



**ULAANBAATAR AUDIT
CORPORATION LLC**

MONGOLIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (MEITI)

MONGOLIA FIFTH EITI RECONCILIATION REPORT 2010



**Ulaanbaatar city
January 2012**

The Report and all appendices relating to the report are intended for the use of the Multi-Stakeholder Working Group and National Council of the Mongolia Extractive Industries Transparency Initiative, for the purpose of that Initiative

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Abbreviation and definitions

ATA	Auto Transportation Authority
BA	Border army
BGD	Bayangol district
BPGB	Border Protection General Board
Business economic entity income tax /CIT/	Business economic entity income tax per Mongolian law term, or Corporate income tax
BZD	Bayanzurkh district
CGM	Cabinet office of the Government of Mongolia
CHD	Chingeltei district
CHR	Republic of China
CPD	Criminal Police Department
CRK	Civil Representative Khural
PSA	Product Sharing Agreement
DRCSBO	Department of Revenue control, State budget Office
ED	Environmental Department
EITI	Extractive Industries Transparency Initiative
ERD	Environmental Resource Department
ERF	Environmental Resource Fund
FCAA	Foreign Citizenship Affairs Agency
FED	Finance and Economic Department
FEMR	Fee for Exploitation of mineral resources (royalty fee)
FEPPA	Finance and Economic Policy Regulation Authority
GAM	Geologist's Association of Mongolia
GMCDMRA	Geological and mining cadastral department of Mineral Resources
GO	Governor's Office (Aimag, Capital, Soum, District)
GOM	Government of Mongolia
GPA	General Policy Authority
GSPIA	General State professional inspection agency
IAS	International Auditing Standards
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
JSC	Joint Stock Company
LG	Local government
LLC	Limited Liability Company
LSWA	Labor and Social Welfare Agency
MASD	Medical Authority of Songino Khaikhan district
MCO	Mongolian Customs Office
MEITI	Mongolia Extractive Industries Transparency Initiative
MFA	Ministry for Foreign Affairs
MMRE	Ministry of Mineral Resources and Energy
MNCCI	Mongolian Institute of Certified Public Accountants
MNET	Ministry of Environment and Tourism Mongolia
MNMA	Mongolian National Mining Association
MNPRT	Mongolian National Public Radio and Television
MNT	Mongolia tugrug
MOF	Ministry of Finance Mongolia
MONICPA	Mongolian Institute of Certified Public Accountants
MRAM	Mineral Resources Authority of Mongolia
MSDMRA	Mining survey department of Mineral Resources Authority
MTA	Mongolian Tax Authority
NC	National Council
NCCE	The National Centre of the Court Examination
NCSM	National Center for Standard and Measurement
NEA	Nuclear Energy Agency

NEMAM	National Emergency Management Agency of Mongolia
NGO	Non-Government organization
NSAM	National Statistical Authority of Mongolia
OTR	Office of Transport Regulation
PAM	Petroleum Authority of Mongolia
PCSC	Physical culture and Sport's Committee
PD	Office of the President
PIT	Personal Income Tax
RCMC	Research Center on Maternal and Children
RET	Real Estate tax
RF	The Russian Federation
SBD	Sukhbaatar district
SKhD	SonginoKhairkhan district
SPC	State Property Committee
SPIA	State professional inspection agency
SSIGO	State General Office for Social Insurance
TASMV	Tax on automobile and self moving vehicles
WT	Windfall tax
USA	United States America
USD	United States dollar
VAT	Value added tax
VEA	Vocational Education Authority
WG	Working group (MEITI)
SOE	State owned Entities, including Industrial factories

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24 January 2012

Hart Nurse Limited and Ulaanbaatar Audit Corporation have been appointed by the Mongolia Extractive Industries Transparency Initiative Secretariat to undertake the 5th EITI Reconciliation for Mongolia, for 2010 and to prepare a Report on this Reconciliation ("Engagement") and conducted the contract.

The Engagement was undertaken in accordance with the International Standard on Related Services Applicable to Agreed-upon Procedures Engagements. The procedures performed were those set out in the Terms of Reference except where stated otherwise in this report including its appendices.

We report our findings in the accompanying report including its appendices. Because the procedures were not designed to constitute an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the transactions beyond the explicit statements set out in this report. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our report is for the purpose of informing the Multi-Stakeholder Working Group and National Council on the matters set out in the terms of reference.

This report relates only to the subject matter specifically set out herein and does not extend to any financial statements of any entity taken as a whole.

