recommendations highlighted in the Mongolia First EITI Reconciliation and Report 2006 and the revised template incorporated some of the previous consultants' recommendation on improvements.

As such, for the tax year 2007, the following amendments were incorporated to the EITI Templates 1 and 3.

- ▶ VAT and Monetary Donation from Company to Local Organizations were not required to be reported in the new template.
- ▶ 50% Contribution In Kind to Environmental Protection Special Account which was previously required to be reported under Scope 2. Revenue and profits flow (voluntary basis) which mainly consists of tax deductible expenses has been reclassified and reported separately under Section 1.g as "Expenditure for environmental protection". An additional item, Expenditure Incurred In Relation to Environmental Protection was also included. These two items were included in the reconciliation.
- ▶ Additional lines were created for the reporting of "Other" items at the end of each section.

As the revised template was introduced in March 2008, some companies have already submitted using the old template. To avoid re-work by these companies, MEITIS accepted the submission. As such, some companies still reported amounts paid for VAT and Monetary Donation from Company to Local Organizations. However, some items which were not required to be reported nor included were still being reported by the companies separately. These were noted for the following:

- ▶ Social insurance premium paid by employers (13 out of 38 companies)
- ▶ Social insurance premium paid by employees (5 out of 38 companies)
- ▶ Individual income tax (15 out of 38 companies)
- ▶ Insurance (1 out of 38 companies)

## **4. Issues (cont'd)**

### **4.3 Format of Templates (cont'd)**

In addition to the above, for donations, the title “Donations to Governmental organizations” and “Monetary” donations may be misleading as the instructions stated that donations should also include those which are “in-kind”. As such, some companies only included monetary donations initially and subsequently made revisions to include those which were non-monetary in nature. There were also those that included donations other organizations which were non-governmental and therefore should not be included.

As the line item for Monetary Donations from Company to Local Organizations was removed, some companies reported donations to these local organizations under existing donation items such as Fund Disbursed by Company in Sustainable Development and Community Relations. This clearly demonstrated that there is a lack of understanding on what needs to be reported.

### **4.4 Accuracy of template preparation**

Upon request for confirmation on the amounts reported in the submission and for further information, many companies and Government Entities revised the amount initially reported which may suggest the lack of a review process by both parties prior to the final submission of the EITI Templates. The reasons for this were mainly due to human error and lack of understanding by the person completing the EITI Templates which is further highlighted in the point below.

### **4.5 Instructions on completing templates**

The instructions provided to guide the completion of the EITI Templates for the Mongolia Second EITI Reconciliation and Report 2007 incorporated some of the recommendations highlighted in the previous year's report.

However, the instructions were still lacking in terms of specific reporting requirements for each of the items reported. One example is the basis which should be used to arrive at each amount reported resulting in inconsistencies as the Government Entities reported based on cash basis whereas the companies reported based on accrual basis.

### **4.6 Overall concept of what payments need to be included**

The discrepancy between the amounts reported by the Government Entities and companies were mainly due to a lack of understanding of the overall concept on what should be included for certain items such as, taxes and license fees. For example, it is unclear whether tax penalties and fines or license extension, service or transfer fees should be included in the amount reported.

## 4. Issues (cont'd)

### 4.7 Donations to Governmental organizations

The discrepancies were mainly due to the Government Entities not reporting amounts received from companies for donations. In addition, for those donations reported by the Government Entities, details on the donations reported could not be provided. Hence, reconciliation between the donations reported by Government with those reported by companies could not be performed.

Confirmation letters were sent to some of the Government Entities and bodies to confirm the amounts reported. Most of the confirmations which were received back from the Government bodies agreed with the amounts reported by the companies.

In respect of "in kind" donations of goods and services there is an issue on the difference in quantifying the value of the donations between the companies and the recipient Government Entities or bodies.

Due to the large number of recipients, it will be difficult for the Local Government to capture all donations made without some form of formalized and centralized reporting process.

### 4.8 Stamp and other charges and service charges

The amounts paid by the companies to the various Government bodies are not reflected by the Government in the submission.

Similar the issue highlighted under donations above, this may be due to a lack formalized and centralized reporting process.

### 4.9 No details on the amounts reported

Most of the unresolved discrepancies have been due to the lack of details available to allow for further reconciliation to be carried out. This is one of the most common occurrences faced by companies and included reasons such as key personnel not being available, details not being captured in the accounting records and also an absence of an audit trail.

In the case of the Government Entities, there appears to be a lack of monitoring of information provided by companies and the upward filtration of these information.

### 4.10 Material payment transactions not captured by Government Entities and vice versa

There were instances where material payments were reported by the companies but not reflected in the amount reported by the Government Entities and vice versa.

In the first instance, this was noted for both Boroo Gold LLC and Mongolyn Alt (MAK) LLC when payments were reported to be made to MRAM of which the later have no records of.

In another instance, GCAM reported amounts received for Customs Tax, which was not acknowledged by Sonor Trade LLC and Erdes Holding LLC.

## 5. Recommendations

In the Mongolia First Reconciliation and Report 2006, recommendations were made to improve on the processes employed by MEITIS to enhance the reconciliation and reporting process going forward. This section serves to highlight the implementation status of those recommendations for improvements as well as to provide additional recommendations where relevant for the new issues identified. It has also been formatted to address the issues raised in the previous section.

As this is primarily a reconciliation exercise, it cannot be relied upon to identify all possible weaknesses. Therefore, the recommendations identified below are not exhaustive and in some cases may require further consultation and considerable expertise as well as effort to implement successfully.

### 5.1 Timing and Timelines

Although there was more time given this year to allow for the various companies and Government Entities to revert on the discrepancies identified during Phase 1, there were still significant delays caused by the absence of certain key personnel due to both the nadaam and summer holiday periods.

Further consideration on the timing of this exercise should be taken into account for future EITI Reconciliation and Report engagements to avoid holiday periods and financial reporting deadlines. Where possible, the timing should avoid these periods to allow for sufficient time for the companies and Government Entities to provide further information and related explanations.

However, the above consideration must be balanced by ensuring that the reconciliation exercise is carried out within a reasonable time frame after the fiscal year. This will mean that the data which have been completed and submitted in the EITI Templates are still fresh in the minds of the responsible personnel at the companies and the Government Entities. This will no doubt improve the efficiency of retrieving any detailed information necessary to support the submissions during the reconciliation exercise.

In addition, in the event that key personnel from both companies and Government Entities are not available, alternative personnel should be identified.

### 5.2 Incomplete Government data

A Government Resolution is in place which stipulates that all Government Entities are to report information on receipts from companies for the purpose of the EITI implementation. However, it would appear from our findings that either most of the Government Entities were not aware of this resolution or there seems to be a lack of monitoring and enforcement process in place.

MOF should be entrusted with the overall role of monitoring these Government Entities to facilitate timely submission as well as the completeness and accuracy of the information submitted.

Where there are incomplete reports due to the lack of information such as, stamp and other charges and service charges, Petrol and Diesel and Dividends on Local Property, then the specific Government Entity in this case the GDTM, which is tasked with the responsibility of collating these information should be responsible for following up with the various Government Entities and where necessary, highlighting these to MOF for further action. All submissions presented in the EITI Template 3 for reconciliation must be complete.



## 5. Recommendations (cont'd)

### 5.2 Incomplete Government data (cont'd)

For items such as Stamp and Other Charges for State Registration and Service Charges Paid to State and Local Administration in Accordance with Relevant Law as well as Monetary Donation from Companies to Ministries and Agencies, which involves various Government bodies, there should be awareness sessions organized to introduce the EITI initiatives and the reporting requirements accordingly.

For information on Land Rent and Fee for Water Use provided by soums, the GDTM should ensure that a detailed listing of all these receipts received from companies by the various soums be prepared on a regular basis and submitted to the aimags for compilation. These would also include nil receipts for completeness of reporting.

Although this year, there were more requirements to report on the amounts donated to the various Government Entities, there were insufficient details provided to identify the Government Entities which reported and the companies which made the donations. Details on donations should be captured to allow for an accurate reconciliation as they are susceptible to a higher risk of corruption than most items reported.

One of the recommendations made in the previous year was for the companies to periodically report details of donations to soums, aimags and Government Entities and bodies to allow for completeness of the donations reported. The other option was for the companies and Government Entities to include the list of donations (as provided in the instructions) to the completed templates so that some form of confirmation can be sent to these companies and Government Entities or bodies on a sample basis. However, based on findings, it was clearly evident that these recommendations were not widely practiced by both parties to allow for confirmations to be sent out.

Due to the nature of non-monetary donations the reconciliation of this particular item has been challenging. Since the cost information is mostly available only to the companies, the focus of the reconciliation should be on the goods or services donated and not the amount provided. It was noted that the issuance of some form of donation note by the companies (e.g. a form of no charge invoice that records the cost of the goods or services donated) to the recipient for each donation which was recommended in previous year's report was not done.

MEITIS should include the aforementioned recommendations in their future instructions to the companies and Government Entities when completing the templates.

As can be seen above, the reporting of payments received by companies involves various Government bodies and in order to ensure completeness of data captured and reported, a concerted effort will have to be made by the MOF to put in place an established process to facilitate the reporting and consolidation of amounts received by Government bodies at all levels. This is a complicated and extensive exercise and would entail an in-depth study to be carried out.

## 5. Recommendations (cont'd)

### 5.3 Format and instructions on completing templates

In the template, the term “monetary” should be excluded from the items reported under donations to allow for it to include both monetary and non-monetary donations. This will also be consistent with the instructions which states that donations should also include those that are “in-kind”.

Each line item which is required to be reported should be clearly defined and instructions on what needs to be reported should be provided. In addition, the instructions need to include specific detailed instructions on those issues which are discussed in this report such as exclusion of tax penalties and fines, donations, etc, as well as any other items which are considered to be ambiguous.

In addition, it was represented that the training sessions conducted by MEITIS may not extensively cover the reporting requirements. Once the instructions have been revised, a training session should be conducted with the companies and the Government Entities to brief them on the reporting requirements.

A help desk should be set up to tackle any problems or questions that maybe faced by the companies and Government Entities in the completion of the EITI Templates.

### 5.4 Accuracy of template preparation

As consistent with the findings of the previous year, there were many revisions to the initial amounts reported by both the companies and Government Entities mainly due to errors in arriving at the amounts reported. This may suggest that there is a lack of care in the preparation of the EITI Templates.

A review process must be in place to determine that all the information presented is accurate and complete before submission. Supporting details should be attached to the EITI Template where required to facilitate the reconciliation process and retained for records until the EITI Reconciliation and Report engagement for each year is complete. This would save time and add more value to the initial phase of the reconciliation instead of merely carrying out a “matching” exercise of the information submitted due to lack of details.

Should there be any ambiguities on the reporting requirements, the companies and the Government Entities should consult MEITIS as soon as possible and not wait for the issues to be uncovered during the reconciliation exercise.

In a recent paper released by the World Bank Group (WBG) titled Toward Strengthened EITI Reporting, it was noted that one of the recommendations made for improving the accuracy of the information contained within the EITI Templates submitted by the companies and the Government Entities would be for the national auditor-general office to review and give an opinion on the government-reported EITI data and for the companies’ own auditors to issue separate confirmations that the company EITI data submitted is consistent with the company’s audited financial statements and records (and/or signed certification of such by a senior company official).

## 5. Recommendations (cont'd)

### 5.5 Supporting information on the amounts reported

#### Customs Tax, Custom Service Fee and Expenditure Incurred in Relation to Environmental Protection

The information on the abovementioned were unavailable in most cases either because the amounts were reported as a lump-sum payments and no supporting details were available or the amount have been expensed off to various account codes by the companies.

To avoid the aforementioned being repeated in the future, the companies should develop adequate instructions and guidelines for the accountants when capturing the information in the company's accounting system.

#### Information on Other items

For certain items, it was represented by the some companies that information has been archived, missing or not traceable. Details to support the amounts reported should be retained until the EITI reconciliation and report is completed for each year.

## 6. Conclusion

The resolved discrepancies which have been highlighted in **Section 3: Findings** of this report have indicated that most of these could have been avoided if there was more care taken by both the companies and the Government Entities in completing the EITI Templates in the first place.

Other causes for the resolved discrepancies also included the lack of understanding of the guidelines and instructions for the completion of the EITI Templates by both parties which meant that amounts entered to some line items were inconsistent with each other. This would also address the discrepancies due to misclassification of certain tax payments and to the confusion caused by the timing differences of the tax and dividends paid by the companies and the recognition of these payments by the Government Entities.

Discrepancies caused by the use of the old EITI Templates by some companies would hopefully be a thing of the past as the new Templates are fully adopted by all concerned from now on.

The causes of the unresolved discrepancies however, are less clear. The aggregate balance of the unresolved discrepancies is lower than the initial aggregate discrepancies due partly to the adjustments that have been put through in the aforementioned resolved discrepancies.

Further reconciliation on these unresolved discrepancies could not be carried out due to the lack of detailed information available from the companies as well as the Government Entities. Reasons provided have ranged from the absences of key personnel, limited details being available in the accounting records as well as files being archived and are therefore inaccessible.

From the Government Entities perspective, the main contributor to the unresolved discrepancies have been the incompleteness of information captured at the GDTM level and disputes on the amounts reported between MRAM and the companies. During the course of the Engagement it was also obvious that not all taxes collected at the soums and aimags were reported back to the GDTM on a regular basis. This would need to be addressed urgently if future reconciliation exercises are to be successful.

In conclusion, from the points mentioned above, it can be seen that the quality of the data from the companies could be further improved if the instructions for completing the EITI Templates are more comprehensive and specific in nature, coupled with the setting up of a help desk by MEITIS to resolve any queries that may arise when completing the EITI Templates. More importantly however, MEITIS will need to work with MOF and the respective Government Entities in developing a formalized reporting process aimed at improving the quality of the relevant data that is to be captured in the EITI Templates by all levels concerned.

## Appendices

### Appendix A: Source of Information - Government Entities

	Government Entities
<b>a) Taxes</b>	
Corporate income tax	GDTM
Customs tax	GCAM
Windfall tax	GDTM
Real estate tax	GDTM
Excise tax on imported fuel and oil materials	GCAM
Tax on petrol and diesel fuel	GCAM
Tax on automobile and self moving vehicles	GDTM
Other taxes in monetary value	GDTM
<b>b) Fee</b>	
Fee for exploitation of mineral resources ("Royalty Fee")	GDTM
License fee for exploitation and exploration of mineral resources	MRAM
Reimbursement of deposit, exploration of which is carried by the budget fund	MRAM
Land rent	GDTM
Fee for water use	GDTM
Fee for forestry use and firewoods	GDTM
Fee for recruiting foreign experts and workers	LSWSO
Fee for use of mineral resources of wide spread deposit	GDTM

## Appendices (cont'd)

### Appendix A: Source of Information - Government Entities (cont'd)

	Government Entities
<b>c) Charges and service charges</b>	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	Local governments (aimags and soums)
Service charges paid to state and local administration in accordance with relevant law	Local governments (aimags and soums)
Custom Service fee	GCAM
<b>d) Dividends on state and local property</b>	
Dividends on state property	GDTM / SPC
Dividends on local property	GDTM / SPC
<b>e) Other payments to recipient Government</b>	
Entitlement under Production Sharing Contract to Government	PAM
<b>f) Donation to Governmental organizations</b>	
Monetary donation from company to Ministries and agencies	Respective Government bodies
Monetary donation from company to aimag	Local governments (aimags)
Monetary donation from company to soum	Local governments (soums)
Fund disbursed by company in sustainable development and community relations	Local governments (aimags and soums)
Other	GDTM

## Appendices (cont'd)

### Appendix A: Source of Information - Government Entities (cont'd)

Government Entities	
<b>g) Expenditure for environmental protection</b>	
50% contribution in kind to environmental protection special account	MOET
Expenditure incurred in relation to environmental protection	MOET

**Note:**

- ▶ General Department of Taxation Mongolia (GDTM)
- ▶ General Customs Administration Office (GCAM)
- ▶ Labor and Social Welfare Services (LSWSO)
- ▶ Minerals Resources Authority Mongolia (MRAM)
- ▶ Petroleum Authority Mongolia (PAM)
- ▶ Ministry of Environment and Tourism of Mongolia (MOET)
- ▶ State Property Committee (SPC)

## Appendices (cont'd)

### Appendix B: List of Mining Companies

No.	Company Name	Company Registration No.	Minerals Mined	Amount Paid** MNT'000
1	Adamas Mining LLC	2672146	Exploration (gold)	598,058
2	Altan Dornod Mongol LLC	2112868	Gold	31,473,333
3	Baganuur SO	2008572	Coal	1,334,249
4	Bold Tumur Eruu Gol LLC	2855119	Iron ore	637,388
5	Boroo Gold LLC	2094533	Gold and silver	46,890,199
6	Bud Invest LLC	2100754	Spar	138,760
7	Buurgent LLC	2019205	Gold and silver	240,977
8	Chinhua MAK LLC	2697947	Coal	879,765
9	Cold Gold Mongol LLC	2571498	Gold	658,512
10	Datsan Trade LLC	2061848	Gold and silver	718,665
11	Eltrana LLC	5058295	Gold and silver	232,822
12	Erdenet Mining Corporation LLC	2074192	Copper and molybdenum	599,962,591
13	Erdes Holding LLC	2655772	Gold	590,998
14	Erdmin LLC	2073358	Copper	7,221,561
15	Gatsuurt LLC	2054701	Gold	2,336,225
16	Gobi Coal and Energy LLC	2862468	Coal	1,026,783
17	Gurvan Tuhum LLC	2086166	Gold and coal	206,557
18	Ivanhoe Mines Mongolia Inc. LLC	2657457	Copper and gold	5,830,271
19	Jump LLC	2081547	Gold and silver	1,387,248
20	Khan Shijir SHC	2608758	Gold and silver	350,988
21	Mon Dulaan Trade LLC	2554518	Gold	139,961
22	Mongol-Czech Metal SPIE	5051134	Gold, spar and ore	201,817
23	Mongolrostsvetmet LLC	2550466	Gold, spar and coal	3,415,460
24	Mongolyn Alt (MAK) LLC	2095025	Gold, coal and copper	824,943
25	Monpolimet LLC	2029278	Gold	2,388,872
26	Petro-China Daqing Tamsag LLC	2075385	Petroleum	8,723,500
27	Shanlun LLC	2784904	Zinc and lead	549,871
28	Shariin Gol LLC	2050374	Coal	544,606
29	Shijir Alt SHC	2072947	Gold	5,404,049
30	Shim Technology LLC	2788691	Molybdenum	714,471
31	Shin Shin LLC	2830213	Polimet and zinc	1,816,177
32	Shivee Ovoo SHC	2004879	Coal	346,867
33	Sonor Trade LLC	2590565	Gold	342,588
34	Tavan Tolgoi LLC	2016656	Coal	10,864,072
35	Tethys Mining LLC	2807459	Exploration (gold)	580,536
36	Tsairt Minerals LLC	2548747	Zinc	8,432,890
37	Tun Shen LLC	2867699	Iron ore	232,168
38	Ulz Gol Cooperative	2344343	Gold and silver	544,149

\*\*Amount as reported in the templates submitted by the Government Entities

Source: MEITIS



## Appendices (cont'd)

### Appendix C: Individual Company Reports

All amounts shown in this report are expressed in thousands of MNT unless otherwise stated.

No.	Company Name	Initial Discrepancies MNT	Adjustments MNT	Unresolved Discrepancies MNT	Appendix No.
1	Adamas Mining LLC	571,151	(573,998)	(2,847)	C1
2	Altan Dornod Mongol LLC	(10,798,260)	-	(10,798,260)	C2
3	Baganuur SO	107,763	(77,564)	30,199	C3
4	Bold Tumur Eruu Gol LLC	(6,591,195)	6,423,839	(167,356)	C4
5	Boroo Gold LLC	(2,630,808)	2,425,384	(205,424)	C5
6	Bud Invest LLC	364	(4,364)	(4,000)	C6
7	Buurgent LLC	(26,643)	18,167	(8,476)	C7
8	Chinhua MAK LLC	(2,466,521)	2,446,523	(19,999)	C8
9	Cold Gold Mongol LLC	558,290	(632,001)	(73,712)	C9
10	Datsan Trade LLC	(271,662)	263,004	(8,658)	C10
11	Eltrana LLC	(19,378)	11,396	(7,982)	C11
12	Erdenet Mining Corporation LLC	35,269,622	(35,180,548)	89,074	C12
13	Erdes Holding LLC	503,580	(203,244)	300,336	C13
14	Erdmin LLC	(227,333)	363,007	135,675	C14
15	Gatsuurt LLC	494,822	(116,455)	378,367	C15
16	Gobi Coal and Energy LLC	978,043	(1,056,163)	(78,120)	C16
17	Gurvan Tuhum	(39,159)	15,472	(23,687)	C17
18	Ivanhoe Mines Mongolia Inc. LLC	(691,852)	582,136	(109,717)	C18
19	Jump LLC	51,932	(31,792)	20,140	C19
20	Khan Shijir SHC	36,776	(40,717)	(3,940)	C20
21	Mon Dulaan Trade LLC	(44,686)	24,916	(19,770)	C21
22	Mongol-Czech Metal SPIE	(11,428)	55,847	44,419	C22
23	Mongolroostsvetmet LLC	(2,189,064)	2,047,109	(141,955)	C23
24	Mongolyn Alt (MAK) LLC	(252,459)	141,457	(111,002)	C24
25	Monpolimet LLC	(315,038)	424,739	109,700	C25
26	Petro-China Daguing Tamsag LLC	(5,234,542)	4,979,303	(255,240)	C26
27	Shanlun LLC	(251,535)	(238,027)	(489,562)	C27
28	Shariin Gol LLC	150,390	(154,475)	(4,086)	C28
29	Shijir Alt SHC	(3,458,286)	3,402,251	(56,035)	C29
30	Shim Technology LLC	(1,019,422)	1,000,163	(19,259)	C30
31	Shin Shin LLC	(491,322)	487,204	(4,118)	C31
32	Shivee Ovoo SHC	274,366	(275,130)	(764)	C32
33	Sonor Trade LLC	1,196	47	1,244	C33
34	Tavan Tolgoi LLC	2,831,882	(2,863,521)	(31,638)	C34
35	Tethys Mining LLC	(635,112)	614,570	(20,543)	C35
36	Tsairt Minerals LLC	(375,510)	374,898	(613)	C36
37	Tun Shen LLC	5,324	-	5,324	C37
38	Ulz Gol Cooperative	(15,620)	(175)	(15,795)	C38
	<b>Total Amount:</b>	<b>3,778,665</b>	<b>(15,346,742)</b>	<b>(11,568,077)</b>	

# **APPENDIX C1**

## **Adamas Mining LLC**

**ADAMAS MINING ("AM")**

AM is a subsidiary company of Japan's Financial Plan Research Company. The company possesses more than 50 licenses for various minerals.

AM is registered with the Bayangol District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
<b>a) Taxes</b>	26,329	38	26,291	(26,435)	(144)	
Corporate income tax	1,266	-	1,266	(1,266)	-	i
Customs tax	8,944	-	8,944	(8,944)	-	ii
Windfall tax	15,938	38	15,900	(15,900)	-	iii
Real estate tax	-	-	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	181	-	181	(325)	(144)	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
<b>b) Fee</b>	556,901	11,820	545,081	(545,081)	-	
Royalty fee	3,118	-	3,118	(3,118)	-	iv
License fee for exploitation and exploration of mineral resources	553,782	2,516	551,266	(551,266)	-	v
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	2,304	(2,304)	2,304	-	vi
Fee for water use	-	7,000	(7,000)	7,000	-	vii
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
<b>c) Charge and service charge</b>	32	-	32	(11)	21	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	32	-	32	(11)	21	
Other	-	-	-	-	-	
<b>d) Dividends on state and local property</b>	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
<b>e) Other payments to recipient Government</b>	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
<b>f) Donation to Governmental organizations</b>	797	150	647	(3,371)	(2,724)	
Monetary donation from company to Ministries and agencies	-	-	-	(1,500)	(1,500)	viii
Monetary donation from company to aimag	-	-	-	(570)	(570)	
Monetary donation from company to soum	797	150	647	(1,301)	(654)	
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
<b>g) Expenditure for environmental protection</b>	14,000	14,900	(900)	900	-	
50% contribution in kind to environmental protection special account	14,000	14,900	(900)	900	-	
Expenditure incurred in relation to environmental protection	-	-	-	-	-	
	-	-	-	-	-	
<b>TOTAL AMOUNT</b>	<b>598,058</b>	<b>26,908</b>	<b>571,150</b>	<b>(573,997)</b>	<b>(2,847)</b>	

**i. Corporate income tax**

Initially, AM did not report any amount paid for Corporate Income Tax. However, AM subsequently revised the amount reported to MNT1,266 which was paid on 5 February and 29 June 2007. GDTM confirmed that the amount reported amounting to MNT1,266 was correct.

**ii. Customs tax**

Initially, AM did not report any amount paid for Customs Tax. However, AM subsequently revised the amount reported to MNT11,651 and provided details on the amount paid. GCAM confirmed that the amount reported amounting to MNT8,944 is correct and provided details on the amount received.

From the details provided, it was noted that GCAM's reported amount did not include a payment of MNT2,708 made by AM on 4 July 2007.

**iii. Windfall tax**

AM revised the amount reported from MNT38 to MNT15,938 as there was a typing error in the initial submission. GDTM confirmed that the amount reported amounting to MNT15,938 was received from AM.

**iv. Royalty fee**

Initially, AM did not report any amount paid for Royalty Fees. However, AM subsequently revised the amount reported to MNT3,118 which was paid for gold sold to Mongol Bank. GDTM confirmed that the amount reported amounting to MNT3,118 was received from AM.

**v. License fee for exploitation and exploration of mineral resources**

AM revised the amount reported from MNT2,516 to MNT511,943 and subsequently to MNT327,150 as the initial amount included payments made for License Fee for a related company, Adamas Mountain LLC. MRAM revised the reported amount from MNT553,782 to MNT327,150 as the initial amount included some payments made in 2006 and 2008 as well as payments received from Adamas Mountain LLC.

**vi. Land rent**

AM confirmed that the amount reported amounting to MNT2,304 is correct and provided details on the amount paid. From the details provided, it was noted that the payment was made to Dashinchilen Soum of Bulgan Aimag on 26 October 2007. GDTM did not report any amount received for Land Rent. However, Dashinchilen Soum of Bulgan Aimag subsequently confirmed that MNT2,304 was received.

**vii. Fee for water use**

AM confirmed that the amount reported amounting to MNT7,000 is correct and provided details on the amount paid. From the details provided, it was noted that the payments were made to Dashinchilen Soum of Bulgan Aimag on 24 July, 26 and 30 October. GDTM did not report any amount received for Fee for Water Use. However, Dashinchilen Soum of Bulgan Aimag subsequently confirmed that MNT7,000 was received.

**viii. Monetary donation from company to Ministries and agencies**

Initially, AM did not report any amount paid. AM subsequently revised the amount reported to MNT1,500 and provided details of the amount paid. From the details provided, it was noted that MNT1,000 was donated to Cadastral Department of MRAM in June 2007 for its 10<sup>th</sup> year anniversary celebration while MNT500 was donated to the Geology Department of MRAM on 17 October 2007.

The Government bodies did not report any amount received. A discrepancy amounting to MNT1,500 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply from AM was received on the 22 July 2009, three days after 1<sup>st</sup> Reminder Letter was sent. Their provided details on the amounts reported.

A meeting with AM was held on 3 July 2009 to obtain further details and explanations of the discrepancies.

**Summary:**

The unresolved discrepancies were mainly due to Monetary Donation from Company to Ministries and Agencies as the Government bodies did not report any amount received from AM.

# **APPENDIX C2**

**Altan Dornod Mongol LLC**

**ALTAN DORNOD MONGOL ("ADM")**

ADM is a 100% Russian entity and classified as a foreign entity operating in Mongolia. ADM operates gold mines in Zaamar Soum of Tuv Aimag and Tsenher Soum of Arhangai Aimag.

ADM is registered with the National Taxation Department of Mongolia.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies
	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>	<b>17,172,084</b>	<b>25,319,854</b>	<b>(8,147,770)</b>	-	<b>(8,147,770)</b>
Corporate income tax	378,544	553,392	(174,848)	-	(174,848)
Customs tax	1,121,431	1,122,225	(794)	-	(794)
Windfall tax	15,644,775	23,316,775	(7,672,000)	-	(7,672,000)
Real estate tax	9,878	10,334	(456)	-	(456)
Excise tax on imported fuel and oil materials	-	-	-	-	-
Tax on petrol and diesel fuel	-	-	-	-	-
Tax on automobile and self moving vehicles	17,457	18,355	(898)	-	(898)
Other taxes in monetary value	-	298,626	(298,626)	-	(298,626)
Other taxes in monetary value	-	148	(148)	-	(148)
<b>b) Fee</b>	<b>11,886,217</b>	<b>13,423,897</b>	<b>(1,537,680)</b>	-	<b>(1,537,680)</b>
Royalty fee	10,313,541	11,057,444	(743,903)	-	(743,903)
License fee for exploitation and exploration of mineral resources	215,996	277,470	(61,474)	-	(61,474)
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-
Land rent	49,509	123,553	(74,044)	-	(74,044)
Fee for water use	62,326	446,078	(383,751)	-	(383,751)
Fee for forestry use and firewoods	-	-	-	-	-
Fee for recruiting foreign experts and workers	1,244,846	1,519,353	(274,507)	-	(274,507)
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-
License fee	-	-	-	-	-
Other	-	-	-	-	-
<b>c) Charge and service charge</b>	<b>1,394</b>	<b>9,668</b>	<b>(8,274)</b>	-	<b>(8,274)</b>
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-
Custom Service fee	1,394	9,668	(8,274)	-	(8,274)
Other	-	-	-	-	-
<b>d) Dividends on state and local property</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dividends on state property	-	-	-	-	-
Dividends on local property	-	-	-	-	-
<b>e) Other payments to recipient Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Entitlement under Production Sharing Contract to Government	-	-	-	-	-
Other	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>	<b>142,000</b>	<b>480,701</b>	<b>(338,701)</b>	-	<b>(338,701)</b>
Monetary donation from company to Ministries and agencies	-	240,827	(240,827)	-	(240,827)
Monetary donation from company to aimag	30,000	49,307	(19,307)	-	(19,307)
Monetary donation from company to soum	112,000	161,160	(49,160)	-	(49,160)
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-
Other	-	29,408	(29,408)	-	(29,408)
<b>g) Expenditure for environmental protection</b>	<b>2,271,636</b>	<b>3,037,471</b>	<b>(765,835)</b>	-	<b>(765,835)</b>
50% contribution in kind to environmental protection special account	143,424	149,984	(6,560)	-	(6,560)
Expenditure incurred in relation to environmental protection	2,128,212	2,887,487	(759,275)	-	(759,275)
<b>TOTAL AMOUNT</b>	<b>31,473,332</b>	<b>42,271,592</b>	<b>(10,798,260)</b>	<b>-</b>	<b>(10,798,260)</b>

**Findings:**

The request for information was sent on 23 May 2009. A detailed analysis of receipts and payments cannot be performed as ADM was unable to provide the information requested.

**Summary:**

The unresolved discrepancies were mainly due to ADM's inability to provide details of the amounts paid for Windfall Tax, Royalty Fee, Fee for Water Use, Fee for Recruiting Foreign Experts and Workers and Expenditure Incurred in Relation to Environmental Protection. The Government bodies did not report any amount received from ADM for Monetary Donations from Company to Ministries and Agencies while MOET was unable to provide further details on the Expenditure Incurred in Relation to Environmental Protection amount reported.

# **APPENDIX C3**

## **Baganuur S0**



## BAGANUUR

Baganuur is a Mongolian company with 75% of its shares being state-owned. It operates coal mine in Ulaanbaatar City District.

Baganuur is registered with the National Taxation Department of Mongolia.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	343,130	45,613	297,517	(271,582)	25,935	
Corporate income tax	225,026	-	225,026	(225,026)	-	i
Customs tax	72,491	-	72,491	(46,556)	25,935	ii
Windfall tax	-	-	-	-	-	
Real estate tax	39,905	39,905	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	5,708	5,708	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	896,063	1,090,585	(194,522)	194,522	0	
Royalty fee	883,568	883,568	-	-	-	
Licence fee for exploitation and exploration of mineral resources	8,533	8,533	-	-	-	
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	194,522	(194,522)	194,522	-	iii
Fee for water use	3,962	3,962	-	0	0	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	-	-	-	7	7	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	-	-	-	7	7	
Other	-	-	-	-	-	
d) Dividends on state and local property	39,956	29,988	9,968	(9,968)	-	
Dividends on state property	39,956	29,988	9,968	(9,968)	-	iv
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	-	-	-	-	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	-	-	-	-	-	
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	55,100	60,300	(5,200)	9,457	4,257	
50% contribution in kind to environmental protection special account	3,100	3,100	-	-	-	
Expenditure incurred in relation to environmental protection	52,000	57,200	(5,200)	9,457	4,257	v
	-	-	-	-	-	
TOTAL AMOUNT	1,334,250	1,226,486	107,763	(77,564)	30,199	

#### i. Corporate income tax

Initially Baganuur did not report any amount paid. Baganuur subsequently revised the amount reported to MNT255,026 and provided details on the amount paid. GDTM revised the amount reported from MNT225,026 to MNT255,026 as there was a typing error in the initial amount reported.

#### ii. Customs tax

Initially, Baganuur did not report any amount paid. Baganuur subsequently revised the amount reported to MNT46,556 and provided details on the amount paid. GCAM confirmed that the amount reported amounting to MNT72,491 is correct and provided details on the amount received. A discrepancy amounting to MNT25,935 remains unresolved.

**iii. Land rent**

Baganuur confirmed that the amount reported amounting to MNT194,522 is correct and provided details on the amount paid. It was noted that the Land Rent was paid to Baganuur District Land Department. Initially, GDTM did not report any amount received from Baganuur for Land Rent. However, Baganuur District Land Department subsequently revised the amount reported to MNT194,522 and provided details on the amount received.

**iv. Dividends on state property**

Baganuur revised the amount reported from MNT29,988 to MNT39,956 as the initial amount was wrongly reported and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT39,956 is correct.

**v. Expenditure incurred in relation to environmental protection**

Baganuur revised the amount reported from MNT57,200 to MNT47,743 and provided details on the amount paid. MOET reported MNT52,000 was incurred by Baganuur but no further details were provided. A discrepancy amounting to MNT4,257 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from Baganuur on 16 June 2009 by fax. In their reply, they provided confirmation on the amounts initially reported, several revisions as well as some copies of the bank payment advices. However, further details on each of the payments made were not provided.

A call was made on 16 June 2009 to arrange for a meeting. However, we were unable to contact them. A meeting was held on 4 August 2009 and the journal listing for the amount reported was provided.

**Summary:**

The discrepancies were mainly due to Customs Tax and Expenditure Incurred in Relation to Environmental Protection.

The amount and details provided by Baganuur for Customs Tax includes VAT which is unable to be separately reported. MOET were unable to provide further details on the amount reported for Expenditure Incurred in Relation to Environmental Protection.

# **APPENDIX C4**

**Bold Tumor Eruu Gol LLC**

**BOLD TUMUR ERUU GOL ("BTEG")**

BTEG operates in Yeruu Soum of Selenge Aimag. It extracts iron ore and exports to China.

BTEG is registered with the Chingeltei District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
<b>a) Taxes</b>	258,135	4,711,696	(4,453,561)	4,387,321	(66,241)	
Corporate income tax	-	4,065,270	(4,065,270)	4,065,270	-	i
Customs tax	255,770	644,102	(388,332)	322,051	(66,281)	ii
Windfall tax	-	-	-	-	-	
Real estate tax	-	-	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	2,365	2,324	41	(0)	41	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
<b>b) Fee</b>	373,996	2,393,402	(2,019,406)	2,019,398	(8)	
Royalty fee	338,810	2,327,134	(1,988,323)	1,988,320	(4)	iii
License fee for exploitation and exploration of mineral resources	24,877	24,881	(5)	-	(5)	iv
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	10,309	15,935	(5,626)	5,626	-	
Fee for water use	-	-	-	-	-	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	25,452	(25,452)	25,452	-	v
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
<b>c) Charge and service charge</b>	318	-	318	(536)	(217)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	318	-	318	(536)	(217)	
Other	-	-	-	-	-	
<b>d) Dividends on state and local property</b>	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
<b>e) Other payments to recipient Government</b>	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
<b>f) Donation to Governmental organizations</b>	2,000	90,856	(88,856)	17,656	(71,200)	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	2,000	-	2,000	(3,200)	(1,200)	vi
Fund disbursed by company in sustainable development and community relations	-	90,856	(90,856)	20,856	(70,000)	vii
Other	-	-	-	-	-	
<b>g) Expenditure for environmental protection</b>	2,940	32,630	(29,690)	-	(29,690)	
50% contribution in kind to environmental protection special account	1,200	20,000	(18,800)	-	(18,800)	viii
Expenditure incurred in relation to environmental protection	1,740	12,630	(10,890)	-	(10,890)	ix
<b>TOTAL AMOUNT</b>	<b>637,389</b>	<b>7,228,584</b>	<b>(6,591,195)</b>	<b>6,423,839</b>	<b>(167,356)</b>	

**i. Corporate income tax**

BTEG confirmed the amount reported amounting to MNT4,065,270 is correct and provided details on the amount paid.

Initially, GDTM did not report any amount received from BTEG. However, GDTM subsequently revised the amount reported to MNT4,065,270 and provided details on the amount received.

**ii. Customs tax**

BTEG revised the amount reported from MNT644,101 to MNT322,051 as the initial amount reported was for VAT. GCAM confirmed that the amount reported amounting to MNT255,769 is correct and provided details on the amount reported. A discrepancy amounting to MNT66,281 remains unresolved.

**iii. Royalty fee**

BTEG confirmed that the amount reported amounting to MNT2,327,134 is correct and provided details on the amount paid. Initially, GDTM confirmed that the amount reported amounting to MNT338,810 is correct and provided details on the amount received. However, GDTM subsequently confirmed that a payment made by BTEG on 29 December 2007 amounting to MNT1,988,320 was received by Selenge Aimag Tax Office.

**iv. Land rent**

BTEG confirmed that the amount reported amounting to MNT15,935 is correct and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT10,309 is correct and provided details on the amount received. However, from the details provided, it was noted that the discrepancy amounting to MNT5,626 was due to BTEG wrongly including a payment made in 16 January 2008.

**v. Fee for recruiting foreign experts and workers**

BTEG confirmed that the amount reported amounting to MNT25,452 and provided details on the amount paid. Initially LSWSO did not report any amount received from BTEG. However, LSWSO subsequently revised the amount reported to MNT25,452 and provided details on the amount received.

**vi. Monetary donation from company to soum**

Initially, BTEG did not report any amount donated. From the details provided for Fund Disbursed by Company in Sustainable Development and Community Relations, it was noted that BTEG included a non-monetary donation to soum amounting to MNT3,200 in the amount reported. The local government reported MNT2,000 was received but no details were provided. A discrepancy amounting to MNT1,200 remains unresolved.

**vii. Fund disbursed by company in sustainable development and community relations**

BTEG confirmed that the amount reported amounting to MNT90,856 which includes both monetary and non-monetary donations is correct and provided details on the amount reported. From the details provided, it was noted that the amount reported included donations made to a soum, individuals and local organisations and for development funds (amounting to MNT3,200 (non-monetary), MNT17,656 and MNT70,000 respectively). The amount donated to the soum is wrongly classified under this item. In addition, the amount donated to individuals and local organisations should be excluded accordingly. MNT20,000 and MNT50,000 were disbursed to the development funds of Dulaanhan Soum and Yuruu Soum of Selenge Aimag respectively.

The local government did not report any amount was received. A discrepancy amounting to MNT70,000 remains unresolved.

**viii. 50% contribution in kind to environmental protection special account**

BTEG confirmed that the amount reported amounting to MNT20,000 is correct and provided details on the amount paid. From the details provided, it was noted that the payment was deposited at Selenge Aimag Turiin San Bank on 11 September 2007.

MOET confirmed that the amount reported amounting to MNT1,200 is correct. A discrepancy amounting to MNT18,800 remains unresolved.

**ix. Expenditure incurred in relation to environmental protection**

BTEG confirmed that the amount reported amounting to MNT12,630 is correct and provided details on the amount paid.

MOET reported MNT1,740 was incurred. A discrepancy amounting to MNT10,890 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. BTEG replied us on 1 July 2009, 12 days after the 1<sup>st</sup> Reminder Letter was sent. They provided details on the amounts reported. However, there were some revisions to the amount reported and details on these amounts were not provided.

A meeting could not be arranged with BTEG. However, on 5 August 2009, a fax reply was received. The fax serves to confirm that the amounts reported in the EITI Template are correct and provided explanation on certain items reported such as Custom Tax and Other Taxes.

**Summary:**

The unresolved discrepancies were mainly due to Customs Tax and Fund Disbursed by Company in Sustainable Development and Community Relations.

BTEG were not able to provide details for the amount reported for Customs Tax. The local government did not report any funds disbursed from BTEG for Fund Disbursed by Company in Sustainable Development and Community Relations.

# **APPENDIX C5**

## **Boroo Gold LLC**

**BOROO GOLD (“BG”)**

BG is a 100% Canadian-owned entity with Centerra Gold being its parent company. BG operates in Mandal and Bayangol soums of Selenge Aimag.

BG is registered with the National Taxation Department.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
<b>a) Taxes</b>	37,622,264	39,412,682	(1,790,418)	1,799,021	8,603	
Corporate income tax	37,285,581	39,102,158	(1,816,577)	1,816,577	-	i
Customs tax	3,454	16,490	(13,036)	21,631	8,595	ii
Windfall tax	170,751	170,751	(0)	-	(0)	
Real estate tax	156,986	118,098	38,888	(38,888)	-	iii
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	5,493	5,186	307	(299)	8	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
<b>b) Fee</b>	8,028,721	8,549,898	(521,177)	240,562	(280,615)	
Royalty fee	7,351,192	7,351,192	-	-	-	
Licence fee for exploitation and exploration of mineral resources	395,493	115,098	280,395	(280,395)	-	iv
Reimbursement of deposit, exploration of which is carried by the budget	138,872	419,487	(280,615)	-	(280,615)	v
Land rent	57,806	52,806	5,000	(5,000)	-	vi
Fee for water use	1,000	1,000	-	-	-	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	84,358	76,687	7,671	(7,671)	-	vii
Fee for use of mineral resources of wide spread deposit	-	533,628	(533,628)	533,628	(0)	viii
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
<b>c) Charge and service charge</b>	2,626	99,042	(96,416)	(38,847)	(135,263)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	6,851	(6,851)	257	(6,594)	ix
Service charges paid to state and local administration in accordance with relevant law	-	23,833	(23,833)	(43,360)	(67,193)	x
Custom Service fee	2,626	68,358	(65,732)	4,256	(61,476)	xi
Other	-	-	-	-	-	
<b>d) Dividends on state and local property</b>	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
<b>e) Other payments to recipient Government</b>	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
<b>f) Donation to Governmental organizations</b>	1,012,628	1,054,364	(41,736)	512,287	470,551	
Monetary donation from company to Ministries and agencies	-	174,918	(174,918)	114,400	(60,518)	xii
Monetary donation from company to aimag	-	407,550	(407,550)	367,587	(39,963)	xiii
Monetary donation from company to soum	1,012,628	471,896	540,732	30,300	571,032	xiv
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	xv
Other	-	-	-	-	-	
<b>g) Expenditure for environmental protection</b>	223,960	405,022	(181,062)	(87,638)	(268,700)	
50% contribution in kind to environmental protection special account	42,200	45,442	(3,242)	3,242	-	xvi
Expenditure incurred in relation to environmental protection	181,760	359,580	(177,820)	(90,880)	(268,700)	xvii
	-	-	-	-	-	
<b>TOTAL AMOUNT</b>	<b>46,890,199</b>	<b>49,521,008</b>	<b>(2,630,808)</b>	<b>2,425,384</b>	<b>(205,424)</b>	

**i. Corporate income tax**

BG revised the amount reported from MNT39,102,158 to MNT38,213,163 and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT37,285,581 is correct and provided details on the amount received.

From the details provided, it was noted that BG included a payment made for tax penalties amounting to MNT888,903 in the amount reported. In addition, it was noted that the remaining discrepancy amounting to MNT38,679 was due payments made by BG for Corporate Income Tax recorded as payments for other taxes, namely, “Withholding Tax on Employee Salary” and “Withholding Tax on Individual Deposit Account Interest Income”, by GDTM.



**ii. Customs tax**

BG confirmed that the amount reported amounting to MNT16,490 is correct and provided details on the amount paid. GCAM revised the amount reported from MNT3,454 to MNT6,182 with details on the amount received. This was subsequently revised to MNT25,085. The reason for the revision was mainly due to the amounts received but not updated in the GCAM system.

From the details provided, it was noted that the discrepancy amounting to MNT8,595 was due to a number of payments totalling MNT3,698, were made by BG in January 2007 but was not included in the amount reported by GCAM.

In addition, GCAM included payments received from BG on 12 January 2007 and 28 March 2007 totalling MNT12,293 but was not included in the amount reported by BG.

Upon further discussion with BG, it was noted that BG was unable to provide further information on the payments made as the documents have been archived.

A discrepancy amounting to MNT8,595 remains unresolved.

**iii. Real estate tax**

BG confirmed that the amount reported amounting to MNT118,098 is correct and provided details of the amount paid. GDTM confirmed that the amount reported amounting to MNT156,986 is correct and also provided details of the amount received.

From the details provided, it was noted that the discrepancy was due to GDTM including a payment received from BG on 1 January 2007 for Real Estate Tax amounting to MNT38,888. BG did not include this payment as it was paid in 2006.

**iv. Licence fee for exploitation and exploration of mineral resources**

BG revised the amount reported from MNT115,098 to MNT139,116, as the initial amount was wrongly reported. MRAM revised the amount reported from MNT395,493 to MNT129,149 and provided details of the amount received.

From the details provided, it was noted that MRAM excluded amounts received for both 3405X and 2086X licenses which amounted to MNT9,967. Upon further investigation, it was noted that, as these payments were made on behalf by BG's parent company, MRAM captured the payments made as payments received from Centerra Gold instead.

**v. Reimbursement of deposit, exploration of which is carried by the budget fund**

BG confirmed that the amount reported amounting to MNT419,487 is correct and provided details of the amount paid. MRAM confirmed that the amount reported amounting to MNT138,872 is correct and also provided details of the amount received.

From the details provided, it was noted that two payments made by BG on 30 March and 27 September 2007 amounting to MNT280,615 were not received by MRAM.

A letter was received from MRAM to confirm that only one payment amounting to MNT138,872 was received. A discrepancy amounting to MNT280,615 remains unresolved.

**vi. Land rent**

BG confirmed that the amount reported amounting to MNT52,806 is correct and provided details of the amount paid. GDTM confirmed that the amount reported amounting to MNT57,806 is correct and also provided details of the amount received.

From the details provided, it was noted that BG excluded a payment made on 30 April 2007 amounting to MNT5,000 by mistake.

**vii. Fee for recruiting foreign experts and workers**

BG confirmed that the amount reported amounting to MNT76,687 is correct and provided details on the amount paid. LSWSO revised the amount reported from MNT84,358 to MNT84,172 and provided details on the amount paid.

From the details provided, it was noted that a number of payments made in May, June and July 2007 amounting to MNT7,485 was received by LSWSO. However, BG explained that the amount was paid directly by their employees to LSWSO which the company did not record.

**viii. Fee for use of mineral resources of wide spread deposit**

BG confirmed that the amount reported amounting to MNT533,628 is correct and paid to Mandal Soum of Selenge Aimag's State Fund on 29 June 2007. However, MRAM did not report any amount received from BG and confirmed that they did not receive any such payments. Mandal Soum of Selenge Aimag subsequently confirmed that the amount of MNT533,628 was received.

**ix. Stamp and other charge for state registration paid to state and local administration in accordance with relevant law**

BG revised the amount reported from MNT6,851 to MNT6,594 and provided details on the amount paid. The payment was made on 20 April 2007 to Foreign Affairs and Immigration Office of Mongolia for service fees.

The local government did not report any amount received from BG.

**x. Service charges paid to state and local administration in accordance with relevant law**

BG revised the amount reported from MNT23,833 to MNT67,193 and provided details on the amount paid. From the details provided, it was noted that the payments were made to many Government Entities for various charges such as visas and other services.

The local government did not report any amount received from BG.

**xi. Custom service fee**

BG revised the amount reported to from MNT68,358 to MNT70,000 and provided details on the amount paid. From the details provided, it was noted that BG included payments of commission to freight forwarding agents. BG was unable to distinguish between the amounts paid to the freight forwarding agents and the GCAM.

GCAM revised the amount reported from MNT2,626 to MNT8,524 with details on the amount received. A discrepancy amounting to MNT61,476 remains unresolved.

**xii. Monetary donation from company to Ministries and agencies**

BG revised the amount reported from MNT174,917 to MNT176,418 and provided details on the amount donated. From the details provided, it was noted that BG made donations to the following ministries and agencies:

Recipient	Amount MNT
Sukhbaatar Aimag's State Professional Inspection Agency (2 Toyota Land Cruiser)	74,658
National Emergency Management Agency	30,000
Police Office	44,360
MRAM	12,400
MMRE	15,000
	<b>176,418</b>

The Government bodies did not report any amount received for donations from the company to ministries and agencies.

State Professional Inspection Agency, National Emergency Management Agency, MRAM and MMRE subsequently confirmed that MNT60,000, MNT30,000, MNT10,900 and MNT15,000 was received from BG. A discrepancy amounting to MNT60,518 remains unresolved.

**xiii. Monetary donation from company to aimag**

BG confirmed the amount reported amounting to MNT407,550 is correct and provided details on the amount donated.

Recipient	Description	Amount MNT
Centre for the Invalid	Donation for eight elder people	80
Khentii Aimag	Not provided	10,000
Selenge Aimag	Road construction in Bayangol Soum	40,000
Darkhan Aimag's Hospital	Computer	22,427
Darkhan Aimag's Hospital	Not provided	6,456
Selenge Aimag's Sport Committee	Not provided	1,000
Selenge Aimag	Not provided	83,808
Selenge Aimag for sports recreation work	Non-monetary donation, cost of services provided	1,580
Selenge Aimag	Non-monetary donation, cost of services provided	11,725
Selenge Aimag	Implementation project	230,474
		<b>407,550</b>

From the details provided, it was noted that BG classified a donation made to Selenge Aimag amounting to MNT30,300 under Monetary Donation from Company to Soum.

The local government did not report any amount received for donations from the company to aimags.

Selenge Aimag subsequently confirmed that MNT397,887 was received from BG. A discrepancy amounting to MNT39,963 remains unresolved.

**xiv. Monetary donation from company to soum**

BG confirmed that the amount reported amounting to MNT471,896 is correct and provided details on the amount donated.

Recipient	Description	Amount MNT
Bayangol Soum of Selenge Aimag	Non-monetary donation, cost of services provided	191,596
Mandal Soum of Selenge Aimag	Not provided	250,000
Selenge Aimag	Not provided	30,300
		<b>471,896</b>

As shown in the table above, it was noted that BG included in the amount reported a donation made to Selenge Aimag amounting to MNT30,300.

The local government reported an amount of MNT1,012,628 but no details on the donations received were provided. A discrepancy amounting to MNT571,032 remains unresolved.

**xv. Fund disbursed by company in sustainable development and community relations**

Initially, BG did not report any funds disbursed. Subsequently, BG revised the amount reported to MNT156,299 as it was captured under a wrong line item i.e. Monetary Donation From Company to Local Organizations, in the template. It was noted that the amounts were donated to many individuals or organizations.

Only payments made to development funds established for a particular aimag or soum should be reported. The above donations are not required to be reported under this item.

**xvi. 50% of contribution in kind to environmental protection special account**

BG confirmed that the amount reported amounting to MNT45,442 is correct and provided details on the amount paid. MOET revised the amount reported from MNT42,200 to MNT45,442 as the initial amount reported did not include a payment made by BG amounting to MNT3,242.

**xvii. Expenditure incurred in relation to environmental protection**

BG confirmed that the amount reported amounting to MNT359,580 is correct but no details on the amount paid were provided. MOET revised the amount reported from MNT181,760 to MNT90,880. A discrepancy amounting to MNT268,700 remains unresolved.

### **Findings:**

The request for information was sent on 23 May 2009. BG provided the details as requested in a faxed letter on 22 June 2007, a few days after the 1<sup>st</sup> Reminder Letter dated 19 June 2009 was sent. A meeting was held with BG on 29 June 2009 to discuss on the details provided and to obtain explanation on the discrepancies.

BG completed the EITI Template 1 using the old format. It was noted that the revised template was only issued in March 2008 as MEITIS needed to incorporate the previous consultant's recommendation on improvements to the template. As some companies have already submitted using the old template, to avoid re-work by these companies, MEITIS accepted the submission accordingly.

As the old format was used, BG reported Monetary Donation From Company to Local Organisations which is not required to be reported in 2007 following on from the recommendations included in the Mongolia First Reconciliation and Report 2006.

### **Summary:**

The unresolved discrepancies were mainly due to Reimbursement of Deposit, Exploration of which is Carried by the Budget Fund, Monetary Donation from Company to Soum and Expenditure Incurred in Relation to Environmental Protection.

MRAM did not receive payments made by BG for Reimbursement of Deposit, Exploration of which is Carried by the Budget Fund. No further work was able to be carried out for Monetary Donation from Company to Soum as the local government was unable to provide details on the donated amounts received. As no further details were provided by both BG and MOET for their respective amounts reported for Expenditure Incurred in Relation to Environmental Protection, no further work was able to be carried out.

# **APPENDIX C6**

## **Bud Invest LLC**

**BUD INVEST (“BI”)**

BI is Mongolian-owned company and operates a gold mine. BI is registered with the Sukhbaatar District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	105,002	99,769	5,234	(5,233)	-	
Corporate income tax	-	-	-	-	-	
Customs tax	-	-	-	-	-	
Windfall tax	104,629	99,369	5,260	(5,260)	-	i
Real estate tax	-	-	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	374	400	(26)	27	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	33,758	35,628	(1,870)	870	(1,000)	
Royalty fee	27,007	27,007	-	-	-	
License fee for exploitation and exploration of mineral resources	4,551	3,352	1,199	(1,199)	-	ii
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	3,069	(3,069)	2,069	(1,000)	iii
Fee for water use	2,200	2,200	-	-	-	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	-	-	-	-	-	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	-	-	-	-	-	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	-	-	-	-	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	-	-	-	-	-	
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	-	3,000	(3,000)	-	(3,000)	
50% contribution in kind to environmental protection special account	-	-	-	-	-	
Expenditure incurred in relation to environmental protection	-	3,000	(3,000)	-	(3,000)	iv
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	138,760	138,396	364	(4,364)	(4,000)	

**i. Windfall tax**

BI confirmed that the amount reported amounting to MNT99,369 is correct but no details on the amount paid were provided. GDTM confirmed that the amount reported amounting to MNT104,629 is correct and provided details on the amount reported. Based on the details provided, it was noted that BI reported the amount of Windfall Tax payable and not the actual amount paid.

**ii. License fee for exploitation and exploration of mineral resources**

BI revised the amount reported from MNT3,352 to MNT3,412 but no details on the amount paid were provided. MRAM revised the reported amount from MNT4,551 to MNT34,122 and provided details on the amount received. From the details provided, it was noted that MRAM made a typing error in the amount reported.

**iii. Land rent**

BI confirmed that the amount reported amounting to MNT3,069 is correct and paid to Zuun Mod Soum of Tuv Aimag. GDTM did not report any amount received from BI for Land Rent. However, Zuun Mod Soum of Tuv Aimag subsequently confirmed that MNT2,069 was received. A discrepancy amounting to MNT1,000 remains unresolved.

**iv. Expenditure incurred in relation to environmental protection**

BI confirmed that the amount reported amounting to MNT3,000 is correct. However, BI does not capture the Expenditure Incurred in Relation to Environmental Protection in a separate account. Hence, unable to provide details on the amount paid. MOET did not report any amount incurred. A discrepancy amounting to MNT3,000 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from BI on 29 June 2009, 12 days after the 1<sup>st</sup> Reminder Letter was sent. They provided details on the amounts reported.

A meeting was held with BI on 21 July 2009 to obtain further explanations on the amounts reported. BI provided explanations and confirmation on the amounts reported. However, details on the amounts reported were not provided.

**Summary:**

The unresolved discrepancies were due to Land Rent and Expenditure Incurred in Relation to Environmental Protection.

No further work was able to be carried out for Expenditure Incurred in Relation to Environmental Protection as BI was unable to provide details on the amount paid.



# **APPENDIX C7**

## **Buurgent LLC**

## BUURGENT

Buurgent is a Mongolian-owned private company and conducts operations of gold extraction in Selenge and Bayanahongor aimags. Buurgent is registered with the Sukhbaatar District Taxation Office.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities		As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	MNT	
a) Taxes	99,461	109,046	(9,585)	9,620	35		
Corporate income tax	2,904	2,904	-	-	-		
Customs tax	8,059	-	8,059	(8,059)	-	i	
Windfall tax	85,790	85,790	-	-	-		
Real estate tax	1,958	1,958	-	-	-		
Excise tax on imported fuel and oil materials	-	-	-	-	-		
Tax on petrol and diesel fuel	-	-	-	-	-		
Tax on automobile and self moving vehicles	750	715	35	-	35		
Other taxes in monetary value	-	-	-	-	-		
Other taxes in monetary value	-	17,679	(17,679)	17,679	-	ii	
b) Fee	57,398	62,252	(4,854)	(2,002)	(6,856)		
Royalty fee	28,634	31,142	(2,508)	(4,347)	(6,855)	iii	
Licence fee for exploitation and exploration of mineral resources	21,680	21,680	-	(1)	(1)		
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-		
Land rent	980	980	-	-	-		
Fee for water use	4,000	4,000	-	-	-		
Fee for forestry use and firewoods	1,000	1,000	-	-	-		
Fee for recruiting foreign experts and workers	1,104	3,450	(2,346)	2,346	-	iv	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-		
License fee	-	-	-	-	-		
Other	-	-	-	-	-		
c) Charge and service charge	-	1,460	(1,460)	-	(1,460)		
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-		
Service charges paid to state and local administration in accordance with relevant law	-	1,460	(1,460)	260	(1,200)	v	
Custom Service fee	-	-	-	-	-		
Other	-	-	-	(260)	(260)		
d) Dividends on state and local property	-	-	-	-	-		
Dividends on state property	-	-	-	-	-		
Dividends on local property	-	-	-	-	-		
e) Other payments to recipient Government	-	-	-	-	-		
Entitlement under Production Sharing Contract to Government	-	-	-	-	-		
Other	-	-	-	-	-		
f) Donation to Governmental organizations	-	195	(195)	(1)	(195)		
Monetary donation from company to Ministries and agencies	-	-	-	-	-		
Monetary donation from company to aimag	-	-	-	-	-		
Monetary donation from company to soum	-	-	-	-	-		
Fund disbursed by company in sustainable development and community relations	-	195	(195)	(1)	(195)		
Other	-	-	-	-	-		
g) Expenditure for environmental protection	84,118	94,668	(10,550)	10,550	-		
50% contribution in kind to environmental protection special account	2,500	2,500	-	-	-		
Expenditure incurred in relation to environmental protection	81,618	92,168	(10,550)	10,550	-	vi	
	-	-	-	-	-		
TOTAL AMOUNT	240,977	267,620	(26,643)	18,167	(8,476)		

#### i. Customs tax

Buurgent did not report any amount paid for Customs Tax. Initially, GCAM reported that an amount of MNT8,059 was received. However, GCAM subsequently revised the amount to nil as they had made a mistake on the initial submission.

#### ii. Other taxes in monetary value

Buurgent included the amount paid for Social Insurance Premium amounting to MNT17,679 in Other Taxes which is not required to be reported.

**iii. Royalty fee**

Buurgent confirmed the amount reported amounting to MNT31,142 is correct. However, no details on the amount paid were provided. GDTM revised the amount reported from MNT28,634 to MNT24,287 and provided details of the amount received. A discrepancy amounting to MNT6,855 remains unresolved.

**iv. Fee for recruiting foreign experts and workers**

Buurgent confirmed that the amount reported amounting to MNT3,450 is correct and provided details on the amount received. LSWSO revised the amount reported from MNT1,104 to MNT4,416 and provided details on the amount received. From the details provided, it was noted that Buurgent did not include one payment made on 15 March 2007 amounting to MNT966.

**v. Service charges paid to state and local administration in accordance with relevant law**

Buurgent revised the amount reported from MNT1,460 to MNT1,200 which is paid to the Mongolian Water Authorities, Water Saving Department. The Government Entities did not report any amount received from Buurgent. A discrepancy amounting to MNT1,200 remains unresolved.

**vi. Expenditure incurred in relation to environmental protection**

Buurgent revised the amount reported MNT92,168 to MNT81,618 and provided details of the amount paid. From the details provided, it was noted that the initial amount reported included other expenses not related to environmental expenditure. MOET reported that MNT81,618 was incurred.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from Buurgent on 7 July 2009, 16 days after the 1<sup>st</sup> Reminder Letter was sent. They provided a list of payments made. A telephone call was made to Buurgent on 15 July 2009 to obtain further explanations on the discrepancies. Buurgent did not provide any details on many of the amounts reported.

Buurgent completed the EITI Template 1 using the old format. It was noted that the revised template was only issued in March 2008 as MEITIS needed to incorporate the previous consultant's recommendation on improvements to the template. As some companies have already submitted using the old template, to avoid re-work by these companies, MEITIS accepted the submission accordingly.

**Summary:**

The unresolved discrepancies were mainly due to Royalty Fee and Service Charges Paid to State and Local Administration in Accordance with Relevant Law.

Buurgent was unable to provide any details of payment for Royalty Fee. The Government Entities did not report any amount received from Buurgent for Service Charges Paid to State and Local Administration in Accordance with Relevant Law.

# **APPENDIX C8**

**Chinhua MAK LLC**

**CHINHUA MAK LLC ("CMAK")**

CMAK is a Mongolian-Chinese joint venture with 50% being owned by the Chinese Chinhua Group and 50% to Mongolia's MAK Company.

It operates coal mine in Gurvan Tes Soum of Umnugobi Aimag, and exports the coal produced to China.

CMAK is registered with the National Taxation Department of Mongolia.

**Discrepancies between Government Receipts and Company Payments**

From the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	61,204	1,425,018	(1,363,814)	1,363,814	0	
Corporate income tax	-	-	-	-	-	
Customs tax	42,478	128,942	(86,464)	86,464	-	i
Windfall tax	-	-	-	-	-	
Real estate tax	9,681	9,681	-	-	-	
Excise tax on imported fuel and oil materials	8,194	-	8,194	(8,194)	-	ii
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	851	850	0	-	0	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	1,285,545	(1,285,545)	1,285,545	-	iii
b) Fee	773,054	755,214	17,840	(17,840)	-	
Royalty fee	744,150	744,150	-	-	-	
Licence fee for exploitation and exploration of mineral resources	-	-	-	-	-	
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	9,888	9,888	-	-	-	
Fee for water use	764	1,176	(412)	412	-	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	18,252	-	18,252	(18,252)	-	iv
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	-	1,140,588	(1,140,588)	1,141,926	1,338	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	-	1,140,588	(1,140,588)	1,141,926	1,338	v
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	13,294	(13,294)	(8,043)	(21,337)	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	-	-	-	(1,000)	(1,000)	vi
Monetary donation from company to soum	-	9,158	(9,158)	(11,179)	(20,337)	vii
Fund disbursed by company in sustainable development and community relations	-	4,136	(4,136)	4,136	-	viii
Other	-	-	-	-	-	
g) Expenditure for environmental protection	45,507	12,173	33,335	(33,335)	-	
50% contribution in kind to environmental protection special account	15,647	12,173	3,475	(3,475)	-	ix
Expenditure incurred in relation to environmental protection	29,860	-	29,860	(29,860)	-	x
	-	-	-	-	-	
<b>TOTAL AMOUNT</b>	<b>879,765</b>	<b>3,346,286</b>	<b>(2,466,521)</b>	<b>2,446,523</b>	<b>(19,999)</b>	

**i. Customs tax**

CMAK informed that the amount reported as Customs Tax amounting to MNT128,942 includes VAT and Excise Tax on Imported Fuel and Oil Materials as they could not report these separately. However, CMAK indicated that the amount should be approximately the same as the amount reported by GCAM. GCAM revised the amount reported from MNT42,478 to MNT95,318 and provided details on the amount reported.

**ii. Excise tax on imported fuel and oil materials**

As per explanation provided above, CMAK did not report any amount paid for Excise Tax on Imported Fuel and Oil Materials as they could not report the amounts paid separately. However, CMAK indicated that the amount should be approximately the same as the amount reported by GCAM. GCAM confirmed that the amount reported amounting to MNT8,194 is correct and provided details on the amount reported.

**iii. Other taxes monetary value**

CMAK informed that the amount reported amounting to MNT1,285,545 consists of Personal Income Tax payments on dividends received by the company's Chinese shareholders. This item is not required to be reported in the EITI template and therefore should be excluded.

**iv. Fee for recruiting foreign experts and workers**

CMAK did not report any amount paid. However, upon further discussion, it was noted that CMAK did make payments for this fee but did not include it in the initial submission. CMAK subsequently revised the amount reported to MNT18,611. LSWSO revised the amount reported from MNT18,252 to MNT18,611 and provided details on the amount reported.

**v. Custom service fee**

CMAK confirmed the amount reported amounting to MNT1,140,588 is correct. However, details on the amount paid were not provided. It was represented CMAK pays the fees to Shivee Hurungu's Port located in Gurvan Tes Soum of Umnugobi Aimag's area.

Initially, GCAM did not report any amount received for Custom Service Fee. However, GCAM subsequently revised the amount to MNT1,141,926 and provided details on the amount received. A discrepancy amounting to MNT1,338 remains unresolved.

**vi. Monetary donations from company to aimag**

Initially, CMAK did not report any amount donated. Subsequently, they revised the amount to MNT1,000 and provided details on the amount reported. It was noted that the donation was made to Umnugobi Aimag. Local government did not report any amount received from CMAK. A discrepancy of MNT1,000 remains unresolved.

**vii. Monetary donations from company to soum**

CMAK revised the amount reported MNT9,158 to MNT20,337 and provided details on the amount paid. The donation consists of monetary and non-monetary donations amounting to MNT12,560 and MNT7,777 respectively. Local government did not report any amount received from CMAK.

The monetary donation was made to Gurvan Tes Soum while CMAK paid for the costs of repair and maintenance for a medical centre in Gurvan Tes Soum and paid for coal for Noyon Soum and Sevree Soum. A discrepancy amounting to MNT20,337 remains unresolved.

**viii. Fund disbursed by company in sustainable development and community relations**

CMAK revised the amount reported from MNT4,136 to MNT4,603. The amount is paid for tuition fee and cultural organizations of soum and provided details on the amount paid. Local government did not report any amount received from CMAK.

Only payments made to development funds established for a particular aimag or soum should be reported. The above donations are not required to be reported under this item.

**ix. 50% contribution in kind to environmental protection special account**

CMAK revised the amount reported from MNT12,173 to MNT15,647 which agrees with the amount reported by MOET. MOET confirmed that the amount reported amounting to MNT15,647 is correct.

**x. Expenditure incurred in relation to environmental protection**

CMAK does not capture the Expenditure Incurred in relation to Environmental Protection in a separate account. Hence, CMAK was unable to provide the exact amount paid. However, CMAK indicated that that the amount should be the same as reported by MOET. MOET reported that MNT23,460 was incurred by CMAK.

**Findings:**

The request for information was sent on 23 May 2009. A reply from CMAK on was received on the 16 June 2009, two days before 1<sup>st</sup> Reminder Letter was sent. The letter serves to confirm that the amounts reported in the EITI Template are correct and provided explanation on certain items reported such as Custom Tax and Other Taxes.

At meeting was held with CMAK on 14 July 2009 to obtain explanation on the amounts reported. A fax was received on 31 July 2009 which provided details on the amounts reported for donations. However, details on the other amounts reported were not provided.

CMAK completed the EITI Template 1 using the old format. It was noted that the revised template was only issued in March 2008 as MEITIS needed to incorporate the previous consultant's recommendation on improvements to the template. As some companies have already submitted using the old template, to avoid re-work by these companies, MEITIS accepted the submission accordingly.

**Summary:**

The unresolved discrepancies were mainly due to Monetary Donations from Company to Soum. The local government did not report any amount received from CMAK for Monetary Donations from Company to Soum.

# **APPENDIX C9**

## **Cold Gold Mongol LLC**



**COLD GOLD MONGOL (“CGM”)**

CGM is a 100% New Zealand-owned. It operates gold mine in Bumbugur Soum of Bayanhongor Aimag and holds one license.

CGM is registered with the Capital City Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	527,533	90,098	437,435	(492,542)	(55,107)	
Corporate income tax	1,552	6	1,546	(2,794)	(1,248)	i
Customs tax	35,946	89,655	(53,709)	(138)	(53,847)	ii
Windfall tax	490,035	437	489,598	(489,610)	(12)	iii
Real estate tax	-	-	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	101,534	125	101,409	(139,502)	(38,093)	
Royalty fee	88,848	110	88,738	(126,816)	(38,078)	iv
License fee for exploitation and exploration of mineral resources	4,686	-	4,686	(4,686)	-	v
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	9	(9)	-	(9)	
Fee for water use	8,000	-	8,000	(8,000)	-	vi
Fee for forestry use and firewoods	-	6	(6)	-	(6)	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	546	-	546	42	588	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	546	-	546	42	588	vii
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	28,900	10,000	18,900	-	18,900	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	10,000	-	10,000	-	10,000	vii
Monetary donation from company to soum	18,900	10,000	8,900	-	8,900	viii
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	-	-	-	-	-	
50% contribution in kind to environmental protection special account	-	-	-	-	-	
Expenditure incurred in relation to environmental protection	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	658,513	100,223	558,290	(632,002)	(73,712)	

**i. Corporate income tax**

CGM revised the amount reported from MNT6 to MNT2,800 but was unable to provide details on the amount reported as all their accounting records were stolen and they do not use any accounting software.

GDTM confirmed that the amount reported amounting to MNT1,552 is correct and provided details on the amount received. A discrepancy amounting to MNT1,248 remains unresolved.

**ii. Custom tax**

CGM confirmed that the amount reported amounting to MNT89,655 is correct. It was noted that the amount reported for Custom's Tax included amounts paid for VAT and Customs Service Fee as CGM could not report these separately.

GCAM revised the amount reported to MNT35,808 and provided details on the amount received. A discrepancy amounting to MNT53,847 remains unresolved.

**iii. Windfall tax**

CGM revised the amount reported from MNT437 to MNT483,900 but was unable to provide details on the amount paid as per the above explanation.

GDTM revised the amount reported to MNT483,888 and provided details on the amount received.

**iv. Royalty fee**

CGM revised the amount reported from MNT110 to MNT126,926 but was unable to provide details on the amount paid as per the above explanation. GDTM confirmed that the amount reported amounting to MNT88,848 is correct and provided details on the amount received. A discrepancy amounting to MNT38,078 remains unresolved.

**v. License fee for the exploitation and exploration of mineral resources**

Initially, CGM did not report any license fee paid. However, after further discussion, it was noted that CGM did make the payment but did not record it. MRAM confirmed that the amount reported amounting to MNT4,686 is correct. From the details provided by them, it was noted that CGM made a payment in USD on 24 October 2007.

**vi. Fee for water use**

Initially, CGM did not report any fee for water use paid. However, upon further discussion, the Accountant explained that the amount reported by GDTM is correct and that they had omitted it in the initial submission. GDTM confirmed that the amount reported amounting to MNT8,000 is correct and provided details on the amount received.

**vii. Monetary donation from company to aimag**

CGM confirmed that no donation was made. The local government reported MNT10,000 was received but were unable to provide details on the amount received. A discrepancy amounting to MNT10,000 remains unresolved.

**viii. Monetary donation from company to soum**

CGM reported that MNT10,000 was donated to soum but was unable to provide details on the amount donated as per the above explanation. The local government reported MNT18,900 was received but were unable to provide details on the amount received. A discrepancy amounting to MNT8,900 remains unresolved.

**Findings:**

The request for information was sent on the 23 May 2009. A reply from CGM was received on 16 June 2009, shortly after the deadline for submission. CGM made several revisions to the initial amount reported but was unable to provide details on the revised amount as all their accounting records were stolen and they do not use any accounting software. There were also some omissions of amounts reported.

**Summary:**

The unresolved discrepancies were mainly due to Customs Tax and Royalty Fee. CGM could not separately report Customs Tax from VAT and Customs Service Fee. The reason for discrepancy between the amounts reported by CGM and MRAM for Royalty Fee could not be identified.

# **APPENDIX C10**

**Datsan Trade LLC**

**DATSAN TRADE ("DT")**

DT is 100% Mongolian-owned. It operates gold mines in Umnugobi, Tarialan and Khyargas Souns of Uvs Aimag; Zaamar Soum of Tuv Aimag; and Yuree Soum of Selenge Aimag.