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Ulaanbaatar Audit Corporation LLC

1. INTRODUCTION

This is the report under the Mongolia 5th EITI Reconciliation for the year 2010.

Mongolia was designated as an EITI compliant country by the EITI Board on 19th October 2010, so this is the first report produced for Mongolia in its status as a compliant country.

Our report is for the purpose of informing the Multi-Stakeholder Working Group and National Council on the matters set out in the terms of reference.

The report comprises: Part I - Report
 Part II – Appendices

1.1 Objective

The objective of the Engagement is to ensure, in compliance with the procedures set out by the international EITI Secretariat, the transparency and credibility of the payments and receipts between government and companies in the mining and oil sectors in Mongolia. To this end, the Engagement entails an analysis and reconciliation of material payments and receipts made in the fiscal year 2010 in the mining and oil sectors.

1.2 Participants in the EITI Reconciliation

Templates for information from central government departments were provided by the Ministry of Finance. The central government departments participating in the 2010 EITI reconciliation are:-

- Ministry of Finance
- Tax Authority
- Ministry of Environment and Tourism
- Mineral Resources Authority
- Petroleum Authority
- Customs Office
- Labour and Social Welfare Service Agency and
- State Professional Inspection Agency
- General Authority for Social Insurance
- Mongolian Nuclear Energy Authority and
- State Property Committee.

In addition, governors of capital, aimags, districts and soums have provided information. A full list of the Covered Entities is included at Appendix N.

150 companies, identified by the Ministry of Finance as having made covered payments in excess of MNT 50 million have been included in the exercise.

A full list of the Covered Companies is included at Appendix E.

1.3 Structure of the report

The report contains:-

- a. An Executive Summary
- b. A brief overview of the extractive sector in Mongolia
- c. Our approach to undertaking the Engagement
- d. An aggregation of the financial and in-kind benefit flows (payments and receipts) :

- i. reported initially to the MEITI Secretariat
 - ii. After reconciliation of the initial differences, to the extent this was possible based upon the information and explanations provided by Covered Entities
- e. Unresolved differences, with information about the type of receipt/payment involved and the Covered Entities whose reported figures remain unreconciled.
- f. A summary of issues arising during the Engagement
- g. Recommendations for improvements in transparency and EITI processes

Full details of initial differences, adjustments made and unresolved differences, analysed by company and by type of financial flow, are contained in Appendices, together with other supporting information.

1.4 Acknowledgement

The Consultants would like to express sincere thanks to team of the MEITI Secretariat, Mr. Tsolmon Sh, and Mrs. Delgermaa.B., for supporting and assisting us with organisation of meetings with major officials from the government and its various organizations and agencies, as well as with mining companies; and for sending and receiving official confirmation letters to/from these parties.

Also to Mrs. Dolgor B., Head of Working Group and Senior Adviser of Prime Minister, and Mr. Sumya E., Secretary of Working Group and Principal Officer of the Government of Mongolia for assisting in receiving replies timely and efficiently from the administrations of local and government entities.

2. EXECUTIVE SUMMARY

2.1 Introduction

The 5th EITI Reconciliation of Mongolia has been satisfactorily completed.

2.2 Flows for 2010

The aggregate financial and non-financial flows to Government, as reported by Government and confirmed through reconciliation, together with Initial differences that aggregated to 1,275, 062.0 million MNT, are set out in the following table. Reconciliation work revealed corrections that were required to template data reported by government and by companies.