DT is registered with the Sukhbaatar District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	501,394	523,350	(21,956)	21,956	-	
Corporate income tax	-	2,970	(2,970)	2,970	-	i
Customs tax	-	18,903	(18,903)	18,903	-	ii
Windfall tax	497,473	497,473	-	-	-	
Real estate tax	1,747	1,819	(72)	72	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	2,175	2,175	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	10	(10)	10	-	
b) Fee	203,882	209,071	(5,190)	(2,093)	(7,283)	
Royalty fee	137,847	137,847	-	-	-	
License fee for exploitation and exploration of mineral resources	61,127	57,300	3,827	(6,589)	(2,762)	iii
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	5,397	(5,397)	4,496	(901)	iv
Fee for water use	4,907	8,527	(3,620)	-	(3,620)	v
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	-	237,749	(237,749)	227,751	(9,998)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	70,000	(70,000)	69,930	(70)	vi
Service charges paid to state and local administration in accordance with relevant law	-	167,749	(167,749)	157,821	(9,928)	vii
Custom Service fee	-	-	-	-	-	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	5,000	20,158	(15,158)	17,391	2,233	
Monetary donation from company to Ministries and agencies	-	1,000	(1,000)	630	(370)	viii
Monetary donation from company to aimag	-	500	(500)	500	-	ix
Monetary donation from company to soum	5,000	18,658	(13,658)	17,261	3,603	x
Fund disbursed by company in sustainable development and community relations	-	-	-	(1,000)	(1,000)	xi
Other	-	-	-	-	-	
g) Expenditure for environmental protection	8,390	-	8,390	(2,000)	6,390	
50% contribution in kind to environmental protection special account	2,000	-	2,000	(2,000)	-	xii
Expenditure incurred in relation to environmental protection	6,390	-	6,390	-	6,390	xiii
	-	-	-	-	-	
TOTAL AMOUNT	718,666	990,328	(271,662)	263,004	(8,658)	

**i. Corporate income tax**

DT reported the balance of the payment made in 2006 for Corporate Income Tax which was used to offset the Corporate Income Tax amount for the year 2007. Hence, there should be no amounts reported for Corporate Income Tax. GDTM did not report any amount.

**ii. Customs tax**

DT wrongly reported the amount paid of MNT18,903 for Personal Income Tax as Customs Tax. GCAM did not report any amount.

**iii. License fee for exploitation and exploration of minerals resources**

DT revised the amount reported from MNT57,300 to MNT61,517 and provided details on the amount paid. MRAM revised the amount reported from MNT61,127 to MNT55,846 and provided details on the amount received.

From the details provided, it was noted that DT did not include payments for two licenses made in April and September 2007 amounting to MNT901; MRAM did not include three payments made by DT for license number 5408 amounting to MNT3,810; there were different amounts reported between DT and MRAM for the payment of license number 9305 with a variance amounting to MNT2,762.

A discrepancy amounting to MNT2,762 remains unresolved.

**iv. Land rent**

DT confirmed that the amount reported amounting to MNT5,397 was correct and provided details on the amount paid. From the details provided, the Land Rent was paid to Ulaanbaatar City, Tuv Aimag, and Tarialan Soum of Uvs Aimag. Initially, GDTM did not report any amount received for Land Rent. However, Tuv Aimag subsequently confirmed that MNT4,496 was received.

**v. Fee for water use**

DT confirmed that the amount reported amounting to MNT8,527 was correct and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT4,907 was correct and provided details on the amount paid.

From the details provided, it was noted that the amount reported by the GDTM only included fees paid to Zaamar Soum and did not include payments received in Uvs Aimag Tarialan Soum. A discrepancy amounting to MNT3,620 remains unresolved.

**vi. Stamp and other charge for state registration paid to state and local administration in accordance with relevant law**

DT revised the amount reported from MNT70,000 to MNT70 as there was a typing error in the initial amount reported. The local government did not report any amount received from DT.

**vii. Service charges paid to state and local administration in accordance with relevant law**

DT revised the amount reported from MNT167,749 to MNT17,328 as there was a mistake in the initial amount reported and provided details on the amount reported which was paid to MRAM.

Initially, the local government did not report any amount received from DT. MRAM subsequently confirmed that MNT7,400 was received. A discrepancy amounting to MNT9,928 remains unresolved.

**viii. Monetary donation from company to Ministries and agencies**

DT revised the amount reported from MNT1,000 to MNT370 and provided details on the amount donated. It was noted that the donation was made to MRAM amounting to MNT250 and Chingeltei District's Anniversary amounting to MNT120.

The Government bodies did not report any donations received from the company.

**ix. Monetary donation from company to aimag**

DT revised the amount reported from MNT500 to MNT1,000 and provided details on the amount donated. It was noted that the donation was made to Tuv Aimag's Development Fund. The local government did not report any donations received from DT.

Payments made to development funds established for a particular Aimag or Soum should be reported under Fund Disbursed by Company in Sustainable Development and Community Relations. The donation to Tuv Aimag's Development Fund should not be reported under this item.

**x. Monetary donation to soum**

DT revised the amount reported from MNT18,658 to MNT1,397 and provided details on the amount donated. It was noted that the donation was made to Ji Dui National Development Fund amounting to MNT397 and Toson Soum Zaamar Movement amounting to MNT1,000.

The local government reported that MNT5,000 was received. However, details on the donation received were not provided. A discrepancy of MNT3,603 remains unresolved.

**xi. Fund disbursed by company in sustainable development and community relations**

Both DT and the local government did not report any amount. However, it was noted that a donation made by DT to Tuv Aimag's Development Fund amounting to MNT1,000 was reported as Monetary Donation from Company to Aimag. A discrepancy amounting to MNT1,000 remains unresolved.

**xii. 50% contribution in kind to environmental protection special account**

DT does not capture the deposit paid in a separate account. Hence, unable to provide the amount paid.

MOET reported an amount of MNT2,000. However, details were not provided on the amount reported. Upon further discussion with DT, they confirmed that the amount reported by MOET was correct.

**xiii. Expenditure incurred in relation to environmental protection**

DT does not capture the Expenditure Incurred in Relation to Environment Protection in a separate account. Hence, unable to provide the amount paid.

MOET reported an amount of MNT6,390. A discrepancy amounting to MNT6,390 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from DT on 27 May 2009, within the two weeks after the request of information was sent. In their reply, they revised the amounts reported for numerous items and provided details on the amounts reported. A meeting was held with DT on the 8 July 2009 to obtain further explanations on the discrepancies.

**Summary:**

The unresolved discrepancies were mainly due to Service Charges paid to State and Local Administration in Accordance with Relevant Law and Expenditure Incurred in Relation to Environmental Protection.

The amount confirmed by MRAM was less than the amount reported by DT for Service Charges. No further work was able to be carried out for Expenditure Incurred in Relation to Environmental Protection as both MOET and DT were unable to provide further details on the amounts reported.



# **APPENDIX C11**

**Eltrana LLC**

**ELTRANA LLC**

Eltrana conducts operation of gold in Arhangai and Dundgobi Aimag. Eltrana is registered with the Sukhbaatar District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	176,509	155,972	20,538	(20,536)	2	
Corporate income tax	-	-	-	-	-	
Customs tax	20,536	-	20,536	(20,536)	-	i
Windfall tax	155,186	155,186	(0)	-	(0)	
Real estate tax	-	-	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	788	786	2	-	2	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	56,261	95,348	(39,087)	31,985	(7,103)	
Royalty fee	41,300	41,300	0	-	0	
License fee for exploitation and exploration of mineral resources	6,868	23,342	(16,475)	16,475	1	ii
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	6,288	(6,288)	-	(6,288)	iii
Fee for water use	8,093	8,891	(797)	-	(797)	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	15,527	(15,527)	15,509	(18)	iv
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	52	-	52	(52)	-	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	52	-	52	(52)	-	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	-	-	-	-	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	-	-	-	-	-	
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	-	880	(880)	-	(880)	
50% contribution in kind to environmental protection special account	-	-	-	-	-	
Expenditure incurred in relation to environmental protection	-	880	(880)	-	(880)	
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	232,822	252,200	(19,378)	11,397	(7,981)	

**i. Customs tax**

Initially, Eltrana did not report any amount paid for Customs Tax. However, Eltrana subsequently revised the amount reported to MNT20,536 and provided details on the amount paid. GCAM confirmed that the amount reported amounting to MNT20,536 is correct and provided details of the amount received.

**ii. Licence fee for exploitation and exploration of mineral resources**

Eltrana revised the amount reported from MNT23,342 to MNT29,921 and provided details on the revised amount paid. MRAM reported MNT6,868 but was unable to provide details on the amount received. From the details provided, it was noted that a prepayment made in December 2006 amounting to MNT16,060 and license extension and transfer service fees amounting to MNT6,994 were included in the amount reported by Eltrana.

**iii. Land rent**

Eltrana confirmed that the amount reported amounting to MNT6,288 is correct and paid to Buren Soum of Tuv Aimag. GDTM did not report any amount received. A discrepancy amounting to MNT6,288 remains unresolved.

**iv. Fee for recruiting foreign experts and workers**

Eltrana revised the amount reported from MNT15,527 to MNT15,570 and provided details on the amount paid. Initially, LSWSO did not report any amount received. LSWSO subsequently revised the amount reported to MNT4,650 and provided details on the amount received.

From the details provided, it was noted that Eltrana included payments made on behalf of an associate company amounting to MNT10,902 in the amount reported.

**Findings:**

The request for information was sent on the 23 May 2009. A reply was received from Eltrana on 16 June 2009, three days before the 1<sup>st</sup> Reminder Letter was sent. They provided details on the amount reported.

A meeting was held with Eltrana on 9 July 2009 to obtain further explanations on the amounts reported.

**Summary:**

The unresolved discrepancy was mainly due to GDTM not capturing Land Rent payments made by Eltrana to the local government.

# **APPENDIX C12**

**Erdenet Mining Corporation LLC**

**ERDENET MINING CORPORATION LLC (“EMC”)**

EMC is a joint venture with Russia, 51% held by the Government and 49% by the government of Russia. The company produces copper and molybdenum.

EMC is registered with the National Taxation Department.

**Discrepancies between Government Receipts and Company Payments**

From the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
<b>a) Taxes</b>	<b>401,291,150</b>	<b>415,934,322</b>	<b>(14,643,172)</b>	<b>14,507,872</b>	<b>(135,301)</b>	
Corporate income tax	73,918,253	75,999,338	(2,081,084)	2,080,594	(491)	i
Customs tax	5,671,714	19,117,438	(13,445,724)	13,307,571	(138,153)	ii
Windfall tax	319,502,839	319,502,839	-	-	-	
Real estate tax	1,293,000	1,293,000	-	-	-	
Excise tax on imported fuel and oil materials	883,705	-	883,705	(880,466)	3,239	iii
Tax on petrol and diesel fuel	-	-	-	150	150	
Tax on automobile and self moving vehicles	21,639	21,534	105	(105)	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	174	(174)	128	(46)	
<b>b) Fee</b>	<b>62,642,096</b>	<b>71,980,284</b>	<b>(9,338,189)</b>	<b>9,340,276</b>	<b>2,087</b>	
Royalty fee	61,009,083	61,009,083	(0)	-	(0)	
License fee for exploitation and exploration of mineral resources	347,925	269,551	78,374	(78,374)	-	iv
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	8,693,816	(8,693,816)	8,693,816	-	v
Fee for water use	1,285,088	1,283,000	2,088	-	2,088	vi
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	724,834	(724,834)	724,834	-	vii
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
<b>c) Charge and service charge</b>	<b>5,755</b>	<b>-</b>	<b>5,755</b>	<b>74,876</b>	<b>80,631</b>	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	5,755	-	5,755	74,876	80,631	viii
Other	-	-	-	-	-	
<b>d) Dividends on state and local property</b>	<b>135,578,391</b>	<b>76,426,750</b>	<b>59,151,641</b>	<b>(59,151,641)</b>	<b>-</b>	
Dividends on state property	135,578,391	76,426,750	59,151,641	(59,151,641)	-	ix
Dividends on local property	-	-	-	-	-	
<b>e) Other payments to recipient Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
<b>f) Donation to Governmental organizations</b>	<b>5,000</b>	<b>48,069</b>	<b>(43,069)</b>	<b>48,069</b>	<b>5,000</b>	
Monetary donation from company to Ministries and agencies	-	48,069	(48,069)	48,069	-	x
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	5,000	-	5,000	-	5,000	xi
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
<b>g) Expenditure for environmental protection</b>	<b>440,200</b>	<b>303,544</b>	<b>136,656</b>	<b>-</b>	<b>136,656</b>	
50% contribution in kind to environmental protection special account	-	-	-	-	-	
Expenditure incurred in relation to environmental protection	440,200	303,544	136,656	-	136,656	xii
	-	-	-	-	-	
<b>TOTAL AMOUNT</b>	<b>599,962,592</b>	<b>564,692,970</b>	<b>35,269,622</b>	<b>(35,180,548)</b>	<b>89,074</b>	

**i. Corporate income tax**

EMC confirmed that the amount reported amounting to MNT75,999,388 is correct and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT73,918,253 is correct and also provided details on the amount paid. From the details provided, the discrepancy was mainly due to “Tax Withheld from Foreign Entity” of MNT2,080,644 which has been reported under Corporate Income Tax by EMC.

**ii. Customs tax**

EMC reported that MNT19,117,438 was paid for Customs Tax. However, it was noted that the amount reported wrongly included payments for Excise Tax on Imported Fuel and Oil Materials, Tax on Petrol and Diesel Fuel and VAT amounting to MNT13,303,651. The exclusion of these taxes would result in a revision in the amount of Custom Tax paid to MNT5,813,787. However, EMC is unable to provide further details on the amount paid.

GCAM revised the amount reported from MNT5,671,714 to MNT5,675,634 with details on the amount received. A discrepancy amounting to MNT138,153 remains unresolved.

**iii. Excise tax on imported fuel and oil materials**

As explained above, initially, EMC did not report separately the amount paid for Excise Tax on Imported Fuel and Oil Materials amounting to MNT880,466 and was included in the amount reported for Customs Tax. However, EMC is unable to provide further details on the amount reported.

GCAM confirmed that the amount reported amounting to MNT883,705 is correct and provided details on the amount received. A discrepancy amounting to MNT3,239 remains unresolved.

**iv. License fee for exploitation and exploration of mineral resources**

EMC confirmed that the amount reported amounting to MNT269,551 is correct and provided details on the amount paid.

MRAM confirmed that the amount reported amounting to MNT347,925 is correct and provided details on the amount paid.

From the details provided, it was noted that the amount reported by EMC excluded reimbursements made on license fees by another company amounting to MNT132,602 and included other fee payments amounting to MNT3,480.

In addition, MRAM did not include license extension fees received amounting to MNT5,826. The remaining discrepancy amounting to MNT44,922 is due to foreign exchange translation differences.

**v. Land rent**

EMC confirmed that the amount reported amounting to MNT8,693,816 is correct and provided details on the amount paid to Orkhon Soum Land Department.

From the details provided by EMC, it was noted that MNT6,230,000 was Land Rent paid by cash while MNT2,463,816 was the amount offset against VAT refundable.

GDTM did not report any amount received for Land Rent by EMC. However, Orkhon Soum Land Department confirmed that an amount of MNT6,230,000 was received.

**vi. Fee for water use**

EMC confirmed that the amount reported amounting to MNT1,283,000 is correct and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT1,285,088 is correct and also provided details on the amount received.

From the details provided, it was noted that EMC did not include a payment amounting to MNT2,088 made on 6 July 2007 in the amount reported. A discrepancy amounting to MNT2,088 remains unresolved.

**vii. Fee for recruiting foreign experts and workers**

EMC confirmed that the amount reported amounting to MNT724,834 is correct and provided details on the amount paid.

Initially, LSWSO did not report any amount received on fee for recruiting foreign experts and works. However, LSWSO subsequently confirmed that the same amount was received with details provided on the amount received.

**viii. Custom service fee**

EMC did not report any amount paid for Custom Service Fee and could not provide an amount as they were unable to extract all Custom Service Fee paid from their system.

GCAM revised the amount reported from MNT5,755 to MNT80,631 and provided details on the amount received.

A discrepancy amounting to MNT80,631 remains unresolved.

**ix. Dividends on state property**

EMC confirmed that the amount reported amounting to MNT76,426,750 is correct and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT135,578,391 is correct and also provided details on the amount received.

The discrepancy was due to GDTM including a dividend payment made in 2006 amounting to MNT59,151,641.

**x. Monetary donation from company to Ministries and agencies**

EMC confirmed that the amount reported amounting to MNT48,069 is correct and provided details on the amount paid. The donated amount was to the Mongolian Boxing Association. This amount should not be reported under this item as it relates to donations to local organizations.

The Government bodies did not report any amount received for donations from the company to Ministries and agencies.

**xi. Monetary donation from company to soum**

EMC did not report any amount donated to Soum. The local government reported MNT5,000 was received from EMC but GDTM was unable to provide details on the donated amount.

**xii. Expenditure incurred in relation to environmental protection**

EMC confirmed that the amount reported amounting to MNT303,544 was the actual expenditure incurred in relation to environmental protection and recorded on company's financial statement. MOET reported that MNT440,200 was received. A discrepancy amounting to MNT136,656 remains unresolved.

### **Findings:**

The request for information was sent on 23 May 2009. EMC provided the details as requested but the reply was not timely. It was received on 7 July 2009 (approximately a month) after the letter was faxed. A meeting was held with EMC on 17 July 2009 to discuss on the details provided and to obtain explanation on the discrepancies. The details and explanations were provided by the Accountant.

EMC completed the EITI Template 1 using the old format. It was noted that the revised template was only issued in March 2008 as MEITIS needed to incorporate the previous consultant's recommendation on improvements to the template. As some companies have already submitted using the old template, to avoid re-work by these companies, MEITIS accepted the submission.

As the old format was used, EMC reported Monetary Donation From Company to Local Organizations and VAT in the amount reported for Customs Tax which is not required to be reported in 2007 following on from the recommendations included in the Mongolia First Reconciliation and Report 2006.

However, in their submission, they included payments made for Excise Tax, Tax on Petrol and Diesel Fuel, Custom Service Fee and VAT in the amount reported for Customs Tax. The other taxes and fee should have been reported in the respective sections provided in the template.

### **Summary:**

The unresolved discrepancies were mainly due to Customs Tax, Custom Service Fee and Expenditure Incurred in Relation to Environmental Protection.

As details were not provided by EMC for Customs Tax and Custom Service Fee, no further reconciliation could be carried out. This is also the case for Expenditure Incurred in Relation to Environmental Protection, where MOET could not provide further details on the amount reported.



# **APPENDIX C13**

**Erdes Holding LLC**

**ERDES HOLDING (“EH”)**

EH is a 100% Mongolian-owned company and conducts exploration works for gold deposits in Selenge Aimag, Bayangol and Shariin Gol soums.

EH is registered with Sukhbaatar District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	352,251	4,303	347,949	(199,409)	148,540	
Corporate income tax	79,232	-	79,232	(79,232)	-	i
Customs tax	143,302	-	143,302	-	143,302	ii
Windfall tax	120,178	-	120,178	(120,178)	-	iii
Real estate tax	-	-	-	-	-	
Excise tax on imported fuel and oil materials	5,238	-	5,238	-	5,238	iv
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	4,303	4,303	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	53,625	72,580	(18,955)	(3,635)	(22,590)	
Royalty fee	-	-	-	-	-	
Licence fee for exploitation and exploration of mineral resources	53,211	49,570	3,641	(3,635)	6	v
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	2,033	(2,033)	-	(2,033)	vi
Fee for water use	-	19,660	(19,660)	-	(19,660)	vii
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	414	1,317	(903)	-	(903)	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	123	-	123	1	123	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	123	-	123	1	123	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	1,300	(1,300)	(700)	(2,000)	
Monetary donation from company to Ministries and agencies	-	1,000	(1,000)	-	(1,000)	viii
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	-	300	(300)	(700)	(1,000)	ix
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	185,000	9,237	175,763	500	176,263	
50% contribution in kind to environmental protection special account	5,000	-	5,000	500	5,500	x
Expenditure incurred in relation to environmental protection	180,000	9,237	170,763	-	170,763	xi
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	590,999	87,419	503,580	(203,244)	300,336	

**i. Corporate income tax**

EH initially did not report any amount paid in 2007 for Corporate Income Tax of MNT79,232 as this relates to the amount payable for the year 2006. GDTM reported that MNT79,232 was received.

**ii. Customs tax**

EH did not report any amount paid. GCAM confirmed that the amount reported amounting to MNT143,302 is correct and provided details on the amount received. A discrepancy amounting to MNT143,302 remains unresolved.

**iii. Windfall tax**

EH did not report any amount paid in their initial submission as MNT120,178 was paid in 2007 for the sale gold in 2006. GDTM confirmed that the amount reported amounting to MNT120,178 is correct and provided details on the amount reported. As the amount was paid in 2007 it should be reported accordingly.

**iv. Excise tax on imported fuel and oil materials**

EH did not report any amount and confirmed they did not pay any Excise Tax on Imported Fuel and Oil Materials. GCAM confirmed that the amount reported amounting to MNT5,238 is correct and provided details on the amount reported. A discrepancy amounting to MNT5,238 remains unresolved.

**v. Licence fee for exploitation and exploration of mineral resources**

EH confirmed that the amount reported amounting to MNT49,570 is correct and provided details on the amount paid. MRAM revised the amount reported amounting to from MNT53,211 to MNT46,521 is correct and provided details on the amount received.

From the details provided, it was noted that the discrepancy was due to EH not including a number of payments made in July 2007 amounting to MNT3,649.

In addition, MRAM did not include a number of payments made by EH in April, May, September and October 2007 amounting to MNT6,704 due to the payments being wrongly recorded under the name of Erdenes Mining.

**vi. Land rent**

EH confirmed that the amount reported amounting to MNT2,033 is correct and provided details on the amount paid. From the details provided, it was noted that the Land Rent was paid to Khuder Soum of Selenge Aimag and Shariin Gol Soum of Darkhan-Uul Aimag. GDTM did not report any amount. A discrepancy amounting to MNT2,033 remains unresolved.

**vii. Fee for water use**

EH confirmed that the amount reported amounting to MNT19,660 is correct and provided details on the amount paid. From the details provided, it was noted that the Fee for Water Use is paid to Khuder Soum of Selenge Aimag and Shariin Gol Soum of Darkhan-Uul Aimag. GDTM did not report any amount. A discrepancy amounting to MNT19,660 remains unresolved.

**viii. Monetary donation from company to Ministries and agencies**

EH confirmed that the amount reported amounting to MNT1,000 is correct and that the amount was donated to MRAM. The Government bodies did not report any donations received from EH. A discrepancy amounting to MNT1,000 remains unresolved.

**ix. Monetary donation from company to soum**

EH revised the amount reported from MNT300 to MNT1,000. The amount was donated to Undurshil Soum of Bulgan Aimag. The local government did not report any donations received from EH. A discrepancy amounting to MNT1,000 remains unresolved.

**x. 50% contribution in kind to environmental protection special account**

EH did not report any amount paid. MOET revised the amount reported from MNT5,000 to MNT5,500 and provided details on the amount reported. The revision was due to MOET not including a payment of MNT500 made on 17 July 2009. A discrepancy amounting to MNT5,500 remains unresolved.

**xi. Expenditure incurred in relation to environmental protection**

EH confirmed that the amount reported amounting to MNT9,237 is correct and provided details on the amount reported. MOET reported that MNT180,000 was incurred. A discrepancy amounting to MNT170,763 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from EH on 16 June 2009, three days before the 1<sup>st</sup> Reminder Letter was sent. They provided details on the amounts reported and attached some Payment Advices. A meeting was held with EH on 15 July 2009 to obtain further explanations on the amounts reported. During the meeting, the Accountant agreed to provide further details on Customs Tax and Custom Service Fee at a later date. However, the Accountant has yet to provide the information requested.

**Summary:**

The unresolved discrepancies were mainly due to Customs Tax, Fee for Water Use and Expenditure Incurred in Relation to Environmental Protection.

GCAM reported an amount for Customs Tax received from EH which EH claimed that no payments were made. GDTM did capture any payments for Fee for Water Use made by EH to the local government. MOET was unable to provide further details on the amount reported for Expenditure Incurred in Relation to Environmental Protection.

# **APPENDIX C14**

**Erdmin LLC**

## ERDMIN

Erdmin is a Mongolian and US joint venture company incorporated under the law of Mongolia. The company operates in Orkhon Aimag and produces cathode copper out of the wastes from Erdenet's copper mine.

Erdmin is registered with the National Taxation Department of Mongolia.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	5,977,289	5,977,381	(92)	147,149	147,057	
Corporate income tax	5,955,998	5,955,998	-	-	-	
Customs tax	-	-	-	147,149	147,149	i
Windfall tax	-	-	-	-	-	
Real estate tax	20,941	20,941	(0)	-	(0)	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	350	442	(92)	-	(92)	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	1,238,622	1,298,535	(59,913)	59,176	(737)	
Royalty fee	1,238,622	-	1,238,622	(1,238,622)	-	ii
License fee for exploitation and exploration of mineral resources	-	1,238,622	(1,238,622)	1,238,622	-	iii
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	59,176	(59,176)	59,176	-	iv
Fee for water use	-	737	(737)	-	(737)	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	-	148,929	(148,929)	147,484	(1,445)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	-	148,929	(148,929)	147,484	(1,445)	v
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	7,964	(7,964)	7,964	-	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	-	7,964	(7,964)	7,964	-	vi
Monetary donation from company to soum	-	-	-	-	-	
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	5,650	16,084	(10,434)	1,234	(9,200)	
50% contribution in kind to environmental protection special account	5,400	5,400	-	-	-	
Expenditure incurred in relation to environmental protection	250	10,684	(10,434)	1,234	(9,200)	vii
	-	-	-	-	-	
TOTAL AMOUNT	7,221,561	7,448,894	(227,333)	363,008	135,675	

#### i. Customs tax

Initially, both Erdmin and GCAM did not report any amount. GCAM subsequently revised the amount reported to MNT147,149 and provided details on the amount received. However, Erdmin could not provide details on the amount paid as the Accountant was unwell. A discrepancy amounting to MNT147,149 remains unresolved.

#### ii. Royalty fee

Erdmin wrongly reported the amount paid amounting to MNT1,238,622 for Royalty Fees as License Fee for Exploitation and Exploration of Mineral Resources.

**iii. License fee for exploitation and exploration of mineral resources**

As per the explanation provided above, Erdmin wrongly reported the amount paid for Royalty Fees as License Fee for Exploitation and Exploration of Mineral Resources.

**iv. Land rent**

Erdmin confirmed that the amount reported amounting to MNT59,176 is correct and provided details on the amount paid. The Land Rent was paid to Orkhon Aimag. GDTM did not report any amount received for Land Rent paid by Erdmin. Orkhon Aimag subsequently confirmed that MNT59,176 was received.

**v. Custom service fee**

Erdmin revised the amount reported to from MNT148,929 to MNT3,125 as the initial amount reported included amounts paid for Customs Tax and VAT. However, the revised amount reported still includes amounts paid for VAT as Erdmin could not report these separately.

Initially, GCAM did not report any amount received from Erdmin. Subsequently, GCAM revised the amount reported to MNT1,680 and provided details on the amount received. A discrepancy amounting to MNT1,445 remains unresolved.

**vi. Monetary donation from company to aimag**

Erdmin revised the amount reported from MNT7,964 to nil as the donations made by Erdmin were to local organizations and not to aimags. Local government did not report any amount donated by Erdmin.

**vii. Expenditure incurred in relation to environmental protection**

Erdmin revised the amount reported from MNT10,684 to MNT9,450 and provided details on the amount reported. Erdmin explained that the revised amount reported is the actual Expenditure Incurred in Relation to Environmental Protection and further clarified that the amount reported by MOET amounting to MNT250 was based on the budgeted amount stated in the annual "Environmental Protection Plan" which was submitted to MOET for 2007. A discrepancy amounting to MNT9,200 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from Erdmin on the 24 June 2009, five days after the 1<sup>st</sup> Reminder Letter was sent. Their reply included the details on the amounts reported. A meeting was held on 17 July 2009 to follow up on certain outstanding information. The only outstanding information from Erdmin was on Customs Tax as the Accountant was unwell at that time.

**Summary:**

The unresolved discrepancies were mainly due to Customs Tax and Expenditure Incurred in Relation to Environmental Protection.

As Erdmin's Accountant was unwell at that time and could not provide any details on the Customs Tax paid, further work was unable to be carried out. MOET was unable to provide further details on the amount reported for Expenditure Incurred in Relation to Environmental Protection.

# **APPENDIX C15**

**Gatsuurt LLC**



## GATSUURT

Gatsuurt is a 100% Mongolian-owned company and operates gold mines in Bat-Ulziit Soum of Uvurhangai Aimag, Hongor Soum of Darhan-Uul Aimag, and Yuree Soum of Selenge Aimag.

Gatsuurt is registered with the National Taxation Department of Mongolia.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	1,169,090	1,167,085	2,005	(6,000)	(3,995)	
Corporate income tax	-	4,153	(4,153)	-	(4,153)	i
Customs tax	607,605	442,916	164,689	(164,689)	-	ii
Windfall tax	540,000	707,733	(167,733)	167,733	-	iii
Real estate tax	3,206	3,206	0	(0)	-	
Excise tax on imported fuel and oil materials	9,320	-	9,320	(9,320)	-	iv
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	8,959	9,077	(118)	276	158	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	768,966	658,619	110,346	(107,372)	2,974	
Royalty fee	200,205	199,259	946	(946)	-	
License fee for exploitation and exploration of mineral resources	272,163	437,982	(165,819)	165,139	(680)	v
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	16,973	10,064	6,909	(5,556)	1,353	vi
Fee for water use	5,055	6,610	(1,555)	576	(979)	vii
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	274,569	4,704	269,865	(266,585)	3,280	viii
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	3,083	-	3,083	(3,083)	-	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	3,083	-	3,083	(3,083)	-	ix
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	89,868	4,000	85,868	-	85,868	
Monetary donation from company to Ministries and agencies	-	500	(500)	-	(500)	
Monetary donation from company to aimag	-	2,500	(2,500)	-	(2,500)	x
Monetary donation from company to soum	89,868	1,000	88,868	-	88,868	xi
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	305,220	11,700	293,520	-	293,520	
50% contribution in kind to environmental protection special account	11,700	11,700	-	-	-	
Expenditure incurred in relation to environmental protection	293,520	-	293,520	-	293,520	xii
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	2,336,226	1,841,404	494,822	(116,455)	378,367	

#### i. Corporate income tax

Gatsuurt confirmed that the amount reported amounting to MNT4,153 is correct. However, details were not provided on the amount paid. GDTM did not report any amount received from Gatsuurt. A discrepancy amounting to MNT4,153 remains unresolved.

#### ii. Customs tax

Initially, Gatsuurt reported MNT442,916 in their submission. However, upon further discussion, it was noted that Gatsuurt was unable to provide details on the amount reported for Customs Tax but indicated that the amount reported should be the same as the amount reported by GCAM. GCAM confirmed that the amount reported amounting to MNT607,605 is correct and provided details on the amount received. A discrepancy amounting to MNT164,689 remains unresolved.

**iii. Windfall tax**

Gatsuurt revised the amount reported from MNT707,733 to MNT540,000 as initially they reported the tax amount payable and not the actual paid for 2007.

**iv. Excise tax on imported fuel and oil materials**

Initially, Gatsuurt did not report any amount paid for Excise Tax on Imported Fuel and Oil Materials. However, upon further discussion, they indicated that the amount should be approximately the same as the amount reported by GCAM. No details on the amount paid were provided. GCAM confirmed that the amount reported amounting to MNT9,320 is correct and provided details on the amount received.

**v. License fee for exploitation and exploration of mineral resources**

Gatsuurt revised the amount reported from MNT437,982 to MNT272,843 as there were some calculation errors and double counting of certain payments made which resulted in a higher initial amount reported. MRAM confirmed that the amount reported amounting to MNT272,163 is correct and provided details on the amount reported.

**vi. Land rent**

Gatsuurt revised the amount reported from MNT10,064 to MNT19,802 as there was a calculation error in the initial amount reported and indicated that the amount was paid to Capital City and Selenge Aimag's Land Departments. GDTM reported that MNT16,973 was received from Gatsuurt. However, GDTM was unable to provide details on the amount reported. City Land Department subsequently confirmed that MNT4,182 was received. A discrepancy amounting to MNT1,353 remains unresolved.

**vii. Fee for water use**

Gatsuurt confirmed that the amount reported amounting to MNT6,610 which was paid to Uvurkhangaigai Aimag and City Land Department is correct. However, Gatsuurt was unable to provide details on the amount reported. GDTM confirmed that the amount reported amounting to MNT5,055 is correct. However, GDTM was not able to provide any details on the amount reported. City Land Department subsequently confirmed that MNT576 was received.

**viii. Fee for recruiting foreign experts and workers**

Gatsuurt revised the amount reported from MNT4,704 to MNT276,937 as there were some errors noted in arriving at the initial amounts reported. LSWSO revised the amount reported from MNT274,569 to MNT266,426 and provided details on the amount reported.

From the details provided, it was noted that Gatsuurt excluded a refund from LSWSO amounting to MNT13,791. A discrepancy amounting to MNT3,280 remains unresolved.

**ix. Custom service fee**

Gatsuurt did not report any amount paid for Custom Service Fee. However, upon further discussion, they indicated that the amount should be approximately the same as the amount reported by GCAM. Details on the amount paid were not provided. GCAM revised the amount reported to MNT4,774 and provided details on the amount reported.

**x. Monetary donation from company to aimag**

Gatsuurt confirmed that the amount reported amounting to MNT2,500 is correct and informed that the amount was donated to Selenge Aimag.

The local government did not report any donations received from the company. A discrepancy amounting to MNT2,500 remains unresolved.

**xi. Monetary donation from company to soum**

Gatsuurt confirmed that the amount reported amounting to MNT1,000 is correct and informed that the amount was donated to the Knowledge Development Fund.

The local government reported that MNT89,868 was received but did not provide any details on amount reported. Gatsuurt was not aware of any payments made to the local government amounting to MNT89,868. A discrepancy amounting to MNT88,868 remains unresolved.

**xii. Expenditure incurred in relation to environmental protection**

Gatsuurt did not report any amount for Expenditure Incurred in Relation to Environmental Protection in the initial submission. Gatsuurt explained that they spent approximately MNT2,400,000 in the year 2007 and 2008 for reclamation and rehabilitation of the land. However, no details on the expenditure incurred were able to be provided.

MOET reported MNT293,520 was the Expenditure Incurred in Relation to Environmental Protection for Gatsuurt. However, no further details on the amount reported were provided by MOET. A discrepancy amounting to MNT293,520 remains unresolved.

**Findings:**

Gatsuurt did not respond to the request for information as they were very busy at that time. A meeting was held with Gatsuurt on 24 July 2009 to obtain details and explanation on the discrepancies noted. During the meeting the Accountant provided some confirmation on the amounts reported as well as some explanations on the discrepancies noted. However, no further details on the amounts reported were provided.

In addition, during the meeting, the Accountant agreed to provide further details on certain discrepancies noted at a later date. However, the Accountant has yet to provide the information requested. It was represented to us that the Accountant is away until middle of August 2009.

**Summary:**

The unresolved discrepancies were mainly due to Monetary Donation from Company to Soum and Expenditure Incurred in Relation to Environmental Protection. The local government reported an amount was received for Monetary Donation from Company to Soum but could not provide details on the amount reported. As such, no further reconciliation could be carried out. Both Gatsuurt and MOET were unable to provide further details on Expenditure Incurred in Relation to Environmental Protection.

# **APPENDIX C16**

## **Gobi Coal and Energy LLC**

**GObI COAL AND ENERGY LLC ("GCE")**

GCE operates primarily in the Gobi Altai Aimag and extracts coal. GCE is registered with the Sukhbaatar District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	95,073	0	95,073	(95,073)	-	
Corporate income tax	93,384	0	93,384	(93,384)	-	i
Customs tax	365	-	365	(365)	-	ii
Windfall tax	-	-	-	-	-	
Real estate tax	-	-	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	1,324	-	1,324	(1,324)	-	iii
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	929,167	10,019	919,148	(925,434)	(6,286)	
Royalty fee	-	-	-	-	-	
License fee for exploitation and exploration of mineral resources	917,575	3,011	914,564	(914,564)	-	iv
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	4,464	(4,464)	-	(4,464)	v
Fee for water use	-	579	(579)	-	(579)	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	11,592	840	10,752	(10,870)	(118)	vi
Fee for use of mineral resources of wide spread deposit	-	1,125	(1,125)	-	(1,125)	vii
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	44	-	44	81	124	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	44	-	44	81	124	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	37,721	(37,721)	(27,317)	(65,038)	
Monetary donation from company to Ministries and agencies	-	3,500	(3,500)	-	(3,500)	viii
Monetary donation from company to aimag	-	8,000	(8,000)	(2,073)	(10,073)	ix
Monetary donation from company to soum	-	26,221	(26,221)	(25,244)	(51,465)	x
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	2,500	1,000	1,500	(8,420)	(6,920)	
50% contribution in kind to environmental protection special account	500	1,000	(500)	(6,420)	(6,920)	xi
Expenditure incurred in relation to environmental protection	2,000	-	2,000	(2,000)	-	xii
	-	-	-	-	-	
TOTAL AMOUNT	1,026,784	48,741	978,043	(1,056,163)	(78,120)	

**i. Corporate income tax**

GCE only reported that only MNT0.20 was paid for Corporate Income Tax paid. GDTM confirmed the amount reported amounting to MNT93,384 is correct and provided details on the amount received.