(MNT millions)									
Taxes and fees paid from companies to state and local budget	Initially reported			Adjustments		Adjusted			
	Govt	Company	Difference	Govt	Company	Govt	Company	Difference	
Taxes, payments, fees, dividends paid to state budget	1,109,350	1,064,254	45,096	117,125	162,212	1,226,475	1,226,466	8	
Taxes, fees, charges	925,203	891,634	33,569	43,865	77,434	969,068	969,068	-	
Payments	11,388	7,718	3,670	549	4,219	11,937	11,937	-	
Social and health insurance charges paid from entity	44,481	37,258	7,224	1,491	8,714	45,972	45,972	-	
Service fees and fees	15,111	26,891	(11,780)	14,467	2,679	29,578	29,570	8	
Dividends on State property	40,989	40,989	-	-	-	40,989	40,989	-	
Government revenues and other revenues	58,330	55,718	2,612	68,368	70,980	126,698	126,698	-	
Penalty	13,847	4,047	9,801	(11,615)	(1,815)	2,232	2,232	-	
Taxes, payments, dividends and fees paid to local budget	9,678	36,760	(27,081)	26,355	(729)	36,033	36,030	3	
Taxes, fees, charges	4,346	10,167	(5,821)	(1,231)	(7,052)	3,115	3,115	-	
Payments	5,332	18,440	(13,107)	12,429	(682)	17,761	17,758	3	
Service fees and fees	-	267	(267)	257	(10)	257	257	-	
Dividends on Local property	-	7,873	(7,873)	14,773	6,900	14,773	14,773	-	
Penalty	-	14	(14)	127	114	127	128	-	
Other payments and expenses	5,905	12,786	(6,881)	6,650	(219)	12,554	12,566	(12)	
Advance to costs disbursed to environment protection	698	1,128	(431)	194	(228)	892	900	(8)	
Donation and assistance to Government organizations	5,207	11,657	(6,450)	6,456	9	11,662	11,666	(4)	
Donation and assistance to Government organizations	Monetary	2,196	6,862	(4,665)	4,347	(315)	6,543	6,547	(4)
	Non cash	3,010	4,796	(1,785)	2,109	324	5,120	5,120	-
	1,124,932	1,113,799	11,133	150,130	161,264	1,275,062	1,275,063	(0.357)	

2.3 Principal reconciliation items

The large value of changes arose from the following main types of issue:

1. Neither the government nor "Oyu Tolgoi" LLC reported a 50 million USD (equivalent to 68.4 billion MNT) transaction which was however publicly announced. According to public information, the amount is a negotiated prepayment of duties and amounts that are expected to become payable to the government and is made under an Investment Agreement. (Paragraph 8.1)

2. Many differences arose because of incorrect completion of templates by government organisations and companies.
3. The SPIA template reported receiving a lump sum 13.8 billion MNT without identifying the companies that had paid. After considerable difficulty undertaking the reconciliation, the eventual amount of Penalties was 2,232.0 million MNT. It was confirmed that MTA reported taxes, fees and charges (personal income tax, fee for water use, fee for exploitation of mineral resources, fee for mineral resources of wide spread, gun tax, real estate sales tax) under "other penalties" in its initial reporting. (paragraph 8.3.2).

2.4 Reconciliation process

The process of reconciliation was arduous for reasons that included the following:

1. The list of 150 companies established initially by the Working Group, taking into account information provided by the MOF, included several companies that were not in the Extractive Sector. Conversely, the MRA register of licenses issued indicates that some 1900 companies have received (Paragraph 8.2)
2. We identified two legal entities having the same State Registration Number (Paragraph 8.3.1).
3. The MNR register and records include out-of-date contact information, incorrect telephone details and companies that are no longer licensed (Paragraph 8.5).
4. Entities were not prompt in responding to our requests for information and explanations (Paragraph 8.6, 8.7 and 8.8).
5. Companies complained that the EITI process was expanding and becoming burdensome (Paragraph 8.9).
6. The consultants evaluated that a six companies and two government entities satisfactorily participated in the EITI reconciliation. Participation of 34 companies and one government entity was assessed as inadequate. (Appendix O & P)

2.5 Subnational reconciliation

- 1 Reconciliations were undertaken in Khanbogd and Tsogttsetsii soums of Umnugovi aimag. After reconciliation, the payments and receipts were materially reconciled (Appendix E paragraph 2))

2.6 Other surveys

- 1 The study of the implementation of IFRS amongst reporting companies indicated that only 8% of companies apply all international financial reporting standards. 22 companies did not respond to the questionnaire. (Paragraph 77.3)
- 2 The reconciliations suggest that Order No.45 of Minister of Finance, Mongolia, of 2010 is not implemented. (Paragraph 7.1)
- 3 Environmental Protection and Remediation Reports were submitted by only 70 companies. Only 27 companies undertook protection measures and these on average exceeded the planned activity. (Appendix M & Paragraph7.4)
- 4 A survey of the implementation of mining plans was responded to by only 111 companies. These indicated that Plans had on average been partially implemented. 39 companies which operates exploration activity and two companies did not respond, for unclear reasons. (Appendix L & Paragraph7.5)
- 5 Data was collected on Mining licenses and Exploration licenses in issue. At the end of 2010, there were 369 mining license and 460 exploration licenses in issue. (Appendix K & Paragraph 7.6)