Upon further discussion, GCE explained that they did not pay for the Corporate Income Tax for 2007 but the amount was actually paid by another company, Tulsh Altai, which GCE had entered into a coal mining cooperation agreement with. The agreement provides that Tulsh Altai will pay for the Corporate Income Tax incurred. As the amount was not paid by GCE, the amount was not reported in the initial submission.

Even though a payment was made on behalf, the Corporate Income Tax paid should be reported by GCE as they are liable for the Corporate Income Tax imposed.

**ii. Customs tax**

GCE did not report any amount paid for Customs Tax as they misunderstood that the amount reported should only cover mining licenses and therefore did not include the amounts relating to exploration licenses. GCE were not able to provide the exact amount incurred for Customs Tax but indicated that it should be the same as that reported by the GCAM.

GCAM revised the amount reported from MNT365 to MNT12,606 and provided details on the amount received.

**iii. Tax on automobile and self moving vehicles**

GCE did not report any amount paid for Tax on Automobile and Self Moving Vehicles due to the reason as explained above. GCE were not able to provide the exact amount incurred but indicated that it should be the same as that reported by the GDTM.

GDTM reported an amount of MNT1,324. However, no details on the amount received were provided.

**iv. License fee for exploitation and exploration of mineral resources**

Initially, GCE reported MNT3,011 was paid due to the reason as explained above. GCE subsequently revised the amount reported to MNT1,024,654 and provided details on the amount paid for both mining and exploration licenses. MRAM revised the amount reported from MNT917,575 to MNT1,070,332 and provided details of the amount received.

From the details provided, it was noted that GCE did not include a payment made for license number 8041X amounting to MNT123,836 in the amount reported. In addition, MRAM did not include a number of payments made by GCE amounting to MNT78,158 in the amount reported.

**v. Land rent**

GCE confirmed the amount reported amounting to MNT4,464 is correct and provided details on the amount paid. From the details provided, it was noted that the Land Rent was paid to, Chandmani Soum of Gobi Altai Aimag's Tax Office.

GDTM did not report any amount received. A discrepancy amounting to MNT4,464 remains unresolved.

**vi. Fee for recruiting foreign experts and workers**

Initially, GCE reported MNT840 was paid due the reason as explained above. GCE subsequently revised the amount reported to MNT11,296 and provided details on the amount paid for both mining and exploration licenses.

LSWSO revised the amount reported from MNT11,592 to MNT10,764 and provided details on the amount received.

From the details provided, it was noted that GCE included work permission fees paid to another company amounting to MNT414.

**vii. Fee for use of mineral resources of wide spread deposit**

GCE confirmed that the amount reported amounting to MNT1,125 is correct and provided details on the amount paid. It was noted that the fee was paid to Chandmani Soum of Gobi Altai Aimag's Tax Office.

GDTM did not report any amount received for Fee for Use of Mineral Resources of Wide Spread Deposit. A discrepancy amounting to MNT1,125 remains unresolved.

**viii. Monetary donations from company to Ministries and agencies**

GCE confirmed that the amount reported amounting to MNT3,500 is correct and was donated to MMRE. The Government bodies did not report any amount received for donation. A discrepancy amounting to MNT3,500 remains unresolved.

**ix. Monetary donations from company to aimag**

GCE revised the amount from MNT8,000 to MNT120,314 due to the reason as explained above and provided details on the amount reported. It was noted that the amount was donated to Gobi Altai Aimag, Bayankhongor Aimag and Dornod Aimag amounting to MNT5,000, MNT110,241 and MNT5,073 respectively. The local government did not report any donated amount received. However, Bayankhongor Aimag subsequently confirmed that MNT110,241 was received. A discrepancy amounting to MNT10,073 remains unresolved.

**x. Monetary donations from company to soum**

GCE revised the amount from MNT26,221 to MNT51,464 due the reason as explained above and provided details on the amount paid. From the details provided, it was noted that a monetary and non-monetary donation was made to Chandmani Soum of Gobi Altai Aimag amounting to MNT42,695 and MNT8,769 respectively. For the non-monetary donation, GCE donated materials for the construction of a water well. The local government did not report any donated amounts received. A discrepancy amounting to MNT51,464 remains unresolved.

**xi. 50% contribution in kind to environmental protection special account**

GCE revised the amount from MNT1,000 to MNT7,920 and provided details on the amount paid. MOET revised the reported amount from MNT500 to MNT1,000 and provided details on the reported amount.

From the details provided, it was noted that a number of payments made by GCE to the local governments amounting to MNT6,920 were not included in the amount reported by MOET.

A discrepancy amounting to MNT6,920 remains unresolved.

**xii. Expenditure incurred in relation to environmental protection**

Initially, GCE did not report any amount incurred for environmental protection due to the reason as explained above. Subsequently, GCE reported that MNT2,000 was incurred. MOET reported that MNT2,000 was incurred by GCE.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from GCE on 16 June 2009, few days before the 1<sup>st</sup> Reminder Letter was sent. They provided details on the amounts reported.

A meeting was held with GCE on 8 July 2009 to obtain further explanations and information. During the meeting, the Accountant informed that she misunderstood on what should be reported in the EITI template. Hence, only reported the amounts paid under the mining license and not those under the exploration license.

**Summary:**

The unresolved discrepancies were mainly due to Land Rent and Donations to Governmental Organizations and 50% Contribution in kind to Environmental Protection Special Account.

GDTM did not capture any Land Rent payments made by GCE to the local government. MOET did not capture payments by GCE to local governments for 50% Contribution in kind to Environmental Protection Special Account. The Government bodies did not report any donations received from GCE for Monetary Donation from Company to Ministries and Agencies. The local government did not report donated amounts received from GCE for Monetary Donation from Company to Aimag and Monetary Donation from Company to Soum.



# **APPENDIX C17**

**Gurvan Tuhum LLC**

**GURVAN TUHUM (“GT”)**

GT is a Mongolian-owned private company and operates in a gold mine in Central Aimag. GT is registered with the Bayanzurkh District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	140,801	155,517	(14,716)	14,716	0	
Corporate income tax	1,988	1,400	588	(588)	(0)	
Customs tax	-	-	-	-	-	
Windfall tax	137,503	132,800	4,703	(4,702)	0	i
Real estate tax	342	300	42	(42)	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	968	917	51	(51)	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	20,100	(20,100)	20,100	-	ii
b) Fee	52,099	56,500	(4,401)	156	(4,245)	
Royalty fee	37,264	37,300	(36)	36	-	
Licence fee for exploitation and exploration of mineral resources	7,812	7,800	12	(12)	-	
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	6,400	(6,400)	2,155	(4,245)	iii
Fee for water use	7,023	5,000	2,023	(2,023)	-	iv
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	-	-	-	-	-	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	-	-	-	-	-	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	2,100	(2,100)	600	(1,500)	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	-	-	-	-	-	v
Monetary donation from company to soum	-	-	-	-	-	
Fund disbursed by company in sustainable development and community relations	-	2,100	(2,100)	600	(1,500)	vi
Other	-	-	-	-	-	
g) Expenditure for environmental protection	13,658	31,600	(17,942)	-	(17,942)	
50% contribution in kind to environmental protection special account	2,000	2,000	-	-	-	
Expenditure incurred in relation to environmental protection	11,658	29,600	(17,942)	-	(17,942)	vii
	-	-	-	-	-	
TOTAL AMOUNT	206,558	245,717	(39,159)	15,472	(23,687)	

**i. Windfall tax**

GT revised the amount reported from MNT132,800 to MNT137,503 as the initial amount reported as explained above was rounded up and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT137,503 is correct and provided details on the amount received.

**ii. Other taxes in monetary value**

GT revised the amount to nil as it was wrongly reported.

**iii. Land rent**

GT revised the amount reported from MNT6,400 to MNT4,374 and provided details on the amount reported. From the details provided, it was noted that the amount was paid to Songinokhangai District and Sergelen Soum of Tuv Aimag.

In addition, it was noted that an amount paid for Pasture Tax to Sergelen Soum of Tuv Aimag amounting to MNT129 was also included. GDTM did not report any amount received. A discrepancy amounting to MNT4,245 remains unresolved.

**iv. Fee for water use**

GT revised the amount reported from MNT5,000 to MNT7,023 and provided details of the amount paid. GDTM confirmed that the amount reported amounting to MNT7,023 is correct and provided details on the amount received.

**v. Monetary donation from company to aimag**

Initially, GT did not report any amount donated. However, GT subsequently revised the amount reported to MNT1,500 and informed that the amount was donated to Tuv Aimag's Development Fund. The local government did not report any donations received from GT.

Payments made to development funds established for a particular Aimag or Soum should be reported under Fund Disbursed by Company in Sustainable Development and Community Relations. The donation to Tuv Aimag's Development Fund should not be reported under this item.

**vi. Fund disbursed by company in sustainable development and community relations**

GT revised the amount reported from MNT2,100 to nil. The local government did not report any amount received from GT. However, it was noted that a donation made by DT to Tuv Aimag's Development Fund amounting to MNT1,500 was reported as Monetary Donation from Company to Aimag. A discrepancy amounting to MNT1,500 remains unresolved.

**vii. Expenditure incurred in relation to environmental protection**

GT confirmed that the amount reported amounting to MNT29,600 is correct and provided details on the amount paid. MOET reported MNT11,658 was incurred. However, no further details were provided. A discrepancy amounting to MNT17,942 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A meeting was held with GT on 26 May 2009 after the accountant called and requested for assistance in explaining what is required from them.

A reply was subsequently received from GT on the 16 June 2009, three days before the 1<sup>st</sup> Reminder Letter were sent. They provided details on the amounts reported. GT provided all the information that was requested for.

GT completed the EITI Template 1 using the old format. It was noted that the revised template was only issued in March 2008 as MEITIS needed to incorporate the previous consultant's recommendation on improvements to the template. As some companies have already submitted using the old template, to avoid re-work by these companies, MEITIS accepted the submission accordingly.

**Summary:**

The unresolved discrepancies were mainly due to Land Rent and Expenditure Incurred in Relation to Environmental Protection.

GDTM did not capture the Land Rent payments made by GT to the local government. No further work was able to be carried out for Expenditure Incurred in Relation to Environmental Protection as MOET could not provide further details on the amount received from GT.

# **APPENDIX C18**

**Ivanhoe Mines Mongolia Inc. LLC**

## IVANHOE MINES MONGOLIA (“IM”)

IM is a 100% Canadian-owned company and conducts exploration works in copper and gold deposits in Umnugobi Aimag, Hanbogd Soum, which is considered one of the largest deposits in the world.

IM is registered with the National Taxation Department of Mongolia.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	
	MNT	MNT	MNT	MNT	MNT	
<b>a) Taxes</b>	1,474,875	1,578,230	(103,355)	78,527	(24,828)	
Corporate income tax	-	-	-	-	-	
Customs tax	1,430,175	1,533,530	(103,355)	78,527	(24,828)	i
Windfall tax	-	-	-	-	-	
Real estate tax	30,153	30,153	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	14,547	14,547	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
<b>b) Fee</b>	4,336,699	4,383,536	(46,837)	45,239	(1,598)	
Royalty fee	-	-	-	-	-	
License fee for exploitation and exploration of mineral resources	3,894,493	3,940,785	(46,292)	46,292	-	ii
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	249,275	248,726	549	-	549	
Fee for water use	3,887	3,887	(0)	-	(0)	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	178,614	183,481	(4,867)	2,736	(2,131)	iii
Fee for use of mineral resources of wide spread deposit	10,430	5,265	5,165	(5,181)	(16)	iv
License fee	-	-	-	-	-	
Other	-	1,392	(1,392)	1,392	-	v
<b>c) Charge and service charge</b>	5,198	74,599	(69,401)	28,393	(41,008)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	5,198	-	5,198	(886)	4,312	vi
Other	-	74,599	(74,599)	29,279	(45,320)	vii
<b>d) Dividends on state and local property</b>	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
<b>e) Other payments to recipient Government</b>	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
<b>f) Donation to Governmental organizations</b>	-	461,180	(461,180)	429,376	(31,804)	
Monetary donation from company to Ministries and agencies	-	25,000	(25,000)	25,000	-	viii
Monetary donation from company to aimag	-	235,974	(235,974)	204,170	(31,804)	ix
Monetary donation from company to soum	-	-	-	-	-	
Fund disbursed by company in sustainable development and community relations	-	200,206	(200,206)	200,206	-	x
Other	-	-	-	-	-	
<b>g) Expenditure for environmental protection</b>	13,500	24,579	(11,079)	600	(10,479)	
50% contribution in kind to environmental protection special account	8,500	24,579	(16,079)	14,549	(1,530)	xi
Expenditure incurred in relation to environmental protection	5,000	-	5,000	(13,949)	(8,949)	xii
	-	-	-	-	-	
<b>TOTAL AMOUNT</b>	<b>5,830,272</b>	<b>6,522,124</b>	<b>(691,852)</b>	<b>582,136</b>	<b>(109,717)</b>	

#### i. Customs tax

IM confirmed that the amount reported amounting MNT1,533,530 is correct and provided details on the amount paid. GCAM revised the amount reported from MNT1,430,175 to MNT1,508,702 and provided details on the amount received. A discrepancy amounting to MNT24,828 remains unresolved.

**ii. License fee for exploitation and exploration of mineral resources**

IM confirmed that the amount reported amounting to MNT3,940,785 is correct and provided details on the amount reported in US Dollars. MRAM revised the reported amount from MNT3,894,493 to MNT4,235,008 and also provided details of the amount reported in US Dollars.

From the details provided, it was noted that MRAM included License Fee payments paid by a related company amounting to MNT294,223.

**iii. Fee for recruiting foreign experts and workers**

IM confirmed that the amount reported amounting MNT183,481 is correct and provided details on the amount reported. LSWSO revised the amount reported from MNT178,614 to MNT168,157 and provided details on the amount reported. From the details provided, it was noted IM excluded a refund from LSWSO amounting MNT13,193. A discrepancy amounting to MNT2,131 remains unresolved.

**iv. Fee for use of mineral resources of wide spread deposit**

IM confirmed that the amount reported amounting to MNT5,265 is correct and provided details on the amount paid. GDTM confirmed that the amount reported amounting MNT10,430 is correct and provided details on the amount received. From the details provided, it was noted that IM excluded a payment made in February 2007 amounting to MNT5,181.

**v. Other fee**

IM confirmed that the amount reported amounting to MNT1,392 is correct and further explained that the fee is for the use of domestic roads. The payment was to Khanbogd Soum of Umnugobi Aimag for MNT1,358 and to Manlai Soum of Umnugobi Aimag for MNT34.

This fee is not required to be reported by IM and should be excluded.

**vi. Custom service fee**

Initially, IM did not report any amount for Custom Service Fee. Subsequently, IM revised the amount reported to MNT29,280 and provided details on the amount paid. GCAM revised the amount reported from MNT5,198 to MNT33,592 and provided details on the amount received. A discrepancy amounting to MNT4,312 remains unresolved.

**vii. Other service charges**

IM revised the amount reported from MNT74,599 to MNT45,320 and provided details on the amount paid. From the details provided, it was noted that payment amounting to MNT44,187 was paid to MRAMP, MNT780 was paid to LSWSO and MNT353 was paid to the Immigration Office. A request for confirmation of the amounts received by the Government bodies was sent. However, the Government bodies have yet to provide any reply. A discrepancy amounting to MNT45,320 remains unresolved.

**viii. Monetary donation from company to Ministries and agencies**

IM confirmed that the amount reported amounting to MNT25,000 is correct and it was noted that the donation was made to the National Emergency Management Agency. The Government bodies did not report any amount received from IM. However, the National Emergency Management Agency subsequently confirmed that MNT25,000 was received.

**ix. Monetary donation from company to aimag**

IM confirmed that the amount reported amounting to MNT235,974 is correct and it was noted that the donation was made to Turiin San Aimag for tuition fee, Turiin San Aimag for doctor's training scholarship and Umnugobi Aimag for doctors' training scholarship amounting to MNT26,902, MNT4,902 and MNT204,170 respectively.

The local government did not report any donated amount received from IM. However, Umnugobi Aimag subsequently confirmed that MNT204,170 was received. A discrepancy amounting to MNT31,804 remains unresolved.

**x. Fund disbursed by company in sustainable development and community relations**

IM confirmed that the amount reported amounting to MNT200,206 is correct and provided details on the funds disbursed. From the details provided, it was noted that the amount reported was scholarships and tuition fees provided to individuals. The local government did not report any amount received from IM.

Only payments made to development funds established for a particular Aimag or Soum should be reported. The above donations are not required to be reported under this item.

**xi. 50% contribution in kind to environmental protection special account**

From the details provided by IM, it was noted that the initial amount reported of MNT24,579 included Expenditure Incurred in Relation to Environmental Protection amounting to MNT13,949. MOET revised the amount reported from MNT8,500 to MNT9,100 and provided details on the amount received.

It was noted that IM excluded a payment to MOET amounting to MNT1,500 and MOET excluded payments received from Altanshiree Soum, Saikhandulaan Soum and the Environment Budget amounting to MNT3,031. A discrepancy amounting MNT1,530 remains unresolved.

**xii. Expenditure incurred in relation to environmental protection**

Initially, IM did not report any amount paid. However, as per the explanation provided above, IM included the amount of MNT13,949 incurred for environmental protection in the total amount reported for 50% Contribution in kind to Environmental Protection Special Account. MOET reported MNT5,000 was received. A discrepancy amounting to MNT8,949 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from IM on the 16 June 2009, two days before the 1<sup>st</sup> Reminder Letter was sent. In their reply, they provided the details on the amounts reported. A meeting was held with IM on 20 July to obtain further explanations on the discrepancies.

**Summary:**

The unresolved discrepancies were mainly due to Other Service Charges and Monetary Donation from Company to Aimag.

The relevant Government bodies have yet to provide any reply on the reported amount paid by IM, therefore no further work could be carried out for Other Service Charges. The local government did not report all donated amounts received from IM for Monetary Donation from Company to Aimag.



# **APPENDIX C19**

## **Jump LLC**

## JUMP LLC

Jump is a 100% Mongolian-owned company and operates gold mines in Bayandun Soum of Dornod Aimag; Umnudelger Soum of Hentii Aimag; Bayangol and Yuree soums of Selenge Aimag, Zhargalant, Bumbugur and Galuut soums of Bayanhongor Aimag.

Jump is registered with the Sukhbaatar District Taxation Office.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	648,681	674,646	(25,965)	(60,039)	(86,004)	
Corporate income tax	-	-	-	-	-	
Customs tax	221,458	227,049	(5,590)	(31,058)	(36,649)	i
Windfall tax	117,565	117,565	-	-	-	
Real estate tax	2,726	2,948	(222)	-	(222)	
Excise tax on imported fuel and oil materials	304,659	312,563	(7,905)	(46,877)	(54,781)	ii
Tax on petrol and diesel fuel	-	12,095	(12,095)	17,797	5,702	iii
Tax on automobile and self moving vehicles	2,274	2,373	(99)	99	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	54	(54)	-	(54)	
b) Fee	597,825	613,009	(15,184)	(1,386)	(16,570)	
Royalty fee	522,598	522,601	(3)	-	(3)	
License fee for exploitation and exploration of mineral resources	63,055	57,498	5,558	(5,558)	-	iv
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	4,679	13,265	(8,586)	4,119	(4,467)	v
Fee for water use	6,803	18,271	(11,468)	53	(11,415)	vi
Fee for forestry use and firewoods	-	684	(684)	-	(684)	
Fee for recruiting foreign experts and workers	690	690	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	493	18,081	(17,587)	17,112	(476)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	258	(258)	(1,739)	(1,997)	vii
Service charges paid to state and local administration in accordance with relevant law	-	17,823	(17,823)	19,573	1,750	viii
Custom Service fee	493	-	493	(723)	(229)	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	5,252	25,600	(20,348)	11,737	(8,611)	
Monetary donation from company to Ministries and agencies	-	-	-	(500)	(500)	
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	5,252	-	5,252	(7,863)	(2,611)	ix
Fund disbursed by company in sustainable development and community relations	-	25,600	(25,600)	20,100	(5,500)	x
Other	-	-	-	-	-	
g) Expenditure for environmental protection	134,997	3,981	131,016	784	131,800	
50% contribution in kind to environmental protection special account	3,197	3,981	(784)	784	-	
Expenditure incurred in relation to environmental protection	131,800	-	131,800	-	131,800	xi
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	1,387,248	1,335,316	51,932	(31,792)	20,140	

#### i. Customs tax

Jump explained that the amount reported amounting to MNT227,049 includes VAT, Excise Tax on Imported Fuel and Oil Materials and also Custom Service Fee as these amounts are captured under one account. However, the Accountant explained that they were unable to provide further details on the amount paid for each item.

GCAM revised the amount reported from MNT221,458 to MNT190,400 and provided details on the revised amount received. A discrepancy amounting to MNT36,649 remains unresolved.

**ii. Excise tax on imported fuel and oil materials**

As per the explanation provided above, Jump was not able to provide further details on the amount reported amounting to MNT312,563. GCAM revised the amount reported from MNT304,659 to MNT257,782 and details of amount reported were provided. A discrepancy amounting to MNT54,781 remains unresolved.

**iii. Tax on petrol and diesel fuel**

As per the explanation provided above, Jump was not able to provide further details on the amount reported amounting to MNT12,095. Initially, GCAM did not report any amount received. Subsequently, GCAM revised the amount reported to MNT17,797 and provided details on amount received. A discrepancy amounting to MNT5,702 remains unresolved.

**iv. License fee for exploitation and exploration of mineral resources**

Jump revised the amount reported from MNT57,498 to MNT50,015 and provided details on the amount paid. MRAM revised the amount reported from MNT63,055 to MNT55,783 and also provided details on the amount received.

From the details provided, it was noted that the discrepancy was due to Jump not including two license payments amounting to MNT2,737 and made errors in reporting for two license payments amounting to MNT3,702, MRAM not including a license fee payment made by Jump on 20 March 2007 amounting to MNT671.

**v. Land rent**

Jump revised the amount reported from MNT13,265 to MNT13,595 and provided details on the amount paid. It was noted that MNT3,919 was paid to Bayandum Soum of Dornod Aimag's Tax Office, MNT2,884 to Selenge Aimag, MNT4,196 to City Land Department, MNT1,043 to Darkhan City's Land Department and MNT1,053 to Galuut Soum of Bayankhongor Aimag.

GDTM reported MNT4,679 was received from Jump but no details on the amount received were provided. City Land Department and Galuut Soum of Bayankhongor Aimag subsequently confirmed that MNT4,197 and MNT252 was received from Jump respectively. A discrepancy amounting to MNT4,467 remains unresolved.

**vi. Fee for water use**

Jump confirmed that the amount reported amounting to MNT18,218 is correct and provided details on the amount paid. It was noted that MNT7,603 was paid to Selenge Aimag and MNT10,615 to Bayandum Soum of Dornod Aimag's Tax Office. GDTM reported MNT6,803 was received but no details on the amount received were provided. A discrepancy amounting to MNT11,415 remains unresolved.

**vii. Stamp and other charge for state registration paid to state and local administration in accordance with relevant law**

Jump revised the amount reported from MNT258 to MNT1,997 and indicated that it was paid to the City's Court Decision Implementation office. The local government did not report any amount received from Jump. A discrepancy amounting to MNT1,997 remains unresolved.

**viii. Service charges paid to state and local administration in accordance with relevant law**

Jump revised the amount reported from MNT17,823 to MNT24,345 and indicated that it was paid to MRAM. Initially, the local government did not report any amount received from Jump. However, MRAM subsequently confirmed that MNT26,095 was received. A discrepancy amounting to MNT1,750 remains unresolved.

**ix. Monetary donations from company to soum**

Initially, Jump did not report any amount donated. Subsequently, Jump revised the amount reported to MNT7,863 and provided details on the amount donated. The revision was due to donations made to Yuruu Soum of Selenge Aimag and Galuut Soum of Bayankhongor Aimag amounting to MNT1,360 and MNT1,000 respectively being initially reported as Fund Disbursed by Company in Sustainable Development and Community Relations.

In addition, a non-monetary donation to Bayandun Soum was also initially reported as Fund Disbursed by Company in Sustainable Development and Community Relations. VSAT equipment was donated to Bayandun Soum and the cost of the equipment was reported as MNT5,503 by Jump.

The local government reported that MNT5,252 was received but no details on the amount received were provided. A discrepancy of MNT2,611 remains unresolved.

**x. Fund disbursed by company in sustainable development and community relations**

Jump revised the amount reported from MNT25,600 to MNT5,500 and provided details of the amount incurred. It was noted that MNT1,500 and MNT4,000 were donated to Bayankhongor Aimag and Yuruu Soum of Selenge Aimag respectively. The local government did not report any amount received from Jump. A discrepancy amounting to MNT5,500 remains unresolved.

**xi. Expenditure incurred in relation to environmental protection**

Jump was not able to provide the amount paid as it does not capture the Expenditure Incurred in Relation to Environment Protection in a separate account. MOET reported an amount of MNT131,800 was incurred by Jump. However, no further details on the amount reported were provided. A discrepancy amounting to MNT131,800 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from Jump on 16 June 2009, two days before the 1<sup>st</sup> Reminder Letter was sent. Their reply included details on some of the amounts reported. A meeting was held with Jump on the 21 July 2009 to obtain further explanations on the details provided and discrepancies noted.

For the amounts reported for Customs Tax, Excise Tax on Imported Fuel and Oil Materials and Tax on Petrol and Diesel, Jump was unable to provide further details as these amounts are captured under one account. In addition, the Accountant further explained that the previous Accountant was responsible for preparing the EITI template 1 for 2007.

**Summary:**

The unresolved discrepancies were mainly due to Customs Tax, Excise tax on Imported Fuel and Oil Materials and Expenditure Incurred in Relation to Environmental Protection.

The amount reported by Jump for Customs Tax includes VAT, Excise Tax on Imported Fuel and Oil Materials and also Custom Service Fee as these amounts are captured under one account and cannot be separately reported. No further work was carried out for Expenditure Incurred in Relation to Environment Protection as Jump also could not provide the amount paid due to the amount not being captured in a separate account and MOET was unable to provide further details on the amount reported.

# **APPENDIX C20**

## **Khan Shijir SHC**

**KHAN SHIJIR ("KS")**

KS is a Mongolian-owned private company and conducts its operations in a gold mine in Bayanhongor Aimag. KS is registered with the Bayangol District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	223,107	223,566	(460)	-	(460)	
Corporate income tax	4,588	4,588	-	-	-	
Customs tax	-	-	-	-	-	
Windfall tax	218,395	218,395	-	-	-	
Real estate tax	-	-	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	124	583	(460)	-	(460)	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	72,065	77,842	(5,777)	3,100	(2,677)	
Royalty fee	65,564	65,564	-	-	-	
Licence fee for exploitation and exploration of mineral resources	6,501	6,501	-	-	-	
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	1,860	(1,860)	1,800	(60)	i
Fee for water use	-	3,917	(3,917)	1,300	(2,617)	ii
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	-	220	(220)	-	(220)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	220	(220)	-	(220)	
Custom Service fee	-	-	-	-	-	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	19,617	6,584	13,033	(13,617)	(584)	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	10,000	-	10,000	(10,000)	-	iii
Monetary donation from company to soum	9,617	6,000	3,617	(3,617)	-	iv
Fund disbursed by company in sustainable development and community relations	-	584	(584)	-	(584)	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	36,200	6,000	30,200	(30,200)	-	
50% contribution in kind to environmental protection special account	6,000	6,000	-	-	-	
Expenditure incurred in relation to environmental protection	30,200	-	30,200	(30,200)	-	v
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	350,988	314,212	36,776	(40,717)	(3,940)	

**i. Land rent**

KS confirmed that the amount reported amounting to MNT1,860 is correct and paid to Bumbugur Soum of Bayankhongor Aimag. GDTM did not report any amount received from KS. However, Bumbugur Soum of Bayankhongor Aimag subsequently confirmed that MNT1,800 was received.

**ii. Fee for water use**

KS confirmed that the amount reported amounting to MNT3,917 is correct with MNT2,717 paid to Bayankhongor Aimag Tax Office while MNT1,200 was paid to the Mongolian Water Authorities, Water Saving Department. GDTM did not report any amount received from KS. However, Bayankhongor Aimag subsequently confirmed that MNT1,300 was received. A discrepancy amounting to MNT2,617 remains unresolved.

**iii. Monetary donation from company to aimag**

KS did not report any amount donated. However, after further discussion, it was noted that KS had a joint effort with Odod Munkh Company and Odod Munkh Company had in fact made the donations to Bayankhongor Aimag. However, the donations were recorded as made by KS as KS is the license holder. The local government reported an amount of MNT10,000 was received. However, details were not provided. Even though the amount is donated by Odod Munkh Company KS is still the license holder and should report the amount donated.

**iv. Monetary donation from company to soum**

KS confirmed that the amount reported amounting to MNT6,000 is correct and donated to Bumbugur Soum. The local government reported an amount of MNT9,617 was received. However, no details on the amount received were provided.

The discrepancy amounting to MNT3,617 was due to the amount donated by Odod Munkh Company reported as amount received from KS as per the explanation above.

**v. Expenditure incurred in relation to environmental protection**

Initially, KS did not report any amount incurred as the amount was incurred by Odod Munkh Company as per the explanation above. KS subsequently revised the amount reported to MNT30,200. MOET reported MNT30,200 was received from KS. However, further details were not provided.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from KS on 22 June 2009, four days after the 1<sup>st</sup> Reminder Letter was sent. They provided details on the amounts reported. A meeting was held with KS on 9 July 2009 to obtain further explanations on the discrepancies.

KS completed the EITI Template 1 using the old format. It was noted that the revised template was only issued in March 2008 as MEITIS needed to incorporate the previous consultant's recommendation on improvements to the template. As some companies have already submitted using the old template, to avoid re-work by these companies, MEITIS accepted the submission accordingly.

**Summary:**

The unresolved discrepancies were mainly due to local government not reporting payments made by KS for Fee for Water Use.

# **APPENDIX C21**

**Mon Dulaan Trade LLC**



**MON DULAAN TRADE (“MDT”)**

MDT is Mongolian-owned company and operates a gold mine. MDT is registered with the Bayanzurkh District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities		As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	MNT	
<b>a) Taxes</b>	62,626	107,076	(44,450)		22,691	(21,759)	
Corporate income tax	-	-	-	-	-	-	
Customs tax	793	22,552	(21,759)		-	(21,759)	i
Windfall tax	58,730	84,524	(25,794)		25,794	-	ii
Real estate tax	2,226	-	2,226		(2,226)	-	iii
Excise tax on imported fuel and oil materials	-	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	-	
Tax on automobile and self moving vehicles	878	-	878		(878)	-	
Other taxes in monetary value	-	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	-	
<b>b) Fee</b>	41,213	44,311	(3,099)		2,226	(873)	
Royalty fee	26,126	26,126	-	-	-	-	
License fee for exploitation and exploration of mineral resources	15,087	10,031	5,055		(4,855)	200	iv
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	-	
Land rent	-	38	(38)		-	(38)	v
Fee for water use	-	8,082	(8,082)		7,081	(1,001)	
Fee for forestry use and firewoods	-	34	(34)		-	(34)	
Fee for recruiting foreign experts and workers	-	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	-	
License fee	-	-	-	-	-	-	
Other	-	-	-	-	-	-	
<b>c) Charge and service charge</b>	-	-	-	-	-	-	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	-	
Custom Service fee	-	-	-	-	-	-	
Other	-	-	-	-	-	-	
<b>d) Dividends on state and local property</b>	-	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	-	
<b>e) Other payments to recipient Government</b>	-	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	
Other	-	-	-	-	-	-	
<b>f) Donation to Governmental organizations</b>	32,873	29,050	3,823		-	3,823	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	-	
Monetary donation from company to aimag	-	-	-	-	-	-	
Monetary donation from company to soum	32,873	-	32,873		(29,050)	3,823	vi
Fund disbursed by company in sustainable development and community relations	-	29,050	(29,050)		29,050	-	vii
Other	-	-	-	-	-	-	
<b>g) Expenditure for environmental protection</b>	3,250	4,210	(960)		-	(960)	
50% contribution in kind to environmental protection special account	3,250	3,250	-	-	-	-	
Expenditure incurred in relation to environmental protection	-	960	(960)		-	(960)	
	-	-	-	-	-	-	
<b>TOTAL AMOUNT</b>	<b>139,961</b>	<b>184,647</b>	<b>(44,686)</b>		<b>24,916</b>	<b>(19,770)</b>	

**i. Customs tax**

MDT confirmed that the amount reported amounting to MNT22,552 is correct but no details on the amount paid were provided as the Accountant was on leave. GCAM confirmed that the amount reported amounting to MNT793 is correct and provided details on the amount received. A discrepancy amounting to MNT21,759 remains unresolved.

**ii. Windfall tax**

MDT revised the amount reported from MNT84,524 to MNT70,099 and provided details on the amount reported. GDTM confirmed that the amount reported amounting to MNT58,730 is correct and provided details on the amount received. From the details provided, it was noted that MDT included a payment made on 28 September 2007 amounting to MNT11,369 for fines and penalty. This amount should be excluded from the amount reported.

**iii. Real estate tax**

Initially, MDT did not report any amount paid. Subsequently, MDT revised the amount reported to MNT2,226. GDTM confirmed that the reported amount of MNT2,226 is correct.

**iv. Licence fee for exploitation and exploration of mineral resources**

MDT revised the amount reported from MNT10,031 to MNT13,001 and provided details on the amount paid. MRAM revised the amount reported from MNT15,087 to MNT7,522 and provided details on the amount received.

From the details provided, it was noted that MDT did not include the payments of three licenses (2083X, 125X, 12030A) amounting to MNT2,239; MRAM did not include two license payments (12717X and 13044X) amounting to MNT7,518 in the amount reported; and a difference in the amounts reported between MDT and MRAM for the payment of license number 7092X amounting to MNT200.

**v. Fee for water use**

MDT confirmed that the amount reported amounting to MNT8,082 is correct and paid to the Mongolian Water Authority, Water Saving Department and Bayankhongor Aimag. However, details on the amount paid were not provided.

Initially, GDTM did not report any amount received. However, GDTM subsequently revised the amount reported to MNT7,081 and provided details on the amount received. A discrepancy amounting to MNT1,001 remains unresolved.

**vi. Monetary donation from company to soum**

MDT did not report any amount donated. However, it was noted that MDT included a non-monetary donation amounting to MNT29,050 for the cost of maintenance and repair of the sauna and thermal power station in Galut Soum of Bayankhongor Aimag in the amount reported for Fund Disbursed by Company in Sustainable Development and Community Relations. The local government reported that MNT32,873 was received but no details were provided. A discrepancy amounting to MNT3,823 remains unresolved.

**vii. Fund disbursed by company in sustainable development and community relations**

MDT confirmed that the amount reported amounting to MNT29,050 is correct and provided details on the amount disbursed. The non-monetary donation was for the cost of maintenance and repair of the sauna and thermal power station in Galut Soum of Bayankhongor Aimag. The local government did not report any amount received.

Only payments made to development funds established for a particular Aimag or Soum should be reported. The above donation is not required to be reported under this item.

**Findings:**

The request for information was sent on 23 May 2009. MDT did not provide a reply. A meeting was held with MDT on 1 July 2009 to obtain the information requested. A telephone call was made on 3 July 2009 to obtain further explanations on the amounts reported.

MDT did not provide further details on the amounts reported for certain items as the Accountant is on leave at that time.

**Summary:**

The unresolved discrepancies were mainly due to Customs Tax and Monetary Donation from Company to Soum.

As MDT could not provide details of the reported amount, no further work could be carried out for Customs Tax. GDTM was unable to provide details on the donated amount reported by the local government for Monetary Donation from Company to Soum.

# **APPENDIX C22**

## **Mongol-Czech Metal SPIE**

**MONGOL-CZECH METAL ("MCM")**

MCM is a Mongolian-Czech-owned company incorporate under the Mongolian law. It conducts operations of fluorspar in Bayantsagaan Soum of Tuv Aimag. MCM is registered with the National Taxation Department of Mongolia.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
<b>a) Taxes</b>	47,003	71,662	(24,659)	24,410	(249)	
Corporate income tax	8,780	37,074	(28,294)	28,294	-	i
Customs tax	2,356	-	2,356	(2,356)	-	ii
Windfall tax	32,339	32,411	(72)	72	-	
Real estate tax	-	376	(376)	127	(249)	
Excise tax on imported fuel and oil materials	2,328	-	2,328	(2,328)	-	iii
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	1,200	1,800	(600)	600	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
<b>b) Fee</b>	92,220	140,233	(48,014)	36,016	(11,998)	
Royalty fee	84,556	124,100	(39,544)	31,228	(8,316)	iv
License fee for exploitation and exploration of mineral resources	7,664	10,445	(2,781)	-	(2,781)	v
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	4,688	(4,688)	4,788	100	vi
Fee for water use	-	1,000	(1,000)	-	(1,000)	vii
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
<b>c) Charge and service charge</b>	32	-	32	(1,829)	(1,798)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	32	-	32	(1,829)	(1,798)	viii
Other	-	-	-	-	-	
<b>d) Dividends on state and local property</b>	1,351	1,351	-	-	-	
Dividends on state property	1,351	1,351	-	-	-	
Dividends on local property	-	-	-	-	-	
<b>e) Other payments to recipient Government</b>	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
<b>f) Donation to Governmental organizations</b>	-	-	-	-	-	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	-	-	-	-	-	
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
<b>g) Expenditure for environmental protection</b>	61,213	-	61,213	(2,750)	58,463	
50% contribution in kind to environmental protection special account	2,750	-	2,750	(2,750)	-	ix
Expenditure incurred in relation to environmental protection	58,463	-	58,463	-	58,463	x
	-	-	-	-	-	
<b>TOTAL AMOUNT</b>	<b>201,818</b>	<b>213,246</b>	<b>(11,428)</b>	<b>55,847</b>	<b>44,419</b>	

**i. Corporate income tax**

MCM revised the amount reported from MNT37,074 to MNT27,519 and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT8,780 is correct and provided details on the amount received.

From the details provided, it was noted that the discrepancy was due to MCM including a payment made on tax penalties amounting to MNT18,739 in the amount reported.

**ii. Customs tax**

Initially, MCM did not report any amount paid for Customs Tax. However, upon further discussion, MCM indicated that the amount paid for Customs Tax should be the same as GCAM. GCAM confirmed that the amount reported amounting to MNT2,356 is correct and provided details on the amount received.

**iii. Excise tax on imported fuel and oil materials**

Initially, MCM did not report any amount paid for Excise Tax on Imported Fuel and Oil Materials. However, upon further discussion, MCM indicated that the amount paid for Excise Tax on Imported Fuel and Oil Materials should be the same as GCAM. GCAM confirmed that the amount reported amounting to MNT2,328 is correct and provided details on the amount received.

**iv. Royalty fees**

MCM revised the amount reported from MNT124,100 to MNT92,872 but no details were provided. GDTM confirmed that the amount reported amounting to MNT84,556 is correct and provided details on the amount received. A discrepancy amounting to MNT8,316 remains unresolved.

**v. License fee for exploration and exploitation of mineral resources**

MCM reported an amount of MNT10,445 but no details were provided. MRAM reported an amount of MNT7,664 was received. However, details were not provided. A discrepancy amounting to MNT2,781 remains unresolved.

**vi. Land rent**

MCM revised the amount reported from MNT4,688 to MNT4,088 and provided details of the amount paid. From the details provided, it was noted that the amount was paid to Bayantsagaan Soum and City Land Department. GDTM did not report any amount received. However, City Land Department subsequently confirmed that MNT4,188 was received.

**vii. Fee for water use**

MCM confirmed that the amount reported amounting to MNT1,000 is correct and was paid to Bayantsagaan Soum. GDTM did not report any amount received. A discrepancy amounting to MNT1,000 remains unresolved.

**viii. Custom service fee**

Initially, MCM did not report any amount paid for Custom Service Fee. However, MCM subsequently revised the amount reported to MNT4,198 and provided details on the amount paid. GCAM revised the amount reported from MNT32 to MNT2,400 and provided details on the amount received. A discrepancy amounting to MNT1,798 remains unresolved.

**ix. 50% contribution in kind to environmental protection special account**

Initially, MCM did not report any amount paid. However, MCM subsequently revised the amount reported to MNT1,850. MOET revised the amount reported from MNT2,750 to MNT2,850 and provided details on the amount reported. From the details provided, it was noted that MOET included a payment made on 21 June 2007 amounting to MNT1,000 by another company which rents MCM's office.

**x. Expenditure incurred in relation to environmental protection**

MCM was unable to provide the amount paid as it does not capture the expenditure incurred in relation to environmental protection in a separate account. MOET reported an amount of MNT58,463. A discrepancy amounting to MNT58,463 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from MCM on 15 July 2009, 27 days after the 1<sup>st</sup> Reminder Letter was sent. The reply serves to confirm the amounts reported.

A meeting was held on 20 July 2009 with MCM to obtain further explanations and details on the amounts reported. During the meeting, it was agreed the Accountant would provide further details on the amounts reported. However, it was represented that the details were accidentally sent to the Ministry of Trade and Industry. As such, details on the amounts reported were not provided.

**Summary:**

The unresolved discrepancies were mainly due to Royalty Fee and Expenditure Incurred in Relation to Environmental Protection.

As no details were provided by MCM for Royalty Fee, no further work could be carried out. MCM could not provide the amount paid for Expenditure Incurred in Relation to Environmental Protection while MOET were unable to provide further details on the amount reported.

# **APPENDIX C23**

**Mongolrostsvetmet LLC**



## MONGOLROSTSVETMET

Mongolrosts vetmet is a joint venture company with 51% held by the Government and 49% held by Government of Russia.

It operates five fluor spars, two gold mines and one coal mine in Hentii, Dornogobi and Dundgobi Aimags.

Mongolrosts vetmet is registered with the National Taxation Department of Mongolia.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
<b>a) Taxes</b>	2,617,445	2,641,592	(24,147)	54,990	30,843	
Corporate income tax	1,519,682	1,521,069	(1,387)	-	(1,387)	i
Customs tax	362,631	493,541	(130,910)	162,583	31,673	ii
Windfall tax	620,000	599,782	20,218	(20,218)	-	iii
Real estate tax	3,667	15,089	(11,422)	11,417	(5)	iv
Excise tax on imported fuel and oil materials	110,273	-	110,273	(109,711)	562	v
Tax on petrol and diesel fuel	-	-	-	-	-	-
Tax on automobile and self moving vehicles	1,192	12,111	(10,919)	10,919	-	vi
Other taxes in monetary value	-	-	-	-	-	-
Other taxes in monetary value	-	-	-	-	-	-
<b>b) Fee</b>	448,961	1,559,589	(1,110,628)	1,136,992	26,364	
Royalty fee	219,816	1,266,186	(1,046,370)	1,136,213	89,843	vii
License fee for exploitation and exploration of mineral resources	203,043	212,713	(9,670)	9,670	-	viii
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	-
Land rent	2,972	21,903	(18,931)	757	(18,174)	ix
Fee for water use	-	58,787	(58,787)	12,792	(45,995)	x
Fee for forestry use and firewoods	-	-	-	-	-	-
Fee for recruiting foreign experts and workers	23,130	-	23,130	(22,440)	690	xi
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	-
License fee	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>c) Charge and service charge</b>	532	-	532	16,083	16,615	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	-
Custom Service fee	532	-	532	16,083	16,615	xii
Other	-	-	-	-	-	-
<b>d) Dividends on state and local property</b>	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	-
Dividends on local property	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>	2,249	86,082	(83,833)	45,000	(38,833)	
Monetary donation from company to Ministries and agencies	-	50,882	(50,882)	45,000	(5,882)	xiii
Monetary donation from company to aimag	-	20,000	(20,000)	20,000	-	xiv
Monetary donation from company to soum	2,249	10,200	(7,951)	-	(7,951)	xv
Fund disbursed by company in sustainable development and community relations	-	5,000	(5,000)	(20,000)	(25,000)	xvi
Other	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>	346,273	1,317,261	(970,988)	794,044	(176,944)	
50% contribution in kind to environmental protection special account	20,131	24,631	(4,500)	(5,131)	(9,631)	xvii
Expenditure incurred in relation to environmental protection	326,142	1,292,630	(966,488)	799,175	(167,313)	xviii
	-	-	-	-	-	-
<b>TOTAL AMOUNT</b>	<b>3,415,460</b>	<b>5,604,524</b>	<b>(2,189,064)</b>	<b>2,047,109</b>	<b>(141,955)</b>	

#### i. Corporate income tax

Mongolrosts vetmet confirmed that the amount reported amounting to MNT1,521,069 is correct and provided details on the amount paid. GDTM reported MNT1,519,682 was received from Mongolrosts vetmet but no details on the amount received were provided. A discrepancy amounting to MNT1,387 remains unresolved.

**ii. Customs tax**

Mongolrostsvetmet revised the amount reported from MNT493,541 to MNT330,958 but no details on the amount paid were provided. Mongolrostsvetmet explained that as a joint venture, they are not liable to pay any Customs Tax. However, in 2007, there was a period where the joint venture contract has yet to be signed. Hence, they were liable for Customs Tax. It was represented that Mongolrostsvetmet will request for a refund on Customs Tax paid.

GCAM confirmed that the amount reported amounting to MNT362,631 is correct and provided details on the amount received. A discrepancy amounting to MNT31,673 remains unresolved.

**iii. Windfall tax**

Mongolrostsvetmet revised the amount reported from MNT599,782 to MNT620,000. However, no details on the amount paid were provided. GDTM confirmed that the amount reported amounting to MNT620,000 is correct but no details on the amount received were provided.

**iv. Real estate tax**

Mongolrostsvetmet confirmed that the amount reported amounting to MNT15,089 is correct and provided details on the amount paid. GDTM revised the amount reported from MNT3,667 to MNT1,264 and provided details on the amount received.

From the details provided, it was noted that GDTM excluded a payment amounting to MNT13,820 received in Bor Undur Soum of Khentii Aimag.

**v. Excise tax on imported fuel and oil materials**

Initially, Mongolrostsvetmet confirmed that no payment was made for Excise Tax on Imported Fuel and Oil Materials. However, Mongolrostsvetmet subsequently revised the amount reported to MNT109,711 and provided details on the amount paid. GCAM confirmed that amount reported of MNT110,273 is correct and provided details on the amount received.

**vi. Tax on automobile and self moving vehicles**

Mongolrostsvetmet confirmed that the amount reported amounting to MNT12,111 is correct and provided details on the amount paid. GDTM revised the amount reported from MNT1,192 to MNT1,242 and provided details on the amount received.

GDTM subsequently confirmed that payments amounting to MNT10,919 were received in Khentii Aimag, Ulaanbaatar City and Tuv Aimag.

**vii. Royalty fee**

Mongolrostsvetmet confirmed that the amount reported amounting to MNT1,266,186 is correct and provided details on the amount paid. GDTM revised the amount reported from MNT219,816 to MNT276,919 and provided details on the amount received. GDTM subsequently revised the amount reported to MNT1,356,029 and provided a new listing of payments received. A discrepancy amounting to MNT89,843 remains unresolved.

**viii. License fee for exploitation and exploration of minerals resources**

Mongolrostsvetmet revised the amount reported from MNT212,713 to MNT203,503 and provided the details on the amount paid. MRAM revised the amount reported from MNT203,043 to MNT190,850 and also provided details on the amount received.

From the details provided, it was noted that MRAM did not include a payment made by Mongolrostsvetmet on 8 August 2007 for license number 176A amounting to MNT12,653.

**ix. Land rent**

Mongolrostsvetmet revised the amount reported from MNT21,903 to MNT21,403 and provided details on the amount paid. GDTM revised the amount reported from MNT2,972 to MNT3,229 and provided details on the amount received.

From the details provided, it was noted that GDTM excluded some payments for Land Rent received in Hentii Aimag and Tuv Aimag. A discrepancy amounting to MNT18,174 remains unresolved.

**x. Fee for water use**

Mongolrostsvetmet confirmed that the amount reported amounting to MNT58,787 is correct and provided details on the amount paid. Initially, GDTM did not report any amount received from Mongolrostsvetmet. However, GDTM subsequently revised the amount reported to MNT12,792 and provided details on the amount received.

From the details provided, it was noted that GDTM did not capture payments for Fee for Water Use received in Hentii Aimag and Tuv Aimag. A discrepancy amounting to MNT45,995 remains unresolved.

**xi. Fee for recruiting foreign experts and workers**

Initially, Mongolrostsvetmet did not report any amount paid. However, they subsequently revised the amount reported to MNT23,040. LSWSO revised the amount reported from MNT23,130 to MNT23,730 and provided details on the amount received.

**xii. Custom service fee**

Mongolrostsvetmet confirmed that no payment was made for Custom Service Fee. GCAM revised the amount reported from MNT532 to MNT16,615 provided details on the amount received. A discrepancy amounting to MNT16,615 remains unresolved.

**xiii. Monetary donation from company to Ministries and agencies**

Mongolrostsvetmet confirmed that the amount reported amounting to MNT50,882 is correct and provided details on the amount paid. The amount was donated to MRAM, MMRE, National Emergency Management Agency, Mongolian Stock Exchange and the Russian Embassy.

The Government bodies did not report any donated amounts received from Mongolrostsvetmet. However, MRAM, MMRE and National Emergency Management Agency subsequently confirmed that MNT10,000, MNT30,000 and MNT5,000 was received respectively. A discrepancy amounting to MNT5,882 remains unresolved.

**xiv. Monetary donation from company to aimag**

Mongolrostsvetmet confirmed that the amount reported amounting to MNT20,000 is correct. Details of the donation were enclosed with the EITI Template 1 submitted. The amount was donated to Hentii Aimag's Development Fund.

The local government did not report any donated amount received from Mongolrostsvetmet. Payments made to development funds established for a particular Aimag or Soum should be reported under Fund Disbursed by Company in Sustainable Development and Community Relations. The donation to Hentii Aimag's Development Fund should not be reported under this item.

**xv. Monetary donation to soum**

Mongolrostsvetmet confirmed that the amount reported amounting to MNT10,200 is correct. Details of the donation were enclosed with the EITI Template 1 submitted. The amount was donated to Bayanzurkh District's children amounting to MNT200 and Ihhet Soum of Dornogovi Aimag amounting to MNT10,000.

The local government reported that MNT2,249 was received. However, no details on the amount received were provided. A discrepancy amounting to MNT7,951 remains unresolved.

**xvi. Fund disbursed by company in sustainable development and community relations**

Mongolrostsvetmet confirmed that the amount reported amounting to MNT5,000 is correct. Details of the donation were enclosed with the EITI Template 1 submitted.

It was also noted that a donation made by Mongolrostsvetmet to Hentii Aimag's Development Fund amounting to MNT20,000 was reported as Monetary Donation from Company to Aimag.

The local government did not report any funds disbursed from Mongolrostsvetmet. A discrepancy amounting to MNT25,000 remains unresolved.

**xvii. 50% of contribution in kind to environmental protection special account**

Mongolrostsvetmet confirmed that the amount reported amounting to MNT24,631 is correct but did not provide details on the amount paid. MOET revised the amount reported from MNT20,131 to MNT15,000. A discrepancy amounting to MNT9,631 remains unresolved.

**xviii. Expenditure incurred in relation to environmental protection**

Mongolrostsvetmet reported MNT1,292,630 was incurred but no details were provided. However, from the details provided by MOET, it was noted that the initial amount reported included related company payments amounting to MNT890,117. MOET revised the amount reported from MNT326,142 to MNT235,200. However, no further details were provided. A discrepancy amounting to MNT167,313 remains unresolved.

### **Findings:**

The request for information was sent on 23 May 2009. A telephone call was received on 26 May 2009 from Mongolroostsvetmet's Accountant to inform that they are not able to meet the tight deadline given due to the size of the company and also the constant change of Accountants and accounting software used during the past few years.

A meeting was held with Mongolroostsvetmet's on the 28 May 2009 to discuss on the issues faced and the deadline of submission was extended to 1 July 2009 in view of these issues.

Mongolroostsvetmet provided some information on the discrepancies on the 24 June 2009. Another meeting was held on 2 July 2009 to obtain further explanations on the discrepancies. Further details could not be provided for a number of discrepancies.

A call was made on 3 August 2009 to seek clarification and details on certain discrepancies. However, they were unable to provide us the details relating to Expenditure for Environmental Protection.

Mongolroostsvetmet completed the EITI Template 1 using the old form. It was noted that the revised template was only issued in March 2008 as MEITIS needed to incorporate the previous consultant's recommendation on improvements to the template. As some companies have already submitted using the old template, to avoid re-work by these companies, MEITIS accepted the submission.

### **Summary:**

The unresolved discrepancies were mainly due to Expenditure Incurred in Relation to Environmental Protection. As both Mongolroostsvetmet and MOET were unable to provide further details on the respective amounts reported, no further work was able to be carried out.

# **APPENDIX C24**

**Mongolyn Alt (MAK) LLC**

**MONGOLYN ALT (MAK) CORPORATION (“MAK”)**

MAK is a 100% Mongolian-owned and operates gold mine in Bumbat Zaamar Soum of Tuv Aimag.

MAK is registered with the Bayanzurkh District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	287,760	282,931	4,829	(5,474)	(645)	
Corporate income tax	226,143	231,143	(5,000)	5,000	-	i
Customs tax	47,864	37,302	10,562	(10,474)	89	ii
Windfall tax	207	-	207	-	207	
Real estate tax	7,943	7,592	351	-	351	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	5,603	6,895	(1,292)	-	(1,292)	iii
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	536,928	624,600	(87,671)	29,480	(58,191)	
Royalty fee	357,160	355,167	1,992	(1)	1,992	iv
License fee for exploitation and exploration of mineral resources	176,246	226,345	(50,099)	50,099	-	v
Reimbursement of deposit, exploration of which is carried by the budget	-	16,842	(16,842)	(20,000)	(36,842)	vi
Land rent	2,843	26,246	(23,403)	-	(23,403)	vii
Fee for water use	680	-	680	(618)	62	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	255	113,015	(112,760)	93,847	(18,913)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	255	113,015	(112,760)	93,847	(18,913)	viii
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	49,356	(49,356)	15,226	(34,130)	
Monetary donation from company to Ministries and agencies	-	7,300	(7,300)	-	(7,300)	ix
Monetary donation from company to aimag	-	6,406	(6,406)	6,406	-	x
Monetary donation from company to soum	-	35,650	(35,650)	8,820	(26,830)	xi
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	-	7,500	(7,500)	8,377	877	
50% contribution in kind to environmental protection special account	-	3,000	(3,000)	1,470	(1,530)	xii
Expenditure incurred in relation to environmental protection	-	4,500	(4,500)	6,907	2,407	xiii
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	824,943	1,077,402	(252,459)	141,457	(111,002)	

**i. Corporate income tax**

The amount reported by MAK included Personal Income Tax which amounted to MNT5,000.

**ii. Customs tax**

MAK revised the amount reported from MNT37,302 to MNT47,776 as there was mistake in the initial amount reported and provided details on the amount paid.

GCAM confirmed that the amount reported amounting to MNT47,864 is correct and provided details on the amount received.

**iii. Tax on automobile and self moving vehicles**

MAK confirmed that the reported amount of MNT6,895 is correct and provided details on the amount paid.

GDTM reported an amount of MNT5,603. However, no details on the amount received were provided.

A discrepancy amounting to MNT1,292 remains unresolved.

**iv. Royalty fee**

MAK confirmed that the reported amount of MNT355,167 is correct and provided details of the amount paid.

GDTM confirmed that the amount reported amounting to MNT357,159 is correct and provided details on the amount received.

A discrepancy amounting to MNT1,992 remains unresolved.

**v. License fee for exploitation and exploration of minerals**

MAK revised the amount reported from MNT226,345 to MNT143,652 as the initial amount included service fees and license extension fees. MRAM revised the amount reported from MNT176,246 to MNT143,652 as they included payments made by related companies of MAK, Bumbat LLC and Khukhtenger LLC, and excluded a payment received amounting to MNT2,679 in the initial amount reported.

**vi. Reimbursement of deposit, exploration of which is carried by the budget fund**

MAK revised the amount reported from MNT16,842 to MNT36,842 as an amount paid on 15 June 2007 to MRAM amounting to MNT20,000 was excluded from the initial amount reported and provided details of the amount paid.

MRAM did not report any amount received from MAK. A letter was received on 20 August 2009 to confirm that they have not received any amounts from MAK. A discrepancy amounting to MNT36,482 remains unresolved.



**vii. Land rent**

MAK confirmed the amount reported amounting to MNT26,246 is correct and provided details on the amount paid. The GDTM confirmed that the amount reported amounting to MNT2,843 is correct and provided details on the amount received.

From the details provided, it was noted that the GDTM did not capture payments made to the following Aimags:

Recipient Aimag	Amount MNT
Ulaanbaatar City Tax Office	5,715
Tuv Aimag	1,373
Bayankhongor Aimag	747
Selenge Aimag	328
Khentii Aimag	60
Dundgobi Aimag	70
Umnugobi Aimag	10,544
Terej Aimag	2,070
Nalaih Aimag	2,415
Uvurkhangai Aimag	84
<b>Total</b>	<b>23,406</b>

A discrepancy amounting MNT23,403 remains unresolved.

**viii. Custom service fee**

MAK revised the amount reported from MNT113,015 to MNT118,175 due to a misstatement and provided details of the amount paid. GCAM revised the amount reported from MNT255 to MNT99,262 is correct and provide details on the amount received.

From the details provided, it was noted that MAK included payments of commission to the freight forwarding agents. MAK was unable to distinguish between the amounts paid to the freight forwarding agents and the GCAM. A discrepancy amounting to MNT18,913 remains unresolved.

**ix. Monetary donation from company to Ministries and agencies**

MAK confirmed that the amount reported amounting to MNT7,300 is correct and provided details on the amount donated. From the details provided, it was noted that MAK donated to MRAM amounting to MNT1,500, Bayangol District's Social Health Insurance (SHI) Office amounting to MNT800 and State Philharmonic amounting to MNT5,000.

The local government did not report any amount received for donations from the company. A discrepancy amounting to MNT7,300 remains unresolved.

**x. Monetary donation from company to aimag**

MAK revised the amount reported from MNT6,406 to MNT15,000 and provided details on the amount donated. It was noted that MAK donated to Dornogovi Aimag.

The local government initially did not report any donated amount received from MAK. However, Dornogovi Aimag subsequently confirmed that MNT15,000 was received.

**xi. Monetary donation to soum**

MAK revised the amount reported from MNT35,650 to MNT26,830 and provided details on the amount donated. It was noted that MAK donated to Dalanjargal Soum of Dornogovi Aimag amounting to MNT20,650, Gurvan Tes Soum of Umnugobi Aimag amounting to MNT6,000 and Khuder Soum of Selenge Aimag amounting to MNT180.

The local government did not report any amount received for donations from the company. A discrepancy amounting to MNT26,830 remains unresolved.

**xii. 50% contribution in kind to environmental protection special account**

MAK revised the amount reported from MNT3,000 to MNT5,605 and provided details on the amount reported. MOET revised the amount reported from nil to MNT4,075. It was noted that MOET did not include a payment made amounting to MNT1,530 paid to Chandmani Soum of Gobi Altai Aimag. A discrepancy amounting to MNT1,530 remains unresolved.

**xiii. Expenditure incurred in relation to environmental protection**

MAK revised the amount reported from MNT4,500 to MNT3,992 and provided details on the amount incurred. Initially, MOET did not report any amount received from MAK. MOET subsequently revised the amount reported to MNT6,400. However, no further details on the amount reported were provided. A discrepancy amounting to MNT2,408 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from MAK on 22 June 2009, three days after the 1<sup>st</sup> Reminder Letter was sent. They provided details on amounts reported. A meeting was held with MAK on 7 July 2009 to obtain further explanations on the discrepancies.

**Summary:**

The unresolved discrepancies were mainly due to Reimbursement of Deposit Exploration of Which is carried by the Budget Fund, Land Rent, Custom Service Fee and Monetary Donation from Company to Soum.

MAK confirmed that they did not make any payment for the Reimbursement of Deposit Exploration of Which is carried by the Budget Fund. GDTM did not capture Land Rent payments made to the local government. MAK was unable to distinguish between the amounts paid to the freight forwarding agents and the GCAM for Custom Service Fee. Local government did not report any amount received for Monetary Donation from Company to Soum.

# **APPENDIX C25**

**Monpolimet LLC**

## MONPOLIMET

Monpolimet is private company and operates in Tuv and Selenge aimags.

Monpolimet is registered with the Bayanzurkh District Taxation Office.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	1,419,820	1,863,701	(443,881)	408,076	(35,805)	
Corporate income tax	12,183	12,183	-	-	-	
Customs tax	28,799	84,172	(55,373)	-	(55,373)	i
Windfall tax	1,356,717	1,764,793	(408,076)	408,076	-	ii
Real estate tax	650	650	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	21,470	1,902	19,568	-	19,568	iii
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	iv
b) Fee	255,146	316,210	(61,064)	16,608	(44,456)	
Royalty fee	180,718	180,717	1	-	1	
Licence fee for exploitation and exploration of mineral resources	27,253	27,262	(8)	-	(8)	
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	7,344	23,952	(16,608)	16,608	-	v
Fee for water use	39,831	84,280	(44,449)	(0)	(44,449)	vi
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	207	-	207	55	262	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	207	-	207	55	262	vii
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	71,000	32,000	39,000	-	39,000	
Monetary donation from company to Ministries and agencies	-	15,000	(15,000)	-	(15,000)	viii
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	71,000	17,000	54,000	-	54,000	ix
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	642,700	492,000	150,700	-	150,700	
50% contribution in kind to environmental protection special account	6,500	6,000	500	-	500	x
Expenditure incurred in relation to environmental protection	636,200	486,000	150,200	-	150,200	xi
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	2,388,872	2,703,911	(315,038)	424,739	109,700	

#### i. Customs tax

It was noted that the amount reported amounting to MNT84,172 includes VAT. However, details were not provided on the amount paid. GCAM confirmed that the amount reported amounting to MNT28,799 is correct and provided details on the amount received. A discrepancy amounting to MNT55,373 remains unresolved.

#### ii. Windfall tax

Monpolimet revised the amount reported from MNT1,764,793 to MNT1,456,717 as the initial amount reported was the tax payable amount. GDTM revised the amount reported from MNT1,356,717 to MNT1,456,717 as there was an error in the initial submission.

**iii. Tax on automobile and self moving vehicles**

Monpolimet confirmed that the amount reported amounting to MNT1,902 is correct. However, details were not provided on the amount paid. GDTM confirmed that the amount reported amounting to MNT21,470 is correct and provided details on the amount received. A discrepancy amounting to MNT19,568 remains unresolved.

**iv. Land rent**

Monpolimet confirmed that the amount reported amounting to MNT23,952 is correct. It was represented that the Land Rent was paid to Tuv Aimag and Bulgan Aimag. GDTM confirmed that the amount reported amounting to MNT7,344 is correct and provided details on the amount received. Tuv Aimag and Bulgan Aimag subsequently confirmed that MNT16,608 and MNT7,344 was received respectively.

**v. Fee for water use**

Monpolimet confirmed that the amount reported amounting to MNT84,280 is correct. It was represented that the fee was paid to Tuv and Bulgan Aimag and Mongolian Water Authority. However, further details were not provided on the amount paid. GDTM confirmed that the amount reported amounting to MNT39,831 is correct and provided details on the amount received. A discrepancy amounting to MNT44,449 remains unresolved.

**vi. Monetary donation from company to Ministries and agencies**

Monpolimet confirmed that the amount reported amounting to MNT15,000 is correct and informed that the amount was donated to the Trade and Commercial Agency of Mongolia.

The Government bodies did not report any amount received from Monpolimet. A discrepancy amounting to MNT15,000 remains unresolved.

**vii. Monetary donation from company to soum**

Monpolimet confirmed that the amount reported amounting to MNT17,000 is correct and informed that the amount was donated to Zaamar Soum and Burenkhangai Soum.

The local government reported that MNT71,000 was received. However, no details on the amount received were provided. A discrepancy amounting to MNT54,000 remains unresolved.

**viii. Expenditure incurred in relation to environmental protection**

Monpolimet informed that the amount reported amounting to MNT486,000 is not the actual amount incurred. However, the actual amount incurred and relevant details were unable to be provided. MOET reported that MNT636,200 was incurred. A discrepancy amounting to MNT150,200 remains unresolved.

**Findings:**

A reply was received from Monpolimet on 23 June 2009, four days after the 1<sup>st</sup> Reminder Letter was sent. However, the letter serves only to confirm that the amounts reported in the EITI Template are correct but the details on the respective amounts reported were not provided.

A meeting was held with Monpolimet on 7 July 2009 to obtain details and explanations on the discrepancies. During the meeting the Accountant provided some confirmation on the amounts reported as well as some explanations on the discrepancies noted.

In addition, during the meeting, the Accountant agreed to provide further details on certain discrepancies noted at a later date. However, the Accountant has yet to provide the information requested. It was represented to us that the Accountant is away until middle of August 2009.

**Summary:**

The unresolved discrepancies were mainly due to Customs Tax, Fee for Water Use, Monetary Donation from Company to Soum and Expenditure Incurred in Relation to Environmental Protection. Monpolimet was unable to provide further details for Customs Tax and Fee for Water Use. The local government was unable to provide details on the amount reported for Monetary Donation from Company to Soum. Further reconciliation was not able to be carried out for Expenditure Incurred in Relation to Environmental Protection as both Monpolimet and MOET could not provide further details on the amounts reported.

# **APPENDIX C26**

**Petro-China Daguing Tamsag LLC**

**PETRO-CHINA DAGUING TAMSAG ("PC")**

PC is the daughter company of Chinese Daqing oil fields limited. It operates in Tamsag basin, Dornod Aimag with exploration being its main activity.

PC is registered with Ulaanbaatar City's Taxation Department.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
<b>a) Taxes</b>	965,338	904,564	60,775	(46,718)	14,056	
Corporate income tax	-	22,923	(22,923)	22,923	-	i
Customs tax	31,512	-	31,512	(21,544)	9,968	ii
Windfall tax	-	-	-	-	-	
Real estate tax	5,170	5,170	(0)	-	(0)	
Excise tax on imported fuel and oil materials	926,727	792,706	134,021	(129,096)	4,925	iii
Tax on petrol and diesel fuel	-	80,990	(80,990)	80,999	9	iv
Tax on automobile and self moving vehicles	1,929	2,775	(846)	-	(846)	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
<b>b) Fee</b>	67,791	934,858	(867,067)	935,425	68,358	
Royalty fee	-	262,125	(262,125)	262,125	-	v
License fee for exploitation and exploration of mineral resources	-	215,521	(215,521)	215,521	-	vi
Reimbursement of deposit, exploration of which is carried by the budget	67,791	-	67,791	-	67,791	vii
Land rent	-	298,345	(298,345)	302,447	4,102	viii
Fee for water use	-	86,099	(86,099)	91,282	5,183	ix
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	72,768	(72,768)	64,050	(8,718)	x
License fee	-	-	-	-	-	
Other taxes in USD	-	-	-	-	-	
Other	-	-	-	-	-	
<b>c) Charge and service charge</b>	-	365,338	(365,338)	227,831	(137,508)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	6,144	(6,144)	-	(6,144)	xi
Service charges paid to state and local administration in accordance with relevant law	-	211,479	(211,479)	44,949	(166,530)	xii
Custom Service fee	-	147,716	(147,716)	182,882	35,166	xiii
Other	-	-	-	-	-	
<b>d) Dividends on state and local property</b>	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
<b>e) Other payments to recipient Government</b>	7,690,371	11,673,994	(3,983,623)	3,983,623	-	
Entitlement under Production Sharing Contract to Government	7,690,371	11,673,994	(3,983,623)	3,983,623	-	xiv
Other	-	-	-	-	-	
<b>f) Donation to Governmental organizations</b>	-	49,771	(49,771)	7,175	(42,596)	
Monetary donation from company to Ministries and agencies	-	10,720	(10,720)	-	(10,720)	
Monetary donation from company to aimag	-	10,250	(10,250)	(1,666)	(11,916)	
Monetary donation from company to soum	-	9,960	(9,960)	-	(9,960)	xv
Fund disbursed by company in sustainable development and community relations	-	8,841	(8,841)	8,841	-	
Other	-	10,000	(10,000)	-	(10,000)	
<b>g) Expenditure for environmental protection</b>	-	29,518	(29,518)	(128,032)	(157,550)	
50% contribution in kind to environmental protection special account	-	-	-	-	-	
Expenditure incurred in relation to environmental protection	-	29,518	(29,518)	(128,032)	(157,550)	xvi
	-	-	-	-	-	
<b>TOTAL AMOUNT</b>	<b>8,723,500</b>	<b>13,958,043</b>	<b>(5,234,542)</b>	<b>4,979,303</b>	<b>(255,240)</b>	

**i. Corporate income tax**

PC explained that the initial amount reported amounting to MNT22,923 was incorrect as they are not required to pay Corporate Income Tax. The reported amount was for payments made in respect of Customs Tax. GDTM confirmed that no payment in respect of Corporate Income Tax was received from PC.



**ii. Customs tax**

As per the explanation above, PC included the amount paid for Customs Tax amounting to MNT22,923 as Corporate Income Tax. However, they could not provide details on the amount reported as it was represented that they do not use any accounting software and was therefore unable to trace the transactions to the original Payment Vouchers, where the details are captured.

GCAM revised the amount reported from MNT31,512 to MNT32,891 and provided details on the amount received. A discrepancy amounting to MNT9,968 remains unresolved.

**iii. Excise tax on imported fuel and oil materials**

PC revised the amount reported from MNT792,706 to MNT926,509 and provided details on the amount paid. GCAM revised the amount reported from MNT926,727 to MNT931,434 and provided details of the amount received. A discrepancy amounting to MNT4,925 remains unresolved.

**iv. Tax on petrol and diesel fuel**

PC revised the amount reported from MNT80,990 to MNT84,321 and provided details on the amount paid. Initially, GCAM did not report any amount received for Tax on Petrol and Diesel Fuel. Subsequently, GCAM provided a revised amount of MNT84,330 with details on the amount received.

**v. Royalty fees**

PC revised the initial amount reported from MNT262,125 to nil as the amount consisted of payments made to PAM for training fee. GDTM did not report any amount received from PC.

**vi. Licence fee for exploitation and exploration of mineral resources**

PC revised the amount reported from MNT215,521 to nil as they did not make any payments for license fees in 2007. MRAM did not report any amount received from PC.

**vii. Reimbursement of deposit, exploration of which is carried by the budget fund**

PC did not report any amount paid and confirmed that they did not make any payment. The Government reported an amount of MNT67,791 received from PC. However, MRAM was not aware of such payments. A discrepancy amounting to MNT67,791 remains unresolved.

**viii. Land rent**

PC confirmed that the amount reported amounting to MNT298,345 is correct and paid to PAM.

Initially, GDTM did not report any amount received from PC. However, MRAM subsequently confirmed that MNT302,447 (USD256,090) was received. The remaining discrepancy was due to foreign exchange translation difference amounting to MNT4,102 due to the different rates used.

**ix. Fee for water use**

PC revised the amount reported from MNT86,099 to MNT80,916 and provided details on the amount paid. From the details provided, the amount was paid to Khalkh Gol Soum of Dornod Aimag. Initially, GDTM did not report any amount received from PC. However, Khalkh Gol Soum of Dornod Aimag subsequently confirmed that MNT86,099 was received. A discrepancy amounting to MNT5,183 remains unresolved.

**x. Fee for use of mineral resources of wide spread deposit**

PC revised the amount reported from MNT72,768 to MNT72,718 and provided details of the amount paid. From the details provided, the amount was paid to Sumber Soum of Dornod Aimag and Erdenetsagaan Soum of Sukhbaatar Aimag. GDTM did not report any amount received from PC. However, Erdenetsagaan Soum of Sukhbaatar Aimag subsequently confirmed that MNT64,000 was received. A discrepancy amounting to MNT8,718 remains unresolved.

**xi. Stamp and other charge for state registration paid to state and local administration in accordance with relevant law**

PC confirmed that the amount reported amounting to MNT6,144 is correct and paid to the 'Foreign Affairs and Immigration Office of Mongolia' and LSWSO. However, no details on the amount paid were provided. The local government did not report any amount received from PC. A discrepancy amounting to MNT6,144 remains unresolved.

**xii. Service charges paid to state and local administration in accordance with relevant law**

PC revised the amount reported from MNT211,479 to MNT211,050 and provided details of the amount paid. From the details provided, the Service Charges were paid to the 'Foreign Affairs and Immigration Office of Mongolia' and LSWSO. The local government did not report any amount received from PC. However, LSWSO subsequently confirmed that MNT44,520 was received. A discrepancy amounting to MNT166,530 remains unresolved.

**xiii. Custom service fee**

PC confirmed that the amount reported amounting to MNT147,716 is correct and paid to Dornod's Customs Office. However, no details on the amount paid were provided.

Initially, the GCAM did not report any amount received for Custom Service Fee but subsequently provided a revised amount of MNT182,882 with details on the amount received. A discrepancy amounting to MNT35,166 remains unresolved.

**xiv. Entitlement under production sharing contract to government**

PC revised the amount reported from MNT11,673,994 to MNT7,679,704. PAM revised the amount reported from MNT7,690,371 to MNT7,679,704 and provided details on the amount received.