2.7 Recommendations

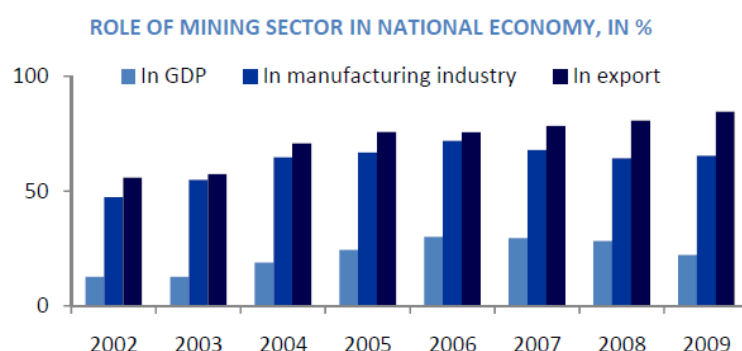
To improve the reconciliation in future years, we make recommendations:

- 1 The lists of potentially covered companies maintained by MRA and MOF should be reconciled to avoid overlooking companies that should be participating in the reconciliation and to comply with the EITI Rules (Paragraph 9.1)
- 2 Reporting templates should be redesigned to provide sufficient information to allow data to be reconciled (Paragraph 9.2).
- 3 It should be clarified by the Working Group that the EITI reconciliation is prepared on a cash basis. Accordingly, all financing and prepayment arrangements should be regarded as flows that should be included in the reconciliation(Paragraph 9.3 and 9.4).
- 4 The letter confirmations regarding the audit status of company data should be revised, to make it clear that the data in the reporting templates is consistent with the audited financial statements and company auditors should be required to provide a certificate to that effect. (Paragraph 9.7)
- 5 MEITI secretariat should offer training to government officials in relation to completion of reporting templates, especially in relation to donations (Paragraph 9.6).
- 6 Reporting templates may be returned directly to the reconciler, in accordance with EITI Rules (Paragraph 9.7).
- 7 Companies and government should mainstream the EITI process, rather than treating EITI as a special exercise. (Paragraph 9.9)
- 8 Additional time should be allowed to the reconciler to complete the reconciliation, taking account of the increasing numbers of companies and of transactions. We recommend that a minimum of 13 weeks should be allowed (Paragraph 9.12)

3. THE MONGOLIAN EXTRACTIVE SECTOR

Mongolia has rich natural resources and the country's gold and copper reserves are believed to be among the largest in the world. The estimated value of total reserves in Mongolia is US\$1.3 trillion, including 1,170 mineral deposits and 7,654 occurrences that have been identified to date. These occurrences include over 60 types of minerals, primarily including copper, gold, coal, molybdenum, iron ore, uranium, tin, tungsten, silver, zinc and fluorspar

In 2010 the extractive sector accounted for 30% of GDP, 32% of government revenue and 81% of exports. The sector also employs 5% of the total workforce.



Source: National Statistics Office of Mongolia

In 2010, industrial output (at 2005 constant prices) showed increases of coal and lignite extraction of peat of 91.8%, other mining and quarrying of 19.5%, and extraction of crude petroleum and natural gas of 16.7%.

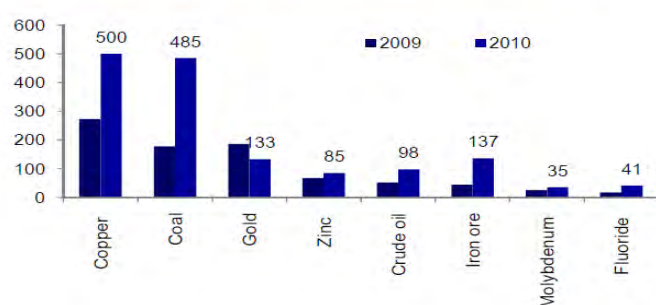
Commodity	Quantity (1000 tonnes)	Value (US\$m)	% of total economy exports (by value)
Coal	16,600	877.6	30.3

Copper Concentrate	569	770.5	26.6
Iron Ore	3,500	250.9	8.7
Gold	0.005	178.3	6.1
Zinc Ore	119	134.1	4.6
Fluorspar Ore/Concentrate	376	63.2	2.2
Molybdenum Ore/Concentrate	5	52.0	1.8
	(1000 barrels)		
Crude Oil	2,100	154.9	5.3

Source: National Statistics Office of Mongolia

The graph below shows that from 2009 to 2010 there was a rise in all export values (except gold).