**xv. Donations to Governmental organizations**

PC confirmed that the amounts reported are correct and provided details on the amounts donated. However, PC revised the amount reported for Monetary Donation from Company to Aimag from MNT10,250 to MNT11,916 as a donation to Dornod Aimag's kindergarten amounting to MNT1,666 was not included in the initial amount reported.

The details of the donations provided by PC are as follow:

<b>1.f Donation to Governmental organizations</b>	<b>As provided by PC ("MNT")</b>	<b>Purpose</b>
Monetary donation from company to Ministries and agencies	10,720	VSAT equipment for Customs Office in Bayankhosuu Soum of Dornod Aimag (non-monetary)
Monetary donation from company to aimag	1,050	Dornod Aimag Naadam celebrations (non-monetary)
	2,000	Dornod Aimag Boxing Association
	7,200	Dornod Aimag's Social Welfare Fund (non-monetary: 15 Gers)
	1,666	Dornod Aimag kindergartens
Monetary donation from company to soum	9,960	Matad Soum kids new year gifts (non-monetary)
Fund disbursed by company in sustainable development and community relations	8,841	Choibalsan Soum of Dornod Aimag's Technical University (non-monetary)
Other	10,000	National Emergency Management Agency (for the families of plane crash victims)
<b>Total</b>	<b>51,437</b>	

The donation made by PC to Choibalsan Soum of Dornod Aimag's Technical University should be excluded as only payments made to development funds established for a particular Aimag or Soum should be reported.

The Government bodies did not report any donated amount received from PC.

Discrepancies amounting to MNT42,596 remain unresolved.

**xvi. Expenditure incurred in relation to environmental protection**

PC revised the amount reported from MNT29,518 to MNT1,520,306 and provided details on the amount incurred.

Initially, MOET did not report any amount incurred by PC. However, MOET subsequently revised the amount reported to MNT1,362,756. No further details were provided. A discrepancy amounting to MNT157,550 remains unresolved.

### **Findings:**

The request for information was sent on 23 May 2009. PC did not provide a reply to our request for information as they were busy. A meeting was held with PC on 2 July 2009 to request for information and obtain explanation on the discrepancies. The details and explanations provided by the Accountant were insufficient to enable further work to be carried out as the details on the reported amounts could not be provided. PC could not provide details on the amount reported as it was represented that they do not use any accounting software and therefore was unable to trace the transactions to the original Payment Vouchers, where the details are captured.

In addition, PC was unable to explain the discrepancy as the Accountant is new and was not involved in the preparation of the EITI template for 2007.

Although PC could provide details on the donations, the total reported on the list provided does not agree with the amount reported. The Accountant was also not able to classify the items in the donation listing to the line items provided in the EITI Template.

### **Summary:**

The unresolved discrepancies were mainly due to Service Charges Paid to State and Local Administration in Accordance with Relevant Law, Donations to Governmental Organizations and Expenditure Incurred in Relation to Environmental Protection.

The local government did not report any amount received from PC for Service Charges Paid to State and Local Administration in Accordance with Relevant Law and Donations to Governmental Organizations. MOET was unable to provide further details on the amount reported for Expenditure Incurred in Relation to Environmental Protection.

# **APPENDIX C27**

**Shanlun LLC**

## SHANLUN

Shanlun is a Chinese-owned company and conducts operations in a zinc mine in Eastern Dornod.

Shanlun is registered with the Bayangol District Taxation Office.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	122,292	122,754	(463)	322	(140)	
Corporate income tax	80,329	80,329	-	-	-	
Customs tax	31,859	33,114	(1,255)	1,115	(140)	i
Windfall tax	-	-	-	-	-	
Real estate tax	10,010	8,988	1,022	(1,022)	-	ii
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	94	324	(230)	230	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	422,787	652,684	(229,897)	(236,447)	(466,344)	
Royalty fee	-	423,542	(423,542)	-	(423,542)	iii
License fee for exploitation and exploration of mineral resources	64,324	23,351	40,973	(40,973)	-	iv
Reimbursement of deposit, exploration of which is carried by the budget	123,959	164,736	(40,777)	(275)	(41,052)	v
Land rent	-	700	(700)	-	(700)	
Fee for water use	-	1,050	(1,050)	-	(1,050)	vi
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	234,504	39,305	195,199	(195,199)	-	vii
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	283	12,068	(11,785)	8,847	(2,938)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	300	(300)	300	-	
Service charges paid to state and local administration in accordance with relevant law	-	120	(120)	(2,711)	(2,831)	viii
Custom Service fee	283	11,648	(11,365)	11,258	(107)	ix
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	1,540	12,300	(10,760)	(11,750)	(22,510)	
Monetary donation from company to Ministries and agencies	-	3,000	(3,000)	(500)	(3,500)	x
Monetary donation from company to aimag	1,300	7,500	(6,200)	950	(5,250)	xi
Monetary donation from company to soum	240	1,800	(1,560)	(12,200)	(13,760)	xii
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	2,970	1,600	1,370	1,000	2,370	
50% contribution in kind to environmental protection special account	600	600	-	-	-	
Expenditure incurred in relation to environmental protection	2,370	1,000	1,370	1,000	2,370	xiii
TOTAL AMOUNT	549,872	801,406	(251,535)	(238,028)	(489,562)	

#### i. Customs tax

Shanlun revised the amount reported from MNT33,114 to MNT31,999 and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT31,859 is correct and provided details of the amount received.

#### ii. Real estate tax

Shanlun revised the amount reported from MNT8,988 to MNT10,010 and provided details on the amount paid. The amount reported in the initial submission was the amount payable for Real Estate Tax and not the actual amount paid for the year. GDTM confirmed that the amount reported amounting to MNT10,010 is correct.

**iii. Royalty fee**

Shanlun confirmed that the amount reported amounting to MNT423,542 is correct and is paid to the local government of Choibalsan City of Dornod Aimag. GDTM confirmed that they did not receive any amount from Shanlun. A discrepancy amounting to MNT423,542 remains unresolved.

**iv. License fee for exploitation and exploration of mineral resources**

Shanlun confirmed that the amount reported amounting to MNT23,351 is correct and provided details on the amount paid. MRAM revised the amount reported from MNT64,324 to MNT23,351 and provided details on the amount received.

**v. Reimbursement of deposit, exploration of which is carried by the budget fund**

Shanlun revised the amount reported from MNT164,736 to MNT165,011 and provided details on the amount paid. MRAM reported that an amount of MNT123,959 was received. From the details provided, it was noted that a payment amounting to MNT41,008 was made by Shanlun on 15 June 2007 but not included in the amount reported by MRAM. A discrepancy amounting to MNT41,052 remains unresolved.

**vi. Fee for water use**

Shanlun confirmed that amount reported amounting to MNT1,050 is correct and paid to Choibalsan City of Dornod Aimag. GDTM did not report any amount received. A discrepancy amounting to MNT1,050 remains unresolved.

**vii. Fees for recruiting foreign experts and workers**

Shanlun revised the amount reported from MNT39,305 to MNT141,977 as the amount initially reported was incorrect. Details on the amount paid were provided. LSWSO revised the amount reported from MNT234,504 to MNT180,065 and provided details on the amount received. The revision was due to LSWSO not taking into account the reimbursements to the company for fees paid on short-term foreign workers.

The remaining discrepancy of MNT38,088 was due to Shanlun not including a payment made on 11 April 2007 amounting to MNT23,184 and also due to a typing error where a payment was captured as MNT1,656 instead of MNT16,560.

**viii. Service charges paid to state and local administration in accordance with relevant law**

Shanlun revised the amount paid from MNT120 to MNT2,831 as the initial submission was wrongly stated and provided details on the amount paid. The amount was paid to LSWSO, Foreign Affairs and Immigration Office of Mongolia and Foreign Investment and Foreign Trade Agency amounting to MNT1,891, MNT872 and MNT68 respectively. The local government did not report any amount received from Shanlun. A discrepancy amounting to MNT2,831 remains unresolved.

**ix. Custom service fee**

Shanlun revised the amount reported from MNT11,648 to MNT11,083 and provided details on the amount reported. GCAM revised the amount reported from MNT283 to MNT10,976 and provided details on the amount reported.

**x. Monetary donation from company to Ministries and agencies**

Shanlun revised the amount reported from MNT3,000 to MNT3,500 and provided details of the amount donated. From the details provided, it was noted that the amount was donated to MRAM and Ministry of Trade and Industry amounting to MNT500 and MNT3,000 respectively. The Government bodies did not report any donations received from Shanlun. A discrepancy amounting to MNT3,500 remains unresolved.

**xi. Monetary donation from company to aimag**

Shanlun revised the reported amount from MNT7,500 to MNT6,550. The details on the amount donated are as follows:

Recipient	Amount MNT
Dornod Aimag on 18 June 2007	1,300
Dornod Aimag's hospital on 15 June 2007	250
Non-monetary donation of expenses incurred to clean garbage at Khavirga entry point which is placed in Dornod Aimag	5,000

The local government reported MNT1,300 is received. However, no details were provided.

A discrepancy amounting to MNT5,250 remains unresolved.

**xii. Monetary donation from company to soum**

Shanlun revised the amount reported from MNT1,800 to MNT14,000. The details on the amount donated are as follows:

Recipient	Amount MNT
Non-monetary donation to clean up of garbage in Kherlen Soum	10,000
Non-monetary donation to fence up of Marshall Choibalsan monument	3,000
Monetary grant to the Citizen Representative's office	1,000

Local government reported that an amount of MNT240 was received. However, no details on the donated amount received were provided. A discrepancy amounting to MNT13,760 remains unresolved.

**xiii. Expenditure incurred in relation to environmental protection**

Initially, Shanlun reported that an amount of MNT1,000 was incurred. However, Shanlun subsequently revised the amount to nil. MOET reported an amount of MNT2,370 was incurred. However, no further details on the amount reported were provided. A discrepancy amounting to MNT2,370 remains unresolved.



**Findings:**

The request for information was sent on 23 May 2009. A reply was received from Shanlun on 16 June 2009, three days before the 1<sup>st</sup> Reminder Letter was sent. They provided details on the amounts reported and revised certain amounts reported. A meeting was held with Shanlun on 14 July 2009 to obtain further explanations on the amounts reported.

**Summary:**

The unresolved discrepancies were mainly due to Royalty Fee, Reimbursement of Deposit, Exploration of which is Carried by the Budget Fund and Donations to Governmental Organizations.

GDTM did not report any Royalty Fee received from Shanlun while MRAM were not able to provide details of payment received from Shanlun for Reimbursement of Deposit, Exploration of which is Carried by the Budget Fund. The Government bodies and local government did not report any donated amount or were unable to provide details of the donations received from Shanlun for Donations to Governmental Organizations.

# **APPENDIX C28**

**Shariin Gol LLC**

**SHARIIN GOL ("SG")**

SG is a Mongolian-owned company which is 80% owned by a Russian company and 20% publicly. It conducts its operations in the coal mines in Shariin Gol Soum of Darhan-Uul Aimag. SG is registered with the Darkhan-Uul Aimag Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
<b>a) Taxes</b>	9,210	42,050	(32,840)	32,136	(703)	
Corporate income tax	-	32,137	(32,137)	32,130	(7)	i
Customs tax	-	-	-	-	-	
Windfall tax	-	-	-	-	-	
Real estate tax	9,210	8,499	711	-	711	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	-	1,407	(1,407)	-	(1,407)	ii
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	6	(6)	6	-	
<b>b) Fee</b>	475,003	307,541	167,462	(165,019)	2,443	
Royalty fee	375,315	192,519	182,796	(182,796)	-	iii
License fee for exploitation and exploration of mineral resources	33,349	14,042	19,307	(16,997)	2,310	iv
Reimbursement of deposit, exploration of which is carried by the budget	-	54,251	(54,251)	34,774	(19,477)	v
Land rent	64,019	44,409	19,610	-	19,610	vi
Fee for water use	2,320	2,320	-	-	-	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
<b>c) Charge and service charge</b>	44	-	44	(37)	7	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	44	-	44	(37)	7	
Other	-	-	-	-	-	
<b>d) Dividends on state and local property</b>	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
<b>e) Other payments to recipient Government</b>	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
<b>f) Donation to Governmental organizations</b>	24,000	30,977	(6,977)	(2,255)	(9,232)	
Monetary donation from company to Ministries and agencies	-	5,500	(5,500)	-	(5,500)	vii
Monetary donation from company to aimag	24,000	21,443	2,557	(2,255)	302	viii
Monetary donation from company to soum	-	4,034	(4,034)	-	(4,034)	ix
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
<b>g) Expenditure for environmental protection</b>	36,350	13,650	22,700	(19,300)	3,400	
50% contribution in kind to environmental protection special account	13,650	-	13,650	(10,250)	3,400	x
Expenditure incurred in relation to environmental protection	22,700	13,650	9,050	(9,050)	-	xi
	-	-	-	-	-	
<b>TOTAL AMOUNT</b>	<b>544,607</b>	<b>394,218</b>	<b>150,390</b>	<b>(154,475)</b>	<b>(4,086)</b>	

**i. Corporate income tax**

SG confirmed that the amount reported amounting to MNT32,137 is correct and provided details on the amount paid. Initially, GDTM did not report any amount received. However, GDTM subsequently revised the amount reported to MNT32,130 and provided details on the amount received.

**ii. Tax on automobile and self-moving vehicles**

SG confirmed that the amount reported amounting to MNT1,407 is correct and paid on 5 June 2007. GDTM did not report any amount received from SG. A discrepancy amounting to MNT1,407 remains unresolved.

**iii. Royalty fee**

SG confirmed that the amount reported amounting to MNT192,519 is correct and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT375,315 is correct and provided details on the amount received.

From the details provided, it was noted that GDTM included an overpayment of Royalty Fees by SG amounting to MNT182,796 whereas SG only reported the actual amount due and paid in 2007.

**iv. Licence fee for exploitation and exploration of mineral resources**

SG confirmed that the amount reported amounting to MNT14,042 is correct and provided details on the amount paid. MRAM revised the amount reported from MNT33,349 to MNT16,352 and provided details of the amount received. A discrepancy amounting to MNT2,310 remains unresolved.

**v. Reimbursement of deposit, exploration of which is carried by the budget fund**

SG revised the amount from MNT54,251 to MNT45,447 and provided details on the amount paid. From the details provided, it was noted that MNT26,000 was paid on 15 January 2008 while MNT19,477 was payment made in 2007. MRAM did not report any amount received from SG. A discrepancy amounting to MNT19,477 remains unresolved.

**vi. Land rent**

SG confirmed that the amount reported amounting to MNT44,409 is correct and paid to Shariin Gol Soum Land Department and Tax Unit. GDTM reported MNT64,019 was received. However, no details were provided. A discrepancy amounting to MNT19,610 remains unresolved.

**vii. Monetary donation from company to Ministries and agencies**

SG confirmed the amount reported amounting to MNT5,500 is correct and provided details on the amount reported. The Government bodies did not report any amount received from SG. A discrepancy amounting to MNT5,500 remains unresolved.

**viii. Monetary donation from company to aimag**

SG confirmed that the amount reported amounting to MNT21,443 is correct and donated to Darkhan-Uul Aimag for the construction of a garden. The local government reported MNT24,000 was received. However, no details were provided. Darkhan-Uul Aimag subsequently confirmed that MNT21,745 was received.

**ix. Monetary donation from company to soum**

SG confirmed that the amount reported amounting to MNT4,034 is correct and donated to Shariin Gol Soum of Darkhan-Uul Aimag. The local government did not report any amount received from SG. A discrepancy amounting to MNT4,034 remains unresolved.

**x. 50% contribution in kind to environmental protection special account**

SG wrongly reported the amount paid amounting to MNT13,650 for 50% Contribution In Kind to Environmental Protection Special Account as Expenditure Incurred in Relation to Environmental Protection.

MOET revised the amount reported from MNT13,650 to MNT17,050 and provided details on the amount reported. It was noted that SG did not include two payments amounting to MNT3,400 made on 9 and 29 May 2007. A discrepancy amounting to MNT3,400 remains unresolved.

**xi. Expenditure incurred in relation to environmental protection**

As per explanation above, SG wrongly reported the amount of MNT13,650 under this item. However, SG subsequently revised the amount to MNT22,700. MOET reported MNT22,700 was received from SG.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from SG on the 15 June 2009, four days before the 1<sup>st</sup> Reminder Letter was sent. The provided details on the amount reported. A call was made to SG on 23 July 2009 to obtain further explanations on the amounts reported.

SG completed the EITI Template 1 using the old format. It was noted that the revised template was only issued in March 2008 as MEITIS needed to incorporate the previous consultant's recommendation on improvements to the template. As some companies have already submitted using the old template, to avoid re-work by these companies, MEITIS accepted the submission accordingly.

**Summary:**

The unresolved discrepancies were mainly due Reimbursement of Deposit, Exploration of which is Carried by the Budget Fund and Land Rent.

MRAM did not report any amount received from SG for Reimbursement of Deposit, Exploration of which is Carried by the Budget Fund. No further work was carried out for Land Rent as GDTM was unable to provide details on the payments received from SG.

# **APPENDIX C29**

## **Shijir Alt SHC**

## SHIJIR ALT (“SA”)

SA is a Mongolian company with state property participation. It operates gold mines in Zaamar Soum of Tuv Aimag and Bureghangai Soum of Bulgan Aimag.

SA is registered with the National Taxation Department of Mongolia.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies are presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	3,399,674	4,043,945	(644,272)	644,272	-	
Corporate income tax	751,260	703,856	47,404	(47,404)	-	i
Customs tax	48,070	156,219	(108,149)	108,149	-	ii
Windfall tax	2,587,945	3,171,552	(583,607)	583,607	-	iii
Real estate tax	10,372	10,392	(20)	20	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	2,026	1,926	100	(100)	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	1,083,844	1,140,201	(56,357)	856	(55,501)	
Royalty fee	807,279	807,279	0	-	0	
License fee for exploitation and exploration of mineral resources	594	1,450	(856)	856	-	
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	7,302	13,118	(5,816)	-	(5,816)	iv
Fee for water use	214,512	259,303	(44,791)	-	(44,791)	v
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	54,156	59,051	(4,895)	-	(4,895)	vi
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	90	-	90	52	142	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	90	-	90	52	142	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	2,762,073	(2,762,073)	2,762,073	-	
Dividends on state property	-	2,762,073	(2,762,073)	2,762,073	-	vii
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	4,325	-	4,325	(5,000)	(675)	
Monetary donation from company to Ministries and agencies	-	-	-	(5,000)	(5,000)	viii
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	4,325	-	4,325	-	4,325	ix
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	916,117	916,117	-	-	-	
50% contribution in kind to environmental protection special account	26,000	26,000	-	-	-	
Expenditure incurred in relation to environmental protection	890,117	890,117	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	5,404,050	8,862,336	(3,458,286)	3,402,251	(56,034)	

#### i. Corporate income tax

SA reported MNT703,856 was paid for Corporate Income Tax. GDTM confirmed that the reported amount amounting to MNT751,260 is correct and provided details of the amount received.

From discussions with the Accountant, it was noted that the discrepancy was due to SA reporting the amount accrued instead of the actual paid for the year 2007.

**ii. Customs tax**

SA reported that MNT156,219 was paid for Customs Tax. GCAM confirmed that the reported amount amounting to MNT48,070 is correct and provided details of the amount received.

As per the explanation provided above, the discrepancy was due to SA reporting the amount accrued instead of the actual paid for the year 2007.

**iii. Windfall tax**

SA reported that MNT3,171,552 was paid for Windfall Tax. GDTM confirmed that the reported amount amounting to MNT2,587,945 is correct and provided details of the amount received.

As per the explanation provided above, the discrepancy was due to SA reporting the amount accrued instead of the actual paid for the year 2007.

**iv. Land rent**

SA confirmed that the amount reported amounting to MNT13,118 is correct but was unable to provide details on the amount paid as their Accountant was away at the time and was only due to return in September 2009.

GDTM confirmed that the amount reported amounting to MNT7,302 is correct and provided details of the amount received. A discrepancy amounting to MNT5,816 remains unresolved.

**v. Fee for water use**

SA confirmed that the amount reported amounting to MNT259,303 is correct but was unable to provide details on the amount paid as per the explanation above. GDTM confirmed that the amount reported amounting to MNT214,512 is correct and provided details of the amount received. A discrepancy amounting to MNT44,791 remains unresolved.

**vi. Fee for recruiting foreign experts and workers**

SA confirmed that the amount reported amounting to MNT59,051 is correct but was unable to provide details on the amount paid as per the explanation above. LSWSO confirmed that the amount reported amounting to MNT54,156 is correct and provided details of the amount received. A discrepancy amounting to MNT4,895 remains unresolved.

**vii. Dividends on state property**

SA revised the amount reported from MNT2,762,073 to MNT508,576 and informed that the amount was paid to Mongolrostsetmet. GDTM did not report any amount received from SA. As Mongolrostsetmet is a joint venture (partly-owned by state), SA wrongly assumed that the payment denotes a dividend paid to the state.

**viii. Monetary donation from company to Ministries and agencies**

Initially, SA did not report any amount donated. However, SA subsequently revised the amount donated to MNT5,000. This amount was donated to the State Emergency Committee and was previously not reported as the company's Accountant who is Russian was not able to read the instructions for completing the EITI Template which was in Mongolian.

The Government bodies did not report any amount received from SA. A discrepancy amounting to MNT5,000 remains unresolved.



**ix. Monetary donation from company to soum**

SA confirmed that they did not donate any amounts to soums. The local government reported that MNT4,325 was received from SA. However, details on the amount received could not be provided. A discrepancy amounting to MNT4,325 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. SA's reply was promptly received on 16 June 2009 which was about a week after the request for information was sent. However, SA's reply only included a list of payments confirming or revising the amounts reported and did not provide any further details.

A meeting was held with SA on 2 July 2009 to obtain details and explanations on the discrepancies. During the meeting, the Accountant agreed to provide further details on certain discrepancies at a later date. However, the Accountant has yet to provide the information requested. It was represented to us that the Accountant is away until September 2009.

It was represented that a number of discrepancies were due to misreporting, such as, reporting accrued vs. actual amounts, by the SA's Accountant. The Accountant is Russian and had difficulty understanding the instructions translated by a colleague for completing the EITI Template which was in Mongolian.

**Summary:**

The unresolved discrepancies were mainly due to Land Rent, Fee for Water Use, Fee for Recruiting Foreign Experts and Workers, Monetary Donation from Company to Ministries and Agencies and Monetary Donation from Company to Soum.

As SA's Accountant was not around at the time and could not provide details on the Land Rent, Fee for Water Use and Fee for Recruiting Foreign Experts and Workers paid, further work was unable to be carried out. The Government bodies did not report any amount received from SA for Monetary Donation from Company to Ministries and Agencies while GDTM was unable to provide details on the donated amount reported by the local government for Monetary Donation from Company to Soum.

# **APPENDIX C30**

**Shim Technology LLC**

**SHIM TECHNOLOGY LLC (“ST”)**

ST is a joint venture with an Israeli company with 30% of the company owned by EMC and 70% by an Israeli company Metal Tech.

It operates in Erdenet and produces molybdenum technical acids which are exported to China, South Korea, India, Japan and USA.

ST is registered with the National Taxation Department of Mongolia.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	714,472	1,688,060	(973,588)	964,835	(8,753)	
Corporate income tax	427,914	1,395,559	(967,645)	967,645	-	i
Customs tax	281,126	287,733	(6,607)	(2,127)	(8,734)	ii
Windfall tax	-	-	-	-	-	
Real estate tax	5,185	4,502	683	(683)	0	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	247	266	(19)	-	(19)	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	-	27,979	(27,979)	24,250	(3,729)	
Royalty fee	-	-	-	-	-	
Licence fee for exploitation and exploration of mineral resources	-	-	-	-	-	
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	3,729	(3,729)	-	(3,729)	iii
Fee for water use	-	-	-	-	-	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	24,250	(24,250)	24,250	-	iv
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	-	8,662	(8,662)	1,885	(6,777)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	-	8,662	(8,662)	1,885	(6,777)	v
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	9,193	(9,193)	9,193	-	
Monetary donation from company to Ministries and agencies	-	7,600	(7,600)	7,600	-	vi
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	-	-	-	-	-	
Fund disbursed by company in sustainable development and community relations	-	1,593	(1,593)	1,593	-	vii
Other	-	-	-	-	-	
g) Expenditure for environmental protection	-	-	-	-	-	
50% contribution in kind to environmental protection special account	-	-	-	-	-	
Expenditure incurred in relation to environmental protection	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
<b>TOTAL AMOUNT</b>	<b>714,472</b>	<b>1,733,894</b>	<b>(1,019,422)</b>	<b>1,000,163</b>	<b>(19,259)</b>	

**i. Corporate income tax**

ST revised the amount reported from MNT1,395,559 to MNT427,914 as the initial amount reported was based on the Corporate Income Tax payable and not the actual paid in 2007. GDTM confirmed that the amount reported amounting to MNT427,914 is correct and provided details on the amount received.

**ii. Custom tax**

ST confirmed that the amount reported amounting to MNT287,733 is correct and provided details on the amount paid. ST subsequently revised the amount reported to MNT289,860 and provided an updated list of the Customs Tax paid.

GCAM confirmed that the amount reported amounting to MNT281,126 is correct and provided details on the amount received. A discrepancy amounting to MNT8,734 remains unresolved.

**iii. Land rent**

ST confirmed that the amount reported amounting to MNT3,729 is correct and provided details on the amount paid. From the details provided, it was noted that ST paid the Land Rent to Orkhon Aimag's Land Department. GDTM did not report any amount received for Land Rent paid by ST. A discrepancy amounting to MNT3,729 remains unresolved.

**iv. Fee for recruiting foreign experts and workers**

Initially, ST reported an amount of MNT24,250 was paid. However, ST subsequently revised the amount reported to MNT24,264 and provided details on the amount paid. It was noted that the fee was paid to Orkhon Aimag's Labour Office.

Initially, LSWSO did not report any amount received. However, LSWSO subsequently revised the amount reported to MNT26,616 and provided details on the amount received. After further discussion with ST, it was noted that the amount reported by LSWSO was correct and ST excluded two payments made on 9 February and 7 March 2007 and made errors in capturing the details of three payment transactions.

**v. Custom service fee**

ST confirmed that the amount reported amounting MNT8,662 is correct and provided details on the amount paid. Initially, GCAM did not report any amount. However, GCAM subsequently revised the amount reported to MNT1,885 and provided details on the amount received. A discrepancy amounting to MNT6,777 remains unresolved.

**vi. Monetary donation from company to Ministries and agencies**

ST confirmed that amount reported amounting to MNT7,600 is correct and provided details on the amount paid. From the details provided, it was noted that the donation was made to Mongolian Light Athletics Association and Atlanta Olympics Survey Centre amounting to MNT6,600 and MNT1,000 respectively. As both organizations are not governmental agencies the amounts reported should be excluded.

**vii. Fund disbursed by company in sustainable development and community relations**

ST revised the amount reported from MTN1,593 to MNT4,587. It was noted that the amount was donated to the following:

Recipient	Amount MNT
Enerel centre for its students' tuition fee	1,987
Nomin TV	1,100
Erdmiin san school	1,500

Local government did not report any amount received from ST for donations.

Only payments made to development funds established for a particular aimag or soum should be reported. The above donations are not required to be reported under this item.

**Findings:**

The request for information was sent on 23 May 2009. A reply from ST's was received by fax on 5 June 2009, within the two weeks after the request was sent. They provided details on the amounts reported. A meeting was held with ST on 17 July 2009 to obtain the outstanding information and further explanation on the amounts reported.

A call was made on 5 August 2009 to confirm the amounts reported and reasons for certain discrepancies after receiving details from the Government Entities.

**Summary:**

The unresolved discrepancies were mainly due to Customs Tax and Customs Service Fee. The reasons for the discrepancies for Customs Tax and Customs Service Fee could not be identified.

# **APPENDIX C31**

**Shin Shin LLC**

**SHIN SHIN (“SS”)**

SS is a 100% owned by a Chinese company.

It is in the process of preparation for the production of zinc at a polymetal deposit. It will construct a processing ore mill which will be able to process 3,000 tons per day.

SS operates in Dashbalbar Soum of Dornod Aimag.

SS is registered with Dornod Aimag Taxation Office of Mongolia.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	510,079	933,221	(423,142)	421,831	(1,311)	
Corporate income tax	100	100	-	-	-	
Customs tax	509,812	932,954	(423,143)	421,832	(1,311)	i
Windfall tax	-	-	-	-	-	
Real estate tax	56	56	0	(0)	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	111	111	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	1,293,015	1,351,283	(58,268)	58,228	(40)	
Royalty fee	-	-	-	-	-	
Licence fee for exploitation and exploration of mineral resources	119,890	44,676	75,214	(75,214)	-	ii
Reimbursement of deposit, exploration of which is carried by the budget	1,062,850	1,151,394	(88,544)	88,544	-	iii
Land rent	1,405	1,405	-	-	-	
Fee for water use	540	540	-	-	-	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	108,330	153,228	(44,898)	44,898	-	iv
Fee for use of mineral resources of wide spread deposit	-	40	(40)	-	(40)	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	783	-	783	(425)	358	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	783	-	783	(425)	358	v
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	1,300	14,225	(12,925)	7,800	(5,125)	
Monetary donation from company to Ministries and agencies	-	6,000	(6,000)	5,000	(1,000)	vi
Monetary donation from company to aimag	1,300	4,925	(3,625)	4,925	1,300	vii
Monetary donation from company to soum	-	3,300	(3,300)	2,800	(500)	viii
Fund disbursed by company in sustainable development and community relations	-	-	-	(4,925)	(4,925)	ix
Other	-	-	-	-	-	
g) Expenditure for environmental protection	11,000	8,770	2,230	(230)	2,000	
50% contribution in kind to environmental protection special account	9,000	8,770	230	(230)	-	
Expenditure incurred in relation to environmental protection	2,000	-	2,000	-	2,000	x
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	1,816,177	2,307,499	(491,322)	487,204	(4,118)	

**i. Customs tax**

SS revised the amount reported from MNT932,954 to MNT508,626 and provided details on the amount paid. GCAM revised the amount reported from MNT509,812 to MNT538,957 and provided details on the amount paid.

From the details provided, it was noted that SS excluded a number of payments made on 21 May, 11 June, 30 July, 4, 23, 31 August, 13 November, 4, 18, 29, 31 October and 2, 20, 23 September amounting to MNT49,482 and GCAM excluded a number of payments received on 10 June 2007 amounting to MNT17,840. A discrepancy amounting to MNT1,311 remains unresolved.

**ii. License fee for exploitation and exploration of mineral resources**

SS revised the amount reported from MNT44,676 to MNT33,314 and provided details on the amount paid. MRAM revised the amount reported from MNT119,890 to MNT33,314 and provided details on the amount received.

From the details provided, it was noted that MRAM did not include a payment received from SS on 13 August 2007 amounting to MNT5,342.

**iii. Reimbursement of deposit, exploration of which is carried by the budget fund**

SS revised the amount reported from MNT1,151,394 to MNT1,061,214 and provided details on the amount paid. MRAM confirmed that the amount reported amounting to MNT1,062,850 was correct. The remaining discrepancy of MNT1,636 was due to foreign exchange translation differences.

**iv. Fee for recruiting foreign experts and workers**

SS revised the amount reported from MNT153,228 to MNT154,337 and provided details on the amount paid. LSWSO revised the amount reported from MNT108,330 to MNT107,940 and provided details on the amount received.

From the details provided, it was noted that SS included Service Fee and a Fee for Foreign Experts paid to the MOF amounting to MNT44,959. As fees are paid in Japanese Yen by SS, the remaining discrepancy of MNT1,438 was due to foreign exchange translation differences as different rates were used.

**v. Custom service fee**

Initially, SS did not report any amount paid for Custom Service Fee. Subsequently, SS revised the amount reported to MNT7,268 and provided details on the amount paid. GCAM revised the amount reported from MNT783 to MNT7,626 and provided details on the amount received.

From the details provided, it was noted that the SS included payments of commission to freight forwarding agents. SS was unable to distinguish between the amounts paid to the freight forwarding agents and GCAM.

**vi. Monetary donation from company to Ministries and agencies**

SS revised the amount reported from MNT6,000 to MNT1,000 as the amount reported includes donations made in 2008. It was noted that the amount was donated to MRAM. The Government bodies did not report any donations received from the SS. A discrepancy amounting to MNT1,000 remains unresolved.



**vii. Monetary donation from company to aimag**

SS confirmed the reported amount amounting to MNT4,925 was correct and the amount was donated to Dornod Aimag's Development Fund. The local government reported that MNT1,300 was amount received from SS. However, details on the amount received could not be provided.

Payments made to development funds established for a particular aimag or soum should be reported under Fund Disbursed by Company in Sustainable Development and Community Relations. The donation to Dornod Aimag's Development Fund should not be reported under this item. A discrepancy amounting to MNT1,300 remains unresolved.

**viii. Monetary donation from company to soum**

SS revised the amount reported from MNT3,300 to MNT500 as the amount reported includes donations made in 2008. It was noted that the donation was made to Dashbalbar Soum of Dornod Aimag. The local government did not report any donations received from SS.

**ix. Fund disbursed by company for sustainable development and community relations**

Both DT and the local government did not report any amount. However, it was noted that a donation made by SS to Dornod Aimag's Development Fund amounting to MNT4,925 was reported as Monetary Donation from Company to Aimag. A discrepancy amounting to MNT4,925 remains unresolved.

**x. Expenditure incurred in relation to environmental protection**

SS was unable to provide the amount incurred as it does not capture the Expenditure Incurred in Relation to Environmental Protection in a separate account.

MOET reported an amount of MNT2,000. However, no further details on the amount reported were provided. A discrepancy amounting to MNT2,000 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A letter from SS was received on 22 June 2009, three days after the 1<sup>st</sup> Reminder Letter was sent. Their reply included details on the amounts reported.

A call was made on 1 July 2009 to seek clarification and details on certain discrepancies. A letter was received on 8 July 2009 and included the outstanding information and explanations.

There were many revisions made to the original amounts reported mainly due to human errors and inclusion of donations made in 2008.

**Summary:**

The unresolved discrepancies were mainly due to Fund Disbursed by Company in Sustainable Development and Community Relations and Expenditure Incurred in Relation to Environmental Protection.

The local government did not report any amount for Fund Disbursed by Company in Sustainable Development and Community Relations. No further work was able to be carried out for Expenditure Incurred in Relation to Environment Protection as SS was not able to provide the amount paid due to the amount not being captured in a separate account.

# **APPENDIX C32**

## **Shivee Ovoo SHC**

## SHIVEE OVOO (“SO”)

SO is a Mongolian-owned company of which 90% is state-owned. It operates a coal mine in Gobi Shivee-Ovoo Soum of Sumber Aimag.

SO is registered with the Gobi Sumber Aimag Taxation Office.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	80,732	58,264	22,469	(17,689)	4,780	
Corporate income tax	5,000	-	5,000	(5,000)	-	i
Customs tax	22,469	-	22,469	(17,689)	4,780	ii
Windfall tax	-	57,283	(57,283)	57,283	-	iii
Real estate tax	52,283	-	52,283	(52,283)	-	iv
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	981	981	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	259,885	8,538	251,347	(253,483)	(2,136)	
Royalty fee	254,500	-	254,500	(254,500)	-	v
Licence fee for exploitation and exploration of mineral resources	1,065	1,065	-	-	-	
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	2,136	(2,136)	-	(2,136)	vi
Fee for water use	-	-	-	-	-	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	4,320	5,337	(1,017)	1,017	-	vii
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	-	-	-	292	292	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	-	-	-	292	292	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	3,700	(3,700)	-	(3,700)	
Monetary donation from company to Ministries and agencies	-	3,000	(3,000)	-	(3,000)	viii
Monetary donation from company to aimag	-	700	(700)	-	(700)	
Monetary donation from company to soum	-	-	-	-	-	
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	6,250	2,000	4,250	(4,250)	-	
50% contribution in kind to environmental protection special account	2,000	2,000	-	-	-	
Expenditure incurred in relation to environmental protection	4,250	-	4,250	(4,250)	-	ix
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	346,867	72,501	274,366	(275,130)	(764)	

#### i. Corporate income tax

Initially, SO did not report any amount paid for Corporate Income Tax. SO subsequently revised the amount reported to MNT5,000 as there was an offsetting of the Corporate Income Tax payable against the VAT receivables. GDTM confirmed that the reported amount amounting to MNT5,000 is correct and provided details of the amount received.

#### ii. Customs tax

Initially, SO did not report any amount paid for Customs Tax. SO subsequently revised the amount reported to MNT17,689 but details on the amount reported were not provided. GCAM confirmed that the amount reported amounting to MNT22,469 is correct and provided details on the amount received. A discrepancy amounting to MNT4,780 remains unresolved.

**iii. Windfall tax**

SO wrongly reported the amount paid amounting to MNT57,283 for Real Estate Tax as Windfall Tax. GDTM did not report any amount received from SO.

**iv. Real estate tax**

Initially, SO did not report any amount paid. However, as explained above, SO wrongly reported the amount paid amounting to MNT57,283 for Real Estate Tax as Windfall Tax. GDTM revised the amount reported from MNT52,283 to MNT57,283 and provided details on the amount received.

**v. Royalty fee**

Initially, SO did not report any amount paid for Royalty Fee. However, SO subsequently revised the amount to MNT254,500 and provided details on the amount reported. GDTM reported MNT254,500 was received from SO.

**vi. Land rent**

SO confirmed that the amount reported amounting to MNT2,136 is correct and paid to Gobi Sumer Aimag on 28 December 2007. GDTM did not report any amount received from SO. A discrepancy amounting to MNT2,136 remains unresolved.

**vii. Fee for recruiting foreign expert and workers**

SO revised the amount reported from MNT5,337 to MNT4,320 and provided details on the amount paid. LSWSO reported MNT4,320 was received from SO.

**viii. Monetary donation from company to Ministries and agencies**

SO confirmed that the amount reported amounting to MNT3,000 is correct. The donation was made to the MMRE for their 85<sup>th</sup> anniversary of the coal sector. Government bodies did not report any amount received from SO. A discrepancy amounting to MNT3,000 remains unresolved.

**ix. Expenditure incurred in relation to environmental protection**

Initially, SO did not report any amount incurred. However, SO subsequently revised the amount reported to MNT4,250. MOET reported MNT4,250 was received from SO.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from SO on 16 June 2009, before the first reminder letters were sent. The reply included figures and breakdowns for some of the discrepancies. An additional reply via email was received from SO on 16 July 2009 and a follow up call was made on 27 July 2009 to obtain further explanations on the discrepancies.

**Summary:**

The unresolved discrepancies were mainly due Customs Tax, Land Rent and Monetary Donations from Company to Ministries and Agencies.

No further work was able to be carried out for Customs Tax as no details were provided by SO. GDTM did not capture the amount of Land Rent paid by SO to the local government. The Government Entities did not report any donated amount received from SO for Monetary Donations from Company to Ministries and Agencies.

# **APPENDIX C33**

**Sonor Trade LLC**

## SONOR TRADE ("SONOR")

SONOR is a Mongolian private company and extracts gold in Selenge and Central Aimag. SONOR is registered with the Sukhbaatar District Taxation Office.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government	As per Company	Initial Discrepancies	Adjustments	Unresolved	Note
	Entities				Discrepancies	
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	283,172	278,935	4,237	0	4,237	
Corporate income tax	80,088	80,088	(0)	0	-	
Customs tax	2,939	-	2,939	(0)	2,939	i
Windfall tax	196,167	196,167	0	-	0	
Real estate tax	1,393	2,206	(812)	-	(812)	
Excise tax on imported fuel and oil materials	2,328	-	2,328	0	2,328	ii
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	256	475	(218)	-	(218)	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	59,110	59,157	(47)	47	-	
Royalty fee	47,257	47,257	-	-	-	
Licence fee for exploitation and exploration of mineral resources	11,853	11,850	3	(3)	-	
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	-	-	-	-	
Fee for water use	-	-	-	-	-	
Fee for forestry use and firewoods	-	50	(50)	50	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	7	-	7	-	7	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	7	-	7	-	7	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	3,000	(3,000)	-	(3,000)	
Monetary donation from company to Ministries and agencies	-	3,000	(3,000)	-	(3,000)	iii
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	-	-	-	-	-	
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	300	300	-	-	-	
50% contribution in kind to environmental protection special account	300	300	-	-	-	
Expenditure incurred in relation to environmental protection	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	342,589	341,392	1,197	47	1,244	

#### i. Customs tax

SONOR did not report any amount paid for Customs Tax. GCAM confirmed that the amount reported amounting to MNT2,939 is correct and provided details on the amount received. A discrepancy amounting to MNT2,939 remains unresolved.

#### ii. Excise tax on petrol and diesel material

SONOR did not report any amount paid. GCAM confirmed that the amount reported amounting to MNT2,328 is correct. A discrepancy amounting to MNT2,328 remains unresolved.

#### iii. Monetary donation from company to Ministries and agencies

SONOR confirmed that the amount reported amounting to MNT3,000 is correct but no details were provided. The Government bodies did not report any amount received from SONOR. A discrepancy amounting to MNT3,000 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from SONOR on 21 July 2009, more than a month after the 1<sup>st</sup> Reminder Letter was sent. They provided confirmation and revisions on certain amounts reported.

A meeting could not be arranged with SONOR to seek further explanations on the amounts reported. Telephone calls were made to SONOR's office and went unanswered. Further details on the amounts reported were not provided.

**Summary:**

The unresolved discrepancies were mainly due to SONOR excluding amounts paid for Customs Tax and Excise Tax on Imported Fuel and Oil Material and the Government bodies not reporting Monetary Donation from Company to Ministries and Agencies.

# **APPENDIX C34**

**Tavan Tolgoi LLC**



**TAVAN TOLGOI ("TT")**

TT is a Mongolian company with 51% of the company being owned by Umnugobi Aimag Property and 49% by various shareholders.

It operates a coal mine in Tsogt-Tsetsii Soum of Umnugobi Aimag.

TT is registered with the National Taxation Department.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	3,854,520	3,854,102	418	3,854,102	418	
Corporate income tax	3,850,000	3,850,000	-	-	-	
Customs tax	233	-	233	-	233	
Windfall tax	-	-	-	-	-	
Real estate tax	1,600	1,600	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	2,687	2,502	185	-	185	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	3,993,615	3,703,413	290,203	(3,703,413)	600	
Royalty fee	3,992,553	3,702,950	289,603	(289,603)	-	i
Licence fee for exploitation and exploration of mineral resources	-	-	-	-	-	
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	442	442	-	-	-	
Fee for water use	620	20	600	-	600	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	-	-	-	-	-	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	-	-	-	-	-	
Other	-	-	-	-	-	
d) Dividends on state and local property	3,015,937	442,019	2,573,918	442,019	-	
Dividends on state property	3,015,937	-	3,015,937	(3,015,937)	-	ii
Dividends on local property	-	442,019	(442,019)	442,019	-	iii
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	32,656	(32,656)	32,656	(32,656)	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	-	14,545	(14,545)	-	(14,545)	iv
Monetary donation from company to soum	-	18,111	(18,111)	-	(18,111)	v
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	-	-	-	-	-	
50% contribution in kind to environmental protection special account	-	-	-	-	-	
Expenditure incurred in relation to environmental protection	-	-	-	-	-	
	-	-	-	-	-	
<b>TOTAL AMOUNT</b>	<b>10,864,072</b>	<b>8,032,190</b>	<b>2,831,882</b>	<b>625,363</b>	<b>(31,638)</b>	

**i. Royalty Fee**

TT confirmed that the amount reported amounting to MNT3,702,950 is correct and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT3,992,553 is correct and provided details on the amount received. From the details provided, it was noted that TT did not include a payment amounting to MNT250,000 and also excluded a payment for tax penalties amounting to MNT39,603 in the amount reported.

**ii. Dividends on state property**

GDTM reported payments received from TT as Dividends on State Property instead of Dividends on Local Property amounting to MNT3,015,937 for seven payments received in 2007.

**iii. Dividends on local property**

TT revised the amount reported from MNT442,019 to MNT2,907,090 and provided details of the amount paid. As per the explanation above, GDTM reported Dividends on Local Property received from TT amounting to MNT3,015,937 as Dividends on State Property. The remaining discrepancy amounting to MNT108,847 was due to TT excluding a payment made for Withholding Tax on dividends paid to other companies.

**iv. Monetary donation from company to aimag**

TT reported MNT14,545 was donated but no details on the amount donated were provided. The local government did not report any donations received from TT. A discrepancy amounting to MNT14,545 remains unresolved.

**v. Monetary donation from company to soum**

TT reported MNT18,111 was donated but no details on the amount donated were provided. The local government did not report any donations received from TT. A discrepancy amounting to MNT18,111 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. TT did not acknowledge receipt of the letter. A reminder letter was sent on 19 June 2009 and numerous calls were made to TT since 1 July 2009 to arrange to meet with them. However, the calls went unanswered.

A call was made to TT on 10 August 2009 and they agreed to provide the requested information. A reply was received from TT on 24 September 2009.

**Summary:**

The unresolved discrepancies were mainly due to Monetary Donation from Company to Aimag and Monetary Donation from Company to Soum. TT did not provide details on the amount reported and the local government did not report any amounts received.

# **APPENDIX C35**

## **Tethys Mining LLC**

## TETHYS MINING (“TETHYS”)

TETHYS is a Mongolian-Brazilian company incorporated under Mongolian law and conducts exploration works for gold deposits.

TETHYS is registered with the Capital City Taxation Office.

### Discrepancies between Government Receipts and Company Payments

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	49,518	76,528	(27,010)	24,805	(2,205)	
Corporate income tax	49,518	73,799	(24,281)	24,281	-	i
Customs tax	-	2,729	(2,729)	524	(2,205)	ii
Windfall tax	-	-	-	-	-	
Real estate tax	-	-	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	531,018	1,119,836	(588,817)	587,608	(1,210)	
Royalty fee	-	-	-	-	-	
Licence fee for exploitation and exploration of mineral resources	529,362	601,168	(71,805)	71,805	-	iii
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	-	-	-	-	-	
Fee for water use	-	1,359	(1,359)	200	(1,159)	iv
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	1,656	517,309	(515,653)	515,602	(50)	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	-	341	(341)	157	(184)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	-	341	(341)	157	(184)	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	-	-	-	-	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	-	-	-	-	-	
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	-	18,944	(18,944)	2,000	(16,944)	
50% contribution in kind to environmental protection special account	-	4,251	(4,251)	2,000	(2,251)	vi
Expenditure incurred in relation to environmental protection	-	14,693	(14,693)	-	(14,693)	vii
	-	-	-	-	-	
TOTAL AMOUNT	580,537	1,215,649	(635,112)	614,570	(20,543)	

#### i. Corporate income tax

TETHYS confirmed that the amount reported amounting to MNT73,799 is correct and provided details on the amount paid. GDTM confirmed that the amount reported amounting to MNT49,518 is correct and provided details on the amount received.

From the details provided, it was noted that the discrepancy amounting to MNT24,281 was due to payments made by TETHYS for Corporate Income Tax recorded as payments for other tax, namely, “Withholding Tax on Individual Deposit Account Interest Income”, by GDTM.

**ii. Customs tax**

TETHYS confirmed that the amount reported amounting to MNT2,729 is correct and provided details on the amount paid. Initially, GCAM did not report any amount received. However, GCAM subsequently revised the amount reported to MNT524 and provided details on the amount received. From the details provided, it was noted that TETHYS captured Customs Tax together with payments made to the Freight Forwarding Agent. TETHYS was unable to separate the amount paid for Customs Tax. A discrepancy amounting to MNT2,205 remains unresolved.

**iii. License fee for exploitation and exploration of mineral resources**

TETHYS revised the amount reported from MNT601,168 to MNT525,064 (USD448,277) and provided details on the amount paid. MRAM revised the amount reported from MNT529,362 to MNT630,985 (USD539,479) and provided details in US Dollars on the amount received.

From the details provided, it was noted that MRAM included 24 payments received in December 2006 amounting to approximately MNT123,695 (USD106,176).

MRAM made a double counting error for license number 12152X amounting to MNT3,405 (USD2,909). MRAM also did not include nine payments received in the months of August, September and October 2007 amounting to approximately MNT21,179 (USD17,884).

**iv. Fee for water use**

TETHYS confirmed that the amount reported amounting to MNT1,359 is correct and provided details on the amount reported. GDTM did not report any amount received. However, Jargalant Soum of Arkhangai Aimag subsequently confirmed that MNT200 was received. A discrepancy amounting to MNT1,159 remains unresolved.

**v. Fee for recruiting foreign expert and workers**

TETHYS revised the amount reported from MNT517,309 to MNT2,547 as the initial amount included salary payments. LSWSO revised the amount reported from MNT1,656 to MNT2,496 and provided details on the amount received.

**vi. 50% contribution in kind to environmental protection special account**

TETHYS confirmed that the amount reported amounting to MNT4,251 is correct and paid to several soums, such as Barumburen Soum of Selenge Aimag, Buregkhangai Soum of Bulgan Aimag, Bugat Soum of Gobi Altai Aimag, etc.

MOET initially did not report any amount. However, MOET subsequently revised the amount reported to MNT2,000 and provided details of the amount received. A discrepancy amounting to MNT2,251 remains unresolved.

**vii. Expenditure incurred in relation to environmental protection**

TETHYS confirmed that the amount reported amounting to MNT14,693 is correct and provided details on the amount reported. MOET did not report any amount incurred. A discrepancy amounting to MNT14,693 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from TETHYS on 18 June 2009, a day before the 1<sup>st</sup> Reminder Letter was sent. They provided details on the amounts reported.

A meeting was held with TETHYS on 3 July 2009 to obtain further explanations on the amounts reported. The details and explanations were provided by TETHYS.

**Summary:**

The unresolved discrepancies were mainly due Expenditure Incurred in Relation to Environmental Protection with MOET not reporting any amount incurred by TETHYS.

# **APPENDIX C36**

**Tsairt Minerals LLC**

**TSAIRT MINERAL (“TM”)**

TM is a joint venture between Mongolia’s Metallimpex (49%) and China’s NFC (51%). TM operates a zinc mill in Sukhbaatar Aimag with the zinc deposits located 16km from the aimag center.

TM is registered with the Sukhbaatar Aimag Taxation Department.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
<b>a) Taxes</b>	2,865,263	2,995,624	(130,361)	162,724	32,363	
Corporate income tax	2,457,420	2,547,420	(90,000)	90,000	-	i
Customs tax	237,052	199,409	37,644	(5,281)	32,363	ii
Windfall tax	-	-	-	-	-	
Real estate tax	170,600	248,605	(78,005)	78,005	-	iii
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	191	191	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
<b>b) Fee</b>	5,234,082	5,413,895	(179,814)	179,821	7	
Royalty fee	4,030,446	4,031,447	(1,001)	1,008	7	iv
License fee for exploitation and exploration of mineral resources	885	667	218	(218)	0	
Reimbursement of deposit, exploration of which is carried by the budget	1,058,015	1,056,056	1,960	(1,960)	-	v
Land rent	1,377	2,041	(664)	664	-	
Fee for water use	30,000	30,000	-	-	-	
Fee for forestry use and firewoods	-	-	-	-	-	
Fee for recruiting foreign experts and workers	113,358	293,685	(180,327)	180,327	-	vi
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
<b>c) Charge and service charge</b>	343	-	343	(5,334)	(4,991)	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	343	-	343	(5,334)	(4,991)	vii
Other	-	-	-	-	-	
<b>d) Dividends on state and local property</b>	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
<b>e) Other payments to recipient Government</b>	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
<b>f) Donation to Governmental organizations</b>	327,888	398,880	(70,992)	42,686	(28,306)	
Monetary donation from company to Ministries and agencies	41,747	87,747	(46,000)	18,000	(28,000)	viii
Monetary donation from company to aimag	267,146	102,341	164,805	(165,968)	(1,163)	ix
Monetary donation from company to soum	6,000	17,790	(11,790)	(348)	(12,138)	x
Fund disbursed by company in sustainable development and community relations	12,995	191,003	(178,008)	191,003	12,995	xi
Other	-	-	-	-	-	
<b>g) Expenditure for environmental protection</b>	5,314	-	5,314	(5,000)	314	
50% contribution in kind to environmental protection special account	5,050	-	5,050	(5,000)	50	xii
Expenditure incurred in relation to environmental protection	264	-	264	-	264	
<b>TOTAL AMOUNT</b>	<b>8,432,889</b>	<b>8,808,400</b>	<b>(375,510)</b>	<b>374,898</b>	<b>(613)</b>	

**i. Corporate income tax**

TM confirmed that the amount reported amounting to MNT2,547,420 is correct and provided details of the amount paid. GDTM revised the amount reported from MNT2,457,420 to MNT2,547,420 and provided details of the amount received as there was a typing error in the initial amount reported.



**ii. Customs tax**

TM revised the amount reported to from MNT199,409 to MNT204,689 and provided details on the amount paid. GCAM confirmed that amount reported of MNT237,052 is correct and provided details on the amount paid.

The details provided by GCAM consist of multiple payments received from TM throughout the year whereas the details provided by TM only consist of 12 lump payments for the year. Therefore, the two sets of details could not be compared to identify the causes for the discrepancy. It was represented that TM has a representative at the GCAM who informs them of the amount due to GCAM. However, further details on the amounts paid were not provided. A discrepancy amounting to MNT32,363 remains unresolved.

**iii. Real estate tax**

TM confirmed that the amount reported amounting to MNT248,605 is correct and provided details of the amount paid. GDTM confirmed that the amount reported amounting to MNT170,600 is correct and provided details of the amount received.

From the details provided, it was noted that TM included land compensation fee amounting to MNT78,005 in the amount reported. This fee is not required to be reported.

**iv. Royalty fee**

TM confirmed that the amount reported amounting to MNT4,031,447 is correct and provided details of the amount paid. GDTM confirmed that the amount reported amounting to MNT4,030,446 is correct and provided details of the amount received.

From the details provided, it was noted that TM over recorded a payment made to MRAM in April by MNT1,008.

**v. Reimbursement of deposit, exploration of which is carried by the budget fund**

TM confirmed that the amount reported amounting to MNT1,056,056 is correct and provided details of the amount paid. GDTM confirmed that the amount reported amounting to MNT1,058,015 is correct and provided details of the amount received.

From the details provided, it was noted that the discrepancy was due to two payments made by TM in US Dollars which resulted in foreign exchange translation differences.

**vi. Fee for recruiting foreign experts and workers**

TM confirmed the amount reported amounting to MNT293,685 was correct and provided details on the amount paid. LSWSO revised the amount reported from MNT113,358 to MNT86,697 and provided details on the amount received.

Upon further discussion, TM's Accountant realised that the amount was wrongly reported and provided a revised amount of MNT83,944. In addition, it was noted from the details provided that LSWSO double counted a payment made amounting to MNT1,656 and made errors on three payments made on 19 March, 17 October and 19 October 2007 amounting to MNT1,097 in the revised amount reported.

**vii. Custom Service Fee**

Initially, TM did not report any amount paid for Custom Service Fee but subsequently provided a revised amount of MNT10,405 with details on the amount paid. GCAM revised the amount reported from MNT343 to MNT5,414 and provided details on the amount received.

The details provided by the GCAM consist of multiple payments received from TM throughout the year whereas the details provided by TM only consist of 12 lump payments for the year. Therefore, the two sets of details could not be compared to identify the causes for the discrepancy. It was represented that TM has a representative at the GCAM who informs them of the amount due to the GCAM. However, further details on the amounts paid were not provided. A discrepancy amounting to MNT4,991 remains unresolved.

**viii. Monetary donation from company to Ministries and agencies**

TM revised the amount reported from MNT87,747 to MNT89,747 and provided details on the amount donated.

Recipient	Amount MNT
MMRE	20,000
National Emergency Management Agency	11,747
Sukhbaatar Aimag's Police Office	23,000
Sukhbaatar Aimag's State Professional Inspection Agency	30,000
MRAM	5,000
	<b>89,747</b>

TM included a donation to Dornogovi Aimag's State Professional Inspection Agency amounting to MNT5,000 in the amount reported for Fund Disbursed by Company in Sustainable Development and Community Relations.

The Government bodies reported that MNT41,747 was the donated amount received from TM. However, no details on the amount reported were provided.

MMRE, National Emergency Management Agency, Sukhbaatar Aimag's State Professional Inspection Agency and MRAM subsequently confirmed that MNT20,000, MNT11,747, MNT30,000 and MNT5,000 was received from TM respectively. A discrepancy amounting to MNT28,000 remains unresolved.

**ix. Monetary donation from company to aimag**

TM revised the amount reported from MNT102,341 to MNT102,306 and provided details on the amount donated.

Recipient	Description	Amount MNT
Not provided	Donation for sick animals	20,000
Not provided	Printing of calendars	2,000
Not provided	Aimag's Naadam Celebrations	7,000
Not provided	Sukhbaatar monument	70,000
Not provided	Not provided	3,306
		<b>102,306</b>

TM included a donation to Dornogovi Aimag for road construction amounting to MNT166,003 in the amount reported for Fund Disbursed by Company in Sustainable Development and Community Relations.

The local government reported that MNT267,146 was the donated amount received from TM. However, no details were provided on the amount received. A discrepancy amounting to MNT1,163 remains unresolved.

**x. Monetary donation from company to soum**

TM revised the amount reported from MNT17,790 to MNT18,138. However, no details were provided on the amount donated. The local government reported that MNT6,000 was the donated amount received from TM. However, no details were provided on the amount received. A discrepancy amounting to MNT12,138 remains unresolved.

**xi. Fund disbursed by company in sustainable development and community relations**

TM confirmed that the amount reported amounting to MNT191,003 is correct and provided details on the amount disbursed.

Recipient	Description	Amount MNT
Dornogovi Aimag	1km Road Construction works to Baruun urt	166,003
Dornogovi Aimag	For Local Development fund	20,000
Dornogovi Aimag's State Specialized Inspection Office	Pale maintenance	5,000
		<b>191,003</b>

The local government reported that MNT12,995 was the amount received from TM. However, no details were provided on the amount reported.

The donations for Road Construction and State Specialized Inspection Office should be excluded from the amount reported as only payments made to development funds established for a particular aimag or soum should be reported.

Dornogovi Aimag subsequently confirmed that MNT20,000 was received. A discrepancy amounting to MNT12,995 remains unresolved.

**xii. 50% contribution in kind to environmental protection special account**

Initially, TM did not report any amount paid for this item. However, TM subsequently explained that they forgot to report an amount of MNT5,000 paid. MOET confirmed that the amount reported amounting to MNT5,050 is correct and provided details on the amount reported.

**Findings:**

The request for information was sent on 23 May 2009. TM provided the details as requested in a faxed letter on 29 June 2009, nine days after the 1<sup>st</sup> Reminder Letter dated 19 June 2009 was sent. A meeting was held with TM on 8 July 2009 to discuss on the details provided and to obtain explanation on the discrepancies. During the meeting, the Accountant agreed to provide further details on certain discrepancies at a later date. However, the Accountant did not revert on the outstanding information in a timely manner and the reply was only received on 27 July 2009. It was represented that, the person in charge of preparing the EITI template for 2007 was away attending a workshop and the other Accountant is new and could not provide the information requested.

TM completed the EITI Template 1 using the old format. It was noted that the revised template was only issued in March 2008 as MEITIS needed to incorporate the previous consultant's recommendation on improvements to the template. As some companies have already submitted using the old template, to avoid re-work by these companies, MEITIS accepted the submission.

**Summary:**

The unresolved discrepancies were mainly due to Customs Tax and Donations to Governmental Organizations.

As the two sets of details provided by TM and GCAM were different and could not be compared, no further work can be carried out for Customs Tax. Details on the donated amounts received from TM were not provided by the Government bodies and local governments for Donations to Governmental Organizations.

# **APPENDIX C37**

**Tun Shen LLC**

**TUN SHEN (“TS”)**

TS is a foreign-owned company and conducts iron ore extraction in Khentti Aimag. TS is registered with the Bayangol District Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entities	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies
	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>	<b>36,467</b>	<b>29,070</b>	<b>7,397</b>	-	<b>7,397</b>
Corporate income tax	26,761	26,761	-	-	-
Customs tax	9,547	1,544	8,004	-	8,004
Windfall tax	-	-	-	-	-
Real estate tax	156	47	109	-	109
Excise tax on imported fuel and oil materials	-	-	-	-	-
Tax on petrol and diesel fuel	-	-	-	-	-
Tax on automobile and self moving vehicles	3	718	(716)	-	(716)
Other taxes in monetary value	-	-	-	-	-
Other taxes in monetary value	-	-	-	-	-
<b>b) Fee</b>	<b>195,578</b>	<b>181,455</b>	<b>14,123</b>	-	<b>14,123</b>
Royalty fee	170,910	172,403	(1,494)	-	(1,494)
License fee for exploitation and exploration of mineral resources	1,485	3,375	(1,891)	-	(1,891)
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-
Land rent	-	1,000	(1,000)	-	(1,000)
Fee for water use	-	1,000	(1,000)	-	(1,000)
Fee for forestry use and firewoods	-	-	-	-	-
Fee for recruiting foreign experts and workers	23,184	3,677	19,508	-	19,508
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-
License fee	-	-	-	-	-
Other	-	-	-	-	-
<b>c) Charge and service charge</b>	<b>123</b>	<b>594</b>	<b>(471)</b>	-	<b>(471)</b>
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-
Custom Service fee	123	594	(471)	-	(471)
Other	-	-	-	-	-
<b>d) Dividends on state and local property</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dividends on state property	-	-	-	-	-
Dividends on local property	-	-	-	-	-
<b>e) Other payments to recipient Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Entitlement under Production Sharing Contract to Government	-	-	-	-	-
Other	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>	<b>-</b>	<b>725</b>	<b>(725)</b>	<b>-</b>	<b>(725)</b>
Monetary donation from company to Ministries and agencies	-	-	-	-	-
Monetary donation from company to aimag	-	-	-	-	-
Monetary donation from company to soum	-	-	-	-	-
Fund disbursed by company in sustainable development and community relations	-	725	(725)	-	(725)
Other	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>	<b>-</b>	<b>15,000</b>	<b>(15,000)</b>	<b>-</b>	<b>(15,000)</b>
50% contribution in kind to environmental protection special account	-	-	-	-	-
Expenditure incurred in relation to environmental protection	-	15,000	(15,000)	-	(15,000)
<b>TOTAL AMOUNT</b>	<b>232,169</b>	<b>226,844</b>	<b>5,325</b>	<b>-</b>	<b>5,325</b>

**Findings:**

The request for information was sent on 23 May 2009. A letter was received from TS' Chief Accountant on 16 June 2009 informing of the company's current situation and inability to provide the information requested.

The company was unable to provide us any details of payments as the company is currently undergoing a change in their shareholding structure which started since the 2<sup>nd</sup> Quarter of 2008.

TS explained that due to this circumstance they are currently much occupied with preparing the documents of the company. Besides that, all their financial records are not in order and therefore unable to provide the financial information requested for the year 2007.

Therefore, all the discrepancies relating to TS were unable to be resolved.

**Summary:**

The unresolved discrepancies were mainly due to TS's inability to provide details for Customs Tax, Fee for Recruiting Foreign Experts and Workers and Expenditure Incurred in Relation to Environmental Protection.

# **APPENDIX C38**

## **Ulz Gol Cooperative**



**ULZ GOL COOPERATIVE (“UGC”)**

UGC is a 100% Mongolian-owned Company and conducts its operations in a gold mine in Bayandun Soum of Dornod Aimag. UGC is registered with the Dornod Aimag Taxation Office.

**Discrepancies between Government Receipts and Company Payments**

Based on the amounts reported, the net discrepancies between Government receipts and company payments are as follows. A detailed analysis of receipts and payments and the resulting discrepancies is presented in the ensuing section.

	As per Government Entries	As per Company	Initial Discrepancies	Adjustments	Unresolved Discrepancies	Note
	MNT	MNT	MNT	MNT	MNT	
a) Taxes	404,819	420,826	(16,008)	440	(15,568)	
Corporate income tax	12,428	12,868	(440)	440	-	
Customs tax	2,433	18,000	(15,568)	-	(15,568)	i
Windfall tax	388,989	388,989	-	-	-	
Real estate tax	373	373	-	-	-	
Excise tax on imported fuel and oil materials	-	-	-	-	-	
Tax on petrol and diesel fuel	-	-	-	-	-	
Tax on automobile and self moving vehicles	597	597	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
Other taxes in monetary value	-	-	-	-	-	
b) Fee	89,895	90,043	(147)	147	(0)	
Royalty fee	74,815	74,815	-	-	-	
Licence fee for exploitation and exploration of mineral resources	3,735	3,735	-	-	-	
Reimbursement of deposit, exploration of which is carried by the budget	-	-	-	-	-	
Land rent	2,346	2,293	53	(53)	(0)	
Fee for water use	9,000	9,000	-	-	-	
Fee for forestry use and firewoods	-	200	(200)	200	-	
Fee for recruiting foreign experts and workers	-	-	-	-	-	
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	
License fee	-	-	-	-	-	
Other	-	-	-	-	-	
c) Charge and service charge	35	-	35	38	73	
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	
Custom Service fee	35	-	35	38	73	
Other	-	-	-	-	-	
d) Dividends on state and local property	-	-	-	-	-	
Dividends on state property	-	-	-	-	-	
Dividends on local property	-	-	-	-	-	
e) Other payments to recipient Government	-	-	-	-	-	
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	
Other	-	-	-	-	-	
f) Donation to Governmental organizations	-	300	(300)	-	(300)	
Monetary donation from company to Ministries and agencies	-	-	-	-	-	
Monetary donation from company to aimag	-	-	-	-	-	
Monetary donation from company to soum	-	300	(300)	-	(300)	
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	
Other	-	-	-	-	-	
g) Expenditure for environmental protection	49,400	48,600	800	(800)	-	
50% contribution in kind to environmental protection special account	15,000	15,000	-	-	-	
Expenditure incurred in relation to environmental protection	34,400	33,600	800	(800)	-	
	-	-	-	-	-	
	-	-	-	-	-	
TOTAL AMOUNT	544,149	559,769	(15,620)	(175)	(15,795)	

**i. Customs tax**

UGC reported MNT18,000 and explained that the amount reported includes VAT and Custom Service Fee. UGC was unable to provide further details on the amount paid for Customs Tax as they were relocating their office and all the files are stored in a temporary warehouse. GCAM confirmed that the amount reported amounting to MNT2,433 is correct and provided details on the amount reported. A discrepancy amounting to MNT15,568 remains unresolved.

**Findings:**

The request for information was sent on 23 May 2009. A reply was received from UGC on 30 June 2009, 12 days after the 1<sup>st</sup> Reminder Letter was sent. The provided details on the amounts reported as well as a copy of the Payment Vouchers.

A meeting was held with UGC on 9 July 2009 to obtain further explanations on the amounts reported. UGC could not provide further details on the amount reported for Customs Tax as the office was relocating and all the files are stored in the temporary warehouse.

UGC completed the EITI Template 1 using the old format. It was noted that the revised template was only issued in March 2008 as MEITIS needed to incorporate the previous consultant's recommendation on improvements to the template. As some companies have already submitted using the old template, to avoid re-work by these companies, MEITIS accepted the submission accordingly.

**Summary:**

The unresolved discrepancy was due to UGC including the amount paid for VAT and Custom Service Fee in the total amount for Custom Tax.

## Appendices (cont'd)

### Appendix D: Initial Discrepancies

	AM	ADM	Baganuur	BTEG	BG	BI	Buurgent	CMAK
	MNT	MNT	MNT	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>								
Corporate income tax	1,266	(174,848)	225,026	(4,065,270)	(1,816,577)	-	-	-
Customs tax	8,944	(794)	72,491	(388,332)	(13,036)	-	8,059	(86,464)
Windfall tax	15,900	(7,672,000)	-	-	-	5,260	-	-
Real estate tax	-	(456)	-	-	38,888	-	-	-
Excise tax on imported fuel and oil materials	-	-	-	-	-	-	-	8,194
Tax on petrol and diesel fuel	-	-	-	-	-	-	-	-
Tax on automobile and self moving vehicles	181	(898)	-	41	307	(27)	35	-
Other taxes in monetary value	-	(298,626)	-	-	-	-	-	-
Other taxes in monetary value	-	(148)	-	-	-	-	(17,679)	(1,285,545)
<b>b) Fee</b>								
Royalty fee	3,118	(743,903)	-	(1,988,323)	-	-	(2,508)	-
License fee for exploitation and exploration of mineral resources	551,266	(61,474)	-	(5)	280,395	1,199	-	-
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	-	(280,615)	-	-	-
Land rent	(2,304)	(74,044)	(194,522)	(5,626)	5,000	(3,069)	-	-
Fee for water use	(7,000)	(383,751)	-	-	-	-	-	(412)
Fee for forestry use and firewoods	-	-	-	-	-	-	-	-
Fee for recruiting foreign experts and workers	-	(274,507)	-	(25,452)	7,671	-	(2,346)	18,252
Fee for use of mineral resources of wide spread deposit	-	-	-	-	(533,628)	-	-	-
Other	-	-	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	(6,851)	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	(23,833)	-	(1,460)	-
Custom Service fee	32	(8,274)	-	318	(65,732)	-	-	(1,140,588)
Other	-	-	-	-	-	-	-	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	9,968	-	-	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	-	(240,827)	-	-	(174,918)	-	-	-
Monetary donation from company to aimag	-	(19,307)	-	-	(407,550)	-	-	-
Monetary donation from company to soum	647	(49,160)	-	2,000	540,732	-	-	(9,158)
Fund disbursed by company in sustainable development and community relations	-	-	-	(90,856)	-	-	(195)	(4,136)
Other	-	(29,408)	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	(900)	(6,560)	-	(18,800)	(3,242)	-	-	3,475
Expenditure incurred in relation to environmental protection	-	(759,275)	(5,200)	(10,890)	(177,820)	(3,000)	(10,550)	29,860
<b>TOTAL AMOUNT</b>	<b>571,151</b>	<b>(10,798,260)</b>	<b>107,763</b>	<b>(6,591,195)</b>	<b>(2,630,808)</b>	<b>364</b>	<b>(26,643)</b>	<b>(2,466,521)</b>

## Appendices (cont'd)

### Appendix D: Initial Discrepancies (cont'd)

	CGM	DT	Eltrana	EMC	EH	Erdmin	Gatsuurt	GCE
	MNT	MNT	MNT	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>								
Corporate income tax	1,546	(2,970)	-	(2,081,084)	79,232	-	(4,153)	93,384
Customs tax	(53,709)	(18,903)	20,536	(13,445,724)	143,302	-	164,689	365
Windfall tax	489,598	-	(0)	-	120,178	-	(167,733)	-
Real estate tax	-	(72)	-	-	-	(0)	0	-
Excise tax on imported fuel and oil materials	-	-	-	883,705	5,238	-	9,320	-
Tax on petrol and diesel fuel	-	-	-	-	-	-	-	-
Tax on automobile and self moving vehicles	-	-	2	105	-	(92)	(118)	1,324
Other taxes in monetary value	-	-	-	-	-	-	-	-
Other taxes in monetary value	-	(10)	-	(174)	-	-	-	-
<b>b) Fee</b>								
Royalty fee	88,738	-	0	(0)	-	1,238,622	946	-
License fee for exploitation and exploration of mineral resources	4,686	3,827	(16,475)	78,374	3,641	(1,238,622)	(165,819)	914,564
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	-	-	-	-	-
Land rent	(9)	(5,397)	(6,288)	(8,693,816)	(2,033)	(59,176)	6,909	(4,464)
Fee for water use	8,000	(3,620)	(797)	2,088	(19,660)	(737)	(1,555)	(579)
Fee for forestry use and firewoods	(6)	-	-	-	-	-	-	-
Fee for recruiting foreign experts and workers	-	-	(15,527)	(724,834)	(903)	-	269,865	10,752
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	-	-	(1,125)
Other	-	-	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	(70,000)	-	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	(167,749)	-	-	-	-	-	-
Custom Service fee	546	-	52	5,755	123	(148,929)	3,083	44
Other	-	-	-	-	-	-	-	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	-	59,151,641	-	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	-	(1,000)	-	(48,069)	(1,000)	-	(500)	(3,500)
Monetary donation from company to aimag	10,000	(500)	-	-	-	(7,964)	(2,500)	(8,000)
Monetary donation from company to soum	8,900	(13,658)	-	5,000	(300)	-	88,868	(26,221)
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	-	2,000	-	-	5,000	-	-	(500)
Expenditure incurred in relation to environmental protection	-	6,390	(880)	136,656	170,763	(10,434)	293,520	2,000
<b>TOTAL AMOUNT</b>	<b>558,290</b>	<b>(271,662)</b>	<b>(19,378)</b>	<b>35,269,622</b>	<b>503,580</b>	<b>(227,333)</b>	<b>494,822</b>	<b>978,043</b>

## Appendices (cont'd)

### Appendix D: Initial Discrepancies (cont'd)

	GT	IM	Jump	KS	MDT	MCM	Mongolrosts- vetmet	MAK
	MNT	MNT	MNT	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>								
Corporate income tax	588	-	-	-	-	(28,294)	(1,387)	(5,000)
Customs tax	-	(103,355)	(5,590)	-	(21,759)	2,356	(130,910)	10,562
Windfall tax	4,703	-	-	-	(25,794)	(72)	20,218	207
Real estate tax	42	-	(222)	-	2,226	(376)	(11,422)	351
Excise tax on imported fuel and oil materials	-	-	(7,905)	-	-	2,328	110,273	-
Tax on petrol and diesel fuel	-	-	(12,095)	-	-	-	-	-
Tax on automobile and self moving vehicles	51	-	(99)	(460)	878	(600)	(10,919)	(1,292)
Other taxes in monetary value	-	-	-	-	-	-	-	-
Other taxes in monetary value	(20,100)	-	(54)	-	-	-	-	-
<b>b) Fee</b>								
Royalty fee	(36)	-	(3)	-	-	(39,544)	(1,046,370)	1,992
License fee for exploitation and exploration of mineral resources	12	(46,292)	5,558	-	5,055	(2,781)	(9,670)	(50,099)
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	-	-	-	-	(16,842)
Land rent	(6,400)	549	(8,586)	(1,860)	(38)	(4,688)	(18,931)	(23,403)
Fee for water use	2,023	(0)	(11,468)	(3,917)	(8,082)	(1,000)	(58,787)	680
Fee for forestry use and firewoods	-	-	(684)	-	(34)	-	-	-
Fee for recruiting foreign experts and workers	-	(4,867)	-	-	-	-	23,130	-
Fee for use of mineral resources of wide spread deposit	-	5,165	-	-	-	-	-	-
Other	-	(1,392)	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	(258)	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	-	(17,823)	(220)	-	-	-	-
Custom Service fee	-	5,198	493	-	-	32	532	(112,760)
Other	-	(74,599)	-	-	-	-	-	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	-	-	-	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	-	(25,000)	-	-	-	-	(50,882)	(7,300)
Monetary donation from company to aimag	-	(235,974)	-	10,000	-	-	(20,000)	(6,406)
Monetary donation from company to soum	-	-	5,252	3,617	32,873	-	(7,951)	(35,650)
Fund disbursed by company in sustainable development and community relations	(2,100)	(200,206)	(25,600)	(584)	(29,050)	-	(5,000)	-
Other	-	-	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	-	(16,079)	(784)	-	-	2,750	(4,500)	(3,000)
Expenditure incurred in relation to environmental protection	(17,942)	5,000	131,800	30,200	(960)	58,463	(966,488)	(4,500)
<b>TOTAL AMOUNT</b>	<b>(39,159)</b>	<b>(691,852)</b>	<b>51,932</b>	<b>36,776</b>	<b>(44,686)</b>	<b>(11,428)</b>	<b>(2,189,064)</b>	<b>(252,459)</b>

## Appendices (cont'd)

### Appendix D: Initial Discrepancies (cont'd)

	Monpolimet	PC	Shanlun	SG	SA	ST	SS	SO
	MNT	MNT	MNT	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>								
Corporate income tax	-	(22,923)	-	(32,137)	47,404	(967,645)	-	5,000
Customs tax	(55,373)	31,512	(1,255)	-	(108,149)	(6,607)	(423,143)	22,469
Windfall tax	(408,076)	-	-	-	(583,607)	-	-	(57,283)
Real estate tax	-	(0)	1,022	711	(20)	683	0	52,283
Excise tax on imported fuel and oil materials	-	134,021	-	-	-	-	-	-
Tax on petrol and diesel fuel	-	(80,990)	-	-	-	-	-	-
Tax on automobile and self moving vehicles	19,568	(846)	(230)	(1,407)	100	(19)	-	-
Other taxes in monetary value	-	-	-	-	-	-	-	-
Other taxes in monetary value	-	-	-	(6)	-	-	-	-
<b>b) Fee</b>								
Royalty fee	1	(262,125)	(423,542)	182,796	-	-	-	254,500
License fee for exploitation and exploration of mineral resources	(8)	(215,521)	40,973	19,307	(856)	-	75,214	-
Reimbursement of deposit, exploration of which is carried by the budget fund	-	67,791	(40,777)	(54,251)	-	-	(88,544)	-
Land rent	(16,608)	(298,345)	(700)	19,610	(5,816)	(3,729)	-	(2,136)
Fee for water use	(44,449)	(86,099)	(1,050)	-	(44,791)	-	-	-
Fee for forestry use and firewoods	-	-	-	-	-	-	-	-
Fee for recruiting foreign experts and workers	-	-	195,199	-	(4,895)	(24,250)	(44,898)	(1,017)
Fee for use of mineral resources of wide spread deposit	-	(72,768)	-	-	-	-	(40)	-
Other	-	-	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	(6,144)	(300)	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	(211,479)	(120)	-	-	-	-	-
Custom Service fee	207	(147,716)	(11,365)	44	90	(8,662)	783	-
Other	-	-	-	-	-	-	-	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	-	-	(2,762,073)	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	(3,983,623)	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	(15,000)	(10,720)	(3,000)	(5,500)	-	(7,600)	(6,000)	(3,000)
Monetary donation from company to aimag	-	(10,250)	(6,200)	2,557	-	-	(3,625)	(700)
Monetary donation from company to soum	54,000	(9,960)	(1,560)	(4,034)	4,325	-	(3,300)	-
Fund disbursed by company in sustainable development and community relations	-	(8,841)	-	-	-	(1,593)	-	-
Other	-	(10,000)	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	500	-	-	13,650	-	-	230	-
Expenditure incurred in relation to environmental protection	150,200	(29,518)	1,370	9,050	-	-	2,000	4,250
<b>TOTAL AMOUNT</b>	<b>(315,038)</b>	<b>(5,234,542)</b>	<b>(251,535)</b>	<b>150,390</b>	<b>(3,458,286)</b>	<b>(1,019,422)</b>	<b>(491,322)</b>	<b>274,366</b>

## Appendices (cont'd)

### Appendix D: Initial Discrepancies (cont'd)

	SONOR	TT	TETHYS	TM	TS	UGC	Total
	MNT	MNT	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>							<b>(32,027,520)</b>
Corporate income tax	-	-	(24,281)	(90,000)	-	(440)	(8,863,564)
Customs tax	2,939	233	(2,729)	37,644	8,004	(15,568)	(14,347,295)
Windfall tax	0	-	-	-	-	-	(8,258,502)
Real estate tax	(812)	-	-	(78,005)	109	-	4,930
Excise tax on imported fuel and oil materials	2,328	-	-	-	-	-	1,147,502
Tax on petrol and diesel fuel	-	-	-	-	-	-	(93,085)
Tax on automobile and self moving vehicles	(218)	185	-	-	(716)	-	4,835
Other taxes in monetary value	-	-	-	-	-	-	(298,626)
Other taxes in monetary value	-	-	-	-	-	-	(1,323,715)
<b>b) Fee</b>							<b>(14,714,951)</b>
Royalty fee	-	289,603	-	(1,001)	(1,494)	-	(2,448,533)
License fee for exploitation and exploration of mineral resources	3	-	(71,805)	218	(1,891)	-	102,974
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	1,960	-	-	(411,277)
Land rent	-	-	-	(664)	(1,000)	53	(9,411,530)
Fee for water use	-	600	(1,359)	-	(1,000)	-	(666,722)
Fee for forestry use and firewoods	(50)	-	-	-	-	(200)	(974)
Fee for recruiting foreign experts and workers	-	-	(515,653)	(180,327)	19,508	-	(1,275,101)
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	-	(602,396)
Other	-	-	-	-	-	-	(1,392)
<b>c) Charge and service charge</b>							<b>(2,207,956)</b>
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	-	(83,553)
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	-	(422,683)
Custom Service fee	7	-	(341)	343	(471)	35	(1,627,121)
Other	-	-	-	-	-	-	(74,599)
<b>d) Dividends on state and local property</b>							<b>58,973,454</b>
Dividends on state property	-	3,015,937	-	-	-	-	59,415,473
Dividends on local property	-	(442,019)	-	-	-	-	(442,019)
<b>e) Other payments to recipient Government</b>							<b>(3,983,623)</b>
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	(3,983,623)
Other	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>							<b>(1,240,213)</b>
Monetary donation from company to Ministries and agencies	(3,000)	-	-	(46,000)	-	-	(652,816)
Monetary donation from company to aimag	-	(14,545)	-	164,805	-	-	(556,158)
Monetary donation from company to soum	-	(18,111)	-	(11,790)	-	(300)	555,062
Fund disbursed by company in sustainable development and community relations	-	-	-	(178,008)	(725)	-	(546,893)
Other	-	-	-	-	-	-	(39,408)
<b>g) Expenditure for environmental protection</b>							<b>(1,020,526)</b>
50% contribution in kind to environmental protection special account	-	-	(4,251)	5,050	-	-	(25,961)
Expenditure incurred in relation to environmental protection	-	-	(14,693)	264	(15,000)	800	(994,565)
<b>TOTAL AMOUNT</b>	<b>1,196</b>	<b>2,831,882</b>	<b>(635,112)</b>	<b>(375,510)</b>	<b>5,324</b>	<b>(15,620)</b>	<b>3,778,665</b>

## Appendices (cont'd)

### Appendix E: Net Adjustments to Company and Government Reports

	AM MNT	ADM MNT	Baganuur MNT	BTEG MNT	BG MNT	BI MNT	Buurgent MNT	CMAK MNT
<b>a) Taxes</b>								
Corporate income tax	( 1,266)	-	( 225,026)	4,065,270	1,816,577	-	-	-
Customs tax	( 8,944)	-	( 46,556)	322,051	21,631	-	( 8,059)	86,464
Windfall tax	( 15,900)	-	-	-	-	( 5,260)	-	-
Real estate tax	-	-	-	-	( 38,888)	-	-	-
Excise tax on imported fuel and oil materials	-	-	-	-	-	-	-	( 8,194)
Tax on petrol and diesel fuel	-	-	-	-	-	-	-	-
Tax on automobile and self moving vehicles	( 325)	-	-	( 0)	( 299)	27	-	-
Other taxes in monetary value	-	-	-	-	-	-	-	-
Other taxes in monetary value	-	-	-	-	-	-	17,679	1,285,545
<b>b) Fee</b>								
Royalty fee	( 3,118)	-	-	1,988,320	-	-	( 4,347)	-
License fee for exploitation and exploration of mineral resources	( 551,266)	-	-	-	( 280,395)	( 1,199)	( 1)	-
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	-	-	-	-	-
Land rent	2,304	-	194,522	5,626	( 5,000)	2,069	-	-
Fee for water use	7,000	-	-	-	-	-	-	412
Fee for forestry use and firewoods	-	-	-	-	-	-	-	-
Fee for recruiting foreign experts and workers	-	-	-	25,452	( 7,671)	-	2,346	( 18,252)
Fee for use of mineral resources of wide spread deposit	-	-	-	-	533,628	-	-	-
Other	-	-	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	257	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	( 43,360)	-	260	-
Custom Service fee	( 11)	-	7	( 536)	4,256	-	-	1,141,926
Other	-	-	-	-	-	-	( 260)	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	( 9,968)	-	-	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	( 1,500)	-	-	-	114,400	-	-	-
Monetary donation from company to aimag	( 570)	-	-	-	367,587	-	-	( 1,000)
Monetary donation from company to soum	( 1,301)	-	-	( 3,200)	30,300	-	-	( 11,179)
Fund disbursed by company in sustainable development and community relations	-	-	-	20,856	-	-	( 1)	4,136
Other	-	-	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	900	-	-	-	3,242	-	-	( 3,475)
Expenditure incurred in relation to environmental protection	-	-	9,457	-	( 90,880)	-	10,550	( 29,860)
<b>TOTAL AMOUNT</b>	<b>( 573,998)</b>	<b>-</b>	<b>( 77,564)</b>	<b>6,423,839</b>	<b>2,425,384</b>	<b>( 4,364)</b>	<b>18,167</b>	<b>2,446,523</b>



## Appendices (cont'd)

### Appendix E: Net Adjustments to Company and Government Reports (cont'd)

	CGM	DT	Eltrana	EMC	EH	Erdmin	Gatsuurt	GCE
	MNT	MNT	MNT	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>								
Corporate income tax	(2,794)	2,970	-	2,080,594	(79,232)	-	-	(93,384)
Customs tax	(138)	18,903	(20,536)	13,307,571	-	147,149	(164,689)	(365)
Windfall tax	(489,610)	-	-	-	(120,178)	-	167,733	-
Real estate tax	-	72	-	-	-	-	(0)	-
Excise tax on imported fuel and oil materials	-	-	-	(880,466)	-	-	(9,320)	-
Tax on petrol and diesel fuel	-	-	-	150	-	-	-	-
Tax on automobile and self moving vehicles	-	-	-	(105)	-	-	276	(1,324)
Other taxes in monetary value	-	-	-	-	-	-	-	-
Other taxes in monetary value	-	10	-	128	-	-	-	-
<b>b) Fee</b>								
Royalty fee	(126,816)	-	-	-	-	(1,238,622)	(946)	-
License fee for exploitation and exploration of mineral resources	(4,686)	(6,589)	16,475	(78,374)	(3,635)	1,238,622	165,139	(914,564)
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	-	-	-	-	-
Land rent	-	4,496	-	8,693,816	-	59,176	(5,556)	-
Fee for water use	(8,000)	-	-	-	-	-	576	-
Fee for forestry use and firewoods	-	-	-	-	-	-	-	-
Fee for recruiting foreign experts and workers	-	-	15,509	724,834	-	-	(266,585)	(10,870)
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	69,930	-	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	157,821	-	-	-	-	-	-
Custom Service fee	42	-	(52)	74,876	-	147,484	(3,083)	81
Other	-	-	-	-	-	-	-	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	-	(59,151,641)	-	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	-	630	-	48,069	-	-	-	-
Monetary donation from company to aimag	-	500	-	-	-	7,964	-	(2,073)
Monetary donation from company to soum	-	17,261	-	-	(700)	-	-	(25,244)
Fund disbursed by company in sustainable development and community relations	-	(1,000)	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	-	(2,000)	-	-	500	-	-	(6,420)
Expenditure incurred in relation to environmental protection	-	-	-	-	-	1,234	-	(2,000)
<b>TOTAL AMOUNT</b>	<b>(632,001)</b>	<b>263,004</b>	<b>11,396</b>	<b>(35,180,548)</b>	<b>(203,244)</b>	<b>363,007</b>	<b>(116,455)</b>	<b>(1,056,163)</b>

## Appendices (cont'd)

### Appendix E: Net Adjustments to Company and Government Reports (cont'd)

	GT MNT	IM MNT	Jump MNT	KS MNT	MDT MNT	MCM MNT	Mongolrosts- vetmet MNT	MAK MNT
<b>a) Taxes</b>								
Corporate income tax	( 588)	-	-	-	-	28,294	-	5,000
Customs tax	-	78,527	( 31,058)	-	-	( 2,356)	162,583	( 10,474)
Windfall tax	( 4,702)	-	-	-	25,794	72	( 20,218)	-
Real estate tax	( 42)	-	-	-	( 2,226)	127	11,417	( 0)
Excise tax on imported fuel and oil materials	-	-	( 46,877)	-	-	( 2,328)	( 109,711)	-
Tax on petrol and diesel fuel	-	-	17,797	-	-	-	-	-
Tax on automobile and self moving vehicles	( 51)	-	99	0	( 878)	600	10,919	-
Other taxes in monetary value	-	-	-	-	-	-	-	-
Other taxes in monetary value	20,100	-	-	-	-	-	-	-
<b>b) Fee</b>								
Royalty fee	36	-	-	-	-	31,228	1,136,213	( 1)
License fee for exploitation and exploration of mineral resources	( 12)	46,292	( 5,558)	-	( 4,855)	-	9,670	50,099
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	-	-	-	-	( 20,000)
Land rent	2,155	-	4,119	1,800	-	4,788	757	-
Fee for water use	( 2,023)	-	53	1,300	7,081	-	12,792	( 618)
Fee for forestry use and firewoods	-	-	-	-	-	-	-	-
Fee for recruiting foreign experts and workers	-	2,736	-	-	-	-	( 22,440)	-
Fee for use of mineral resources of wide spread deposit	-	( 5,181)	-	-	-	-	-	-
Other	-	1,392	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	( 1,739)	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	-	19,573	-	-	-	-	-
Custom Service fee	-	( 886)	( 723)	-	-	( 1,829)	16,083	93,847
Other	-	29,279	-	-	-	-	-	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	-	-	-	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	-	25,000	( 500)	-	-	-	45,000	-
Monetary donation from company to aimag	-	204,170	-	( 10,000)	-	-	20,000	6,406
Monetary donation from company to soum	-	-	( 7,863)	( 3,617)	( 29,050)	-	-	8,820
Fund disbursed by company in sustainable development and community relations	600	200,206	20,100	-	29,050	-	( 20,000)	-
Other	-	-	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	-	14,549	784	-	-	( 2,750)	( 5,131)	1,470
Expenditure incurred in relation to environmental protection	-	( 13,949)	-	( 30,200)	-	-	799,175	6,907
<b>TOTAL AMOUNT</b>	<b>15,472</b>	<b>582,136</b>	<b>( 31,792)</b>	<b>( 40,717)</b>	<b>24,916</b>	<b>55,847</b>	<b>2,047,109</b>	<b>141,457</b>

## Appendices (cont'd)

### Appendix E: Net Adjustments to Company and Government Reports (cont'd)

	Monpolimet	PC	Shanlun	SG	SA	ST	SS	SO
	MNT	MNT	MNT	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>								
Corporate income tax	-	22,923	-	32,130	(47,404)	967,645	-	(5,000)
Customs tax	-	(21,544)	1,115	-	108,149	(2,127)	421,832	(17,689)
Windfall tax	408,076	-	-	-	583,607	-	-	57,283
Real estate tax	-	-	(1,022)	-	20	(683)	(0)	(52,283)
Excise tax on imported fuel and oil materials	-	(129,096)	-	-	-	-	-	-
Tax on petrol and diesel fuel	-	80,999	-	-	-	-	-	-
Tax on automobile and self moving vehicles	-	-	230	-	(100)	-	-	-
Other taxes in monetary value	-	-	-	-	-	-	-	-
Other taxes in monetary value	-	-	-	6	-	-	-	-
<b>b) Fee</b>								
Royalty fee	-	262,125	-	(182,796)	-	-	-	(254,500)
License fee for exploitation and exploration of mineral resources	-	215,521	(40,973)	(16,997)	856	-	(75,214)	-
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	(275)	34,774	-	-	88,544	-
Land rent	16,608	302,447	-	-	-	-	-	-
Fee for water use	(0)	91,282	-	-	-	-	-	-
Fee for forestry use and firewoods	-	-	-	-	-	-	-	-
Fee for recruiting foreign experts and workers	-	-	(195,199)	-	-	24,250	44,898	1,017
Fee for use of mineral resources of wide spread deposit	-	64,050	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	300	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	44,949	(2,711)	-	-	-	-	-
Custom Service fee	55	182,882	11,258	(37)	52	1,885	(425)	292
Other	-	-	-	-	-	-	-	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	-	-	2,762,073	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	3,983,623	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	-	-	(500)	-	(5,000)	7,600	5,000	-
Monetary donation from company to aimag	-	(1,666)	950	(2,255)	-	-	4,925	-
Monetary donation from company to soum	-	-	(12,200)	-	-	-	2,800	-
Fund disbursed by company in sustainable development and community relations	-	8,841	-	-	-	1,593	(4,925)	-
Other	-	-	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	-	-	-	(10,250)	-	-	(230)	-
Expenditure incurred in relation to environmental protection	-	(128,032)	1,000	(9,050)	-	-	-	(4,250)
<b>TOTAL AMOUNT</b>	<b>424,739</b>	<b>4,979,303</b>	<b>(238,027)</b>	<b>(154,475)</b>	<b>3,402,251</b>	<b>1,000,163</b>	<b>487,204</b>	<b>(275,130)</b>

## Appendices (cont'd)

### Appendix E: Net Adjustments to Company and Government Reports (cont'd)

	SONOR	TT	TETHYS	TM	TS	UGC	Total
	MNT	MNT	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>							<b>23,844,798</b>
Corporate income tax	-	-	24,281	90,000	-	440	8,681,430
Customs tax	-	-	524	(5,281)	-	-	14,336,682
Windfall tax	-	-	-	-	-	-	586,697
Real estate tax	-	-	-	78,005	-	-	(5,503)
Excise tax on imported fuel and oil materials	0	-	-	-	-	-	(1,185,991)
Tax on petrol and diesel fuel	-	-	-	-	-	-	98,946
Tax on automobile and self moving vehicles	-	-	-	-	-	-	9,070
Other taxes in monetary value	-	-	-	-	-	-	-
Other taxes in monetary value	-	-	-	-	-	-	1,323,467
<b>b) Fee</b>							<b>12,254,090</b>
Royalty fee	-	(289,603)	-	1,008	-	-	1,318,181
License fee for exploitation and exploration of mineral resources	(3)	-	71,805	(218)	-	-	(170,060)
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	(1,960)	-	-	101,083
Land rent	-	-	-	664	-	(53)	9,284,738
Fee for water use	-	-	200	-	-	-	110,054
Fee for forestry use and firewoods	50	-	-	-	-	200	250
Fee for recruiting foreign experts and workers	-	-	515,602	180,327	-	-	1,015,955
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	-	592,497
Other	-	-	-	-	-	-	1,392
<b>c) Charge and service charge</b>							<b>1,936,604</b>
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	-	68,748
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	-	176,532
Custom Service fee	-	-	157	(5,334)	-	38	1,662,305
Other	-	-	-	-	-	-	29,019
<b>d) Dividends on state and local property</b>							<b>(58,973,454)</b>
Dividends on state property	-	(3,015,937)	-	-	-	-	(59,415,473)
Dividends on local property	-	442,019	-	-	-	-	442,019
<b>e) Other payments to recipient Government</b>							<b>3,983,623</b>
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	3,983,623
Other	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>							<b>1,100,106</b>
Monetary donation from company to Ministries and agencies	-	-	-	18,000	-	-	256,199
Monetary donation from company to aimag	-	-	-	(165,968)	-	-	428,969
Monetary donation from company to soum	-	-	-	(348)	-	-	(35,521)
Fund disbursed by company in sustainable development and community relations	-	-	-	191,003	-	-	450,459
Other	-	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>							<b>507,491</b>
50% contribution in kind to environmental protection special account	-	-	2,000	(5,000)	-	-	(11,811)
Expenditure incurred in relation to environmental protection	-	-	-	-	-	(800)	519,302
<b>TOTAL AMOUNT</b>	<b>47</b>	<b>(2,863,521)</b>	<b>614,570</b>	<b>374,898</b>	<b>-</b>	<b>(175)</b>	<b>(15,346,742)</b>

## Appendices (cont'd)

### Appendix F: Unresolved Discrepancies

	AM MNT	ADM MNT	Baganuur MNT	BTEG MNT	BG MNT	BI MNT	Buurgent MNT	CMAK MNT
<b>a) Taxes</b>								
Corporate income tax	-	(174,848)	-	-	-	-	-	-
Customs tax	-	(794)	25,935	(66,281)	8,595	-	-	-
Windfall tax	-	(7,672,000)	-	-	-	-	-	-
Real estate tax	-	(456)	-	-	-	-	-	-
Excise tax on imported fuel and oil materials	-	-	-	-	-	-	-	-
Tax on petrol and diesel fuel	-	-	-	-	-	-	-	-
Tax on automobile and self moving vehicles	(144)	(898)	-	41	8	-	35	-
Other taxes in monetary value	-	(298,626)	-	-	-	-	-	-
Other taxes in monetary value	-	(148)	-	-	-	-	-	-
<b>b) Fee</b>								
Royalty fee	-	(743,903)	-	(4)	-	-	(6,855)	-
License fee for exploitation and exploration of mineral resources	-	(61,474)	-	(5)	-	-	(1)	-
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	-	(280,615)	-	-	-
Land rent	-	(74,044)	-	-	-	(1,000)	-	-
Fee for water use	-	(383,751)	-	-	-	-	-	-
Fee for forestry use and firewoods	-	-	-	-	-	-	-	-
Fee for recruiting foreign experts and workers	-	(274,507)	-	-	-	-	-	-
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	(6,594)	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	(67,193)	-	(1,200)	-
Custom Service fee	21	(8,274)	7	(217)	(61,476)	-	-	1,338
Other	-	-	-	-	-	-	(260)	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	-	-	-	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	(1,500)	(240,827)	-	-	(60,518)	-	-	-
Monetary donation from company to aimag	(570)	(19,307)	-	-	(39,963)	-	-	(1,000)
Monetary donation from company to soum	(654)	(49,160)	-	(1,200)	571,032	-	-	(20,337)
Fund disbursed by company in sustainable development and community relations	-	-	-	(70,000)	-	-	(195)	-
Other	-	(29,408)	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	-	(6,560)	-	(18,800)	-	-	-	-
Expenditure incurred in relation to environmental protection	-	(759,275)	4,257	(10,890)	(268,700)	(3,000)	-	-
	-	-	-	-	-	-	-	-
<b>TOTAL AMOUNT</b>	<b>(2,847)</b>	<b>(10,798,260)</b>	<b>30,199</b>	<b>(167,356)</b>	<b>(205,424)</b>	<b>(4,000)</b>	<b>(8,476)</b>	<b>(19,999)</b>

## Appendices (cont'd)

### Appendix F: Unresolved Discrepancies (cont'd)

	CGM	DT	Eltrana	EMC	EH	Erdmin	Gatsuurt	GCE
	MNT	MNT	MNT	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>								
Corporate income tax	(1,248)	-	-	(491)	-	-	(4,153)	-
Customs tax	(53,847)	-	-	(138,153)	143,302	147,149	-	-
Windfall tax	(12)	-	(0)	-	-	-	-	-
Real estate tax	-	-	-	-	-	(0)	-	-
Excise tax on imported fuel and oil materials	-	-	-	3,239	5,238	-	-	-
Tax on petrol and diesel fuel	-	-	-	150	-	-	-	-
Tax on automobile and self moving vehicles	-	-	2	-	-	(92)	158	-
Other taxes in monetary value	-	-	-	-	-	-	-	-
Other taxes in monetary value	-	-	-	(46)	-	-	-	-
<b>b) Fee</b>								
Royalty fee	(38,078)	-	0	(0)	-	-	-	-
License fee for exploitation and exploration of mineral resources	-	(2,762)	-	-	6	-	(680)	-
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	-	-	-	-	-
Land rent	(9)	(901)	(6,288)	-	(2,033)	-	1,353	(4,464)
Fee for water use	-	(3,620)	(797)	2,088	(19,660)	(737)	(979)	(579)
Fee for forestry use and firewoods	(6)	-	-	-	-	-	-	-
Fee for recruiting foreign experts and workers	-	-	(18)	-	(903)	-	3,280	(118)
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	-	-	(1,125)
Other	-	-	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	(70)	-	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	(9,928)	-	-	-	-	-	-
Custom Service fee	588	-	-	80,631	123	(1,445)	-	125
Other	-	-	-	-	-	-	-	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	-	-	-	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	-	(370)	-	-	(1,000)	-	(500)	(3,500)
Monetary donation from company to aimag	10,000	-	-	-	-	-	(2,500)	(10,073)
Monetary donation from company to soum	8,900	3,603	-	5,000	(1,000)	-	88,868	(51,465)
Fund disbursed by company in sustainable development and community relations	-	(1,000)	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	-	-	-	-	5,500	-	-	(6,920)
Expenditure incurred in relation to environmental protection	-	6,390	(880)	136,656	170,763	(9,200)	293,520	-
	-	-	-	-	-	-	-	-
<b>TOTAL AMOUNT</b>	<b>(73,712)</b>	<b>(8,658)</b>	<b>(7,982)</b>	<b>89,074</b>	<b>300,336</b>	<b>135,675</b>	<b>378,367</b>	<b>(78,120)</b>

## Appendices (cont'd)

### Appendix F: Unresolved Discrepancies (cont'd)

	GT MNT	IM MNT	Jump MNT	KS MNT	MDT MNT	MCM MNT	Mongolrosts- vetmet MNT	MAK MNT
<b>a) Taxes</b>								
Corporate income tax	( 0)	-	-	-	-	-	( 1,387)	-
Customs tax	-	( 24,828)	( 36,649)	-	( 21,759)	-	31,673	89
Windfall tax	0	-	-	-	-	-	-	207
Real estate tax	-	-	( 222)	-	-	( 249)	( 5)	351
Excise tax on imported fuel and oil materials	-	-	( 54,781)	-	-	-	562	-
Tax on petrol and diesel fuel	-	-	5,702	-	-	-	-	-
Tax on automobile and self moving vehicles	-	-	-	( 460)	-	-	-	( 1,292)
Other taxes in monetary value	-	-	-	-	-	-	-	-
Other taxes in monetary value	-	-	( 54)	-	-	-	-	-
<b>b) Fee</b>								
Royalty fee	-	-	( 3)	-	-	( 8,316)	89,843	1,992
License fee for exploitation and exploration of mineral resources	-	-	-	-	200	( 2,781)	-	-
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	-	-	-	-	( 36,842)
Land rent	( 4,245)	549	( 4,467)	( 60)	( 38)	100	( 18,174)	( 23,403)
Fee for water use	-	( 0)	( 11,415)	( 2,617)	( 1,001)	( 1,000)	( 45,995)	62
Fee for forestry use and firewoods	-	-	( 684)	-	( 34)	-	-	-
Fee for recruiting foreign experts and workers	-	( 2,131)	-	-	-	-	690	-
Fee for use of mineral resources of wide spread deposit	-	( 16)	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	( 1,997)	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	-	1,750	( 220)	-	-	-	-
Custom Service fee	-	4,312	( 229)	-	-	( 1,798)	16,615	( 18,913)
Other	-	( 45,320)	-	-	-	-	-	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	-	-	-	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	-	-	( 500)	-	-	-	( 5,882)	( 7,300)
Monetary donation from company to aimag	-	( 31,804)	-	-	-	-	-	-
Monetary donation from company to soum	-	-	( 2,611)	-	3,823	-	( 7,951)	( 26,830)
Fund disbursed by company in sustainable development and community relations	( 1,500)	-	( 5,500)	( 584)	-	-	( 25,000)	-
Other	-	-	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	-	( 1,530)	-	-	-	-	( 9,631)	( 1,530)
Expenditure incurred in relation to environmental protection	( 17,942)	( 8,949)	131,800	-	( 960)	58,463	( 167,313)	2,407
	-	-	-	-	-	-	-	-
<b>TOTAL AMOUNT</b>	<b>( 23,687)</b>	<b>( 109,717)</b>	<b>20,140</b>	<b>( 3,940)</b>	<b>( 19,770)</b>	<b>44,419</b>	<b>( 141,955)</b>	<b>( 111,002)</b>

## Appendices (cont'd)

### Appendix F: Unresolved Discrepancies (cont'd)

	Monpolimet	PC	Shanlun	SG	SA	ST	SS	SO
	MNT	MNT	MNT	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>								
Corporate income tax	-	-	-	(7)	-	-	-	-
Customs tax	(55,373)	9,968	(140)	-	-	(8,734)	(1,311)	4,780
Windfall tax	-	-	-	-	-	-	-	-
Real estate tax	-	(0)	-	711	-	0	-	-
Excise tax on imported fuel and oil materials	-	4,925	-	-	-	-	-	-
Tax on petrol and diesel fuel	-	9	-	-	-	-	-	-
Tax on automobile and self moving vehicles	19,568	(846)	-	(1,407)	-	(19)	-	-
Other taxes in monetary value	-	-	-	-	-	-	-	-
Other taxes in monetary value	-	-	-	-	-	-	-	-
<b>b) Fee</b>								
Royalty fee	1	-	(423,542)	-	-	-	-	-
License fee for exploitation and exploration of mineral resources	(8)	-	-	2,310	-	-	-	-
Reimbursement of deposit, exploration of which is carried by the budget fund	-	67,791	(41,052)	(19,477)	-	-	-	-
Land rent	-	4,102	(700)	19,610	(5,816)	(3,729)	-	(2,136)
Fee for water use	(44,449)	5,183	(1,050)	-	(44,791)	-	-	-
Fee for forestry use and firewoods	-	-	-	-	-	-	-	-
Fee for recruiting foreign experts and workers	-	-	-	-	(4,895)	-	-	-
Fee for use of mineral resources of wide spread deposit	-	(8,718)	-	-	-	-	(40)	-
Other	-	-	-	-	-	-	-	-
<b>c) Charge and service charge</b>								
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	(6,144)	-	-	-	-	-	-
Service charges paid to state and local administration in accordance with relevant law	-	(166,530)	(2,831)	-	-	-	-	-
Custom Service fee	262	35,166	(107)	7	142	(6,777)	358	292
Other	-	-	-	-	-	-	-	-
<b>d) Dividends on state and local property</b>								
Dividends on state property	-	-	-	-	-	-	-	-
Dividends on local property	-	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>								
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>								
Monetary donation from company to Ministries and agencies	(15,000)	(10,720)	(3,500)	(5,500)	(5,000)	-	(1,000)	(3,000)
Monetary donation from company to aimag	-	(11,916)	(5,250)	302	-	-	1,300	(700)
Monetary donation from company to soum	54,000	(9,960)	(13,760)	(4,034)	4,325	-	(500)	-
Fund disbursed by company in sustainable development and community relations	-	-	-	-	-	-	(4,925)	-
Other	-	(10,000)	-	-	-	-	-	-
<b>g) Expenditure for environmental protection</b>								
50% contribution in kind to environmental protection special account	500	-	-	3,400	-	-	-	-
Expenditure incurred in relation to environmental protection	150,200	(157,550)	2,370	-	-	-	2,000	-
	-	-	-	-	-	-	-	-
<b>TOTAL AMOUNT</b>	<b>109,700</b>	<b>(255,240)</b>	<b>(489,562)</b>	<b>(4,086)</b>	<b>(56,035)</b>	<b>(19,259)</b>	<b>(4,118)</b>	<b>(764)</b>



## Appendices (cont'd)

### Appendix F: Unresolved Discrepancies (cont'd)

	SONOR	TT	TETHYS	TM	TS	UGC	Total
	MNT	MNT	MNT	MNT	MNT	MNT	MNT
<b>a) Taxes</b>							<b>(8,182,722)</b>
Corporate income tax	-	-	-	-	-	-	(182,134)
Customs tax	2,939	233	(2,205)	32,363	8,004	(15,568)	(10,613)
Windfall tax	0	-	-	-	-	-	(7,671,805)
Real estate tax	(812)	-	-	-	109	-	(573)
Excise tax on imported fuel and oil materials	2,328	-	-	-	-	-	(38,489)
Tax on petrol and diesel fuel	-	-	-	-	-	-	5,861
Tax on automobile and self moving vehicles	(218)	185	-	-	(716)	-	13,905
Other taxes in monetary value	-	-	-	-	-	-	(298,626)
Other taxes in monetary value	-	-	-	-	-	-	(248)
<b>b) Fee</b>							<b>(2,460,861)</b>
Royalty fee	-	-	-	7	(1,494)	-	(1,130,352)
License fee for exploitation and exploration of mineral resources	-	-	-	0	(1,891)	-	(67,086)
Reimbursement of deposit, exploration of which is carried by the budget fund	-	-	-	-	-	-	(310,194)
Land rent	-	-	-	-	(1,000)	(0)	(126,792)
Fee for water use	-	600	(1,159)	-	(1,000)	-	(556,668)
Fee for forestry use and firewoods	-	-	-	-	-	-	(724)
Fee for recruiting foreign experts and workers	-	-	(50)	-	19,508	-	(259,146)
Fee for use of mineral resources of wide spread deposit	-	-	-	-	-	-	(9,899)
Other	-	-	-	-	-	-	-
<b>c) Charge and service charge</b>							<b>(271,352)</b>
Stamp and other charge for state registration paid to state and local administration in accordance with relevant law	-	-	-	-	-	-	(14,805)
Service charges paid to state and local administration in accordance with relevant law	-	-	-	-	-	-	(246,151)
Custom Service fee	7	-	(184)	(4,991)	(471)	73	35,184
Other	-	-	-	-	-	-	(45,580)
<b>d) Dividends on state and local property</b>							<b>-</b>
Dividends on state property	-	-	-	-	-	-	-
Dividends on local property	-	-	-	-	-	-	-
<b>e) Other payments to recipient Government</b>							<b>-</b>
Entitlement under Production Sharing Contract to Government	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>f) Donation to Governmental organizations</b>							<b>(140,107)</b>
Monetary donation from company to Ministries and agencies	(3,000)	-	-	(28,000)	-	-	(396,617)
Monetary donation from company to aimag	-	(14,545)	-	(1,163)	-	-	(127,189)
Monetary donation from company to soum	-	(18,111)	-	(12,138)	-	(300)	519,541
Fund disbursed by company in sustainable development and community relations	-	-	-	12,995	(725)	-	(96,434)
Other	-	-	-	-	-	-	(39,408)
<b>g) Expenditure for environmental protection</b>							<b>(513,035)</b>
50% contribution in kind to environmental protection special account	-	-	(2,251)	50	-	-	(37,772)
Expenditure incurred in relation to environmental protection	-	-	(14,693)	264	(15,000)	-	(475,263)
	-	-	-	-	-	-	-
<b>TOTAL AMOUNT</b>	<b>1,244</b>	<b>(31,638)</b>	<b>(20,543)</b>	<b>(613)</b>	<b>5,324</b>	<b>(15,795)</b>	<b>(11,568,077)</b>