REVENUE FROM EXPORTS, (M1-M8 2009 vs. M1-M8 2010), \$ MILLION



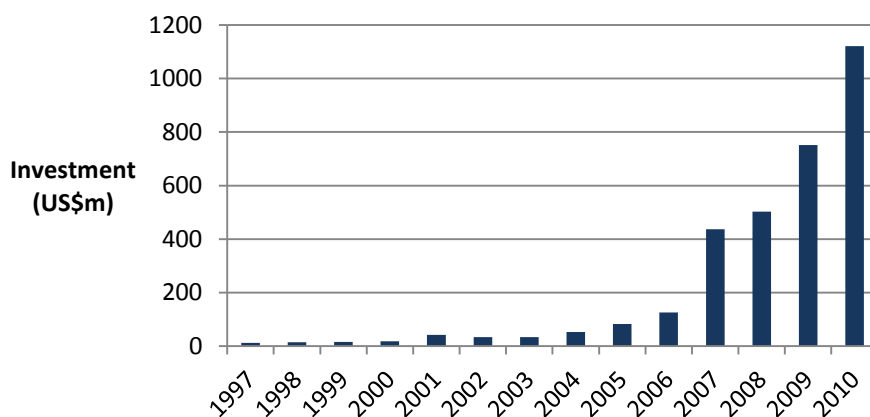
Source: Ministry of Mineral Resources and Energy of Mongolia

As of 2010, approximately 85% of all exports go to China, and China also accounts for the majority of all Mongolian external trade.

95% of petroleum products and a large proportion of Mongolia’s electricity come from Russia, making Mongolia highly dependent on Russian energy supplies.

Investment and Infrastructure There has been increasing Foreign Direct Investment into the extractive sector, as shown in the graph below.

GROWTH IN EXTRACTIVE SECTOR FDI



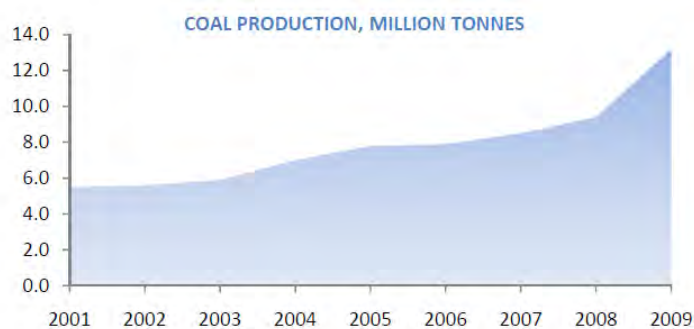
Source: National Statistics Office of Mongolia

Mongolian infrastructure remains very poor. The World Economic Forum’s 2010-11 *Global Competitiveness Report* ranked Mongolia 137th out of 139 countries for the overall quality of infrastructure. Further, in *Mongolian Sources of Growth - Country Economic Memorandum* (2007), the World Bank noted that only 3.3% of

the total road network is paved, and that electricity and water supplies are far less reliable than in neighbouring countries.

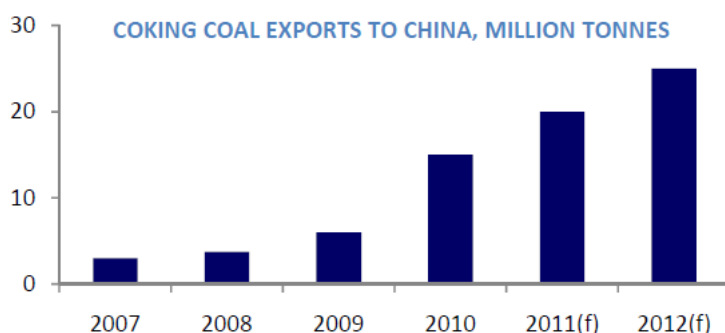
Coal

Coal became Mongolia's largest export by value in 2010, resulting from a 135% rise in volume to 16.6mt and 187% growth in value (to \$877 million) from 2009. Coal therefore constituted 27% of all exports, which had been only 16% in 2009. It is also now the leading contributor to export growth.



Source: Mineral Resources Authority of Mongolia

Total coal reserves are estimated at 152 billion tonnes, but most reserves are undeveloped due to lack of infrastructure and investment. Additionally, foreign investment is almost exclusively in coking coal reserves. This is because of increasing Chinese demand for this product, shown in the graph below.



Source: National Statistics Office of Mongolia

There are large individual deposits, and Tavan Tolgoi contains 6.4 billion tonnes of coking (25%) and thermal (75%) coal. This was privatised in the first quarter of 2011. The Baganuur coal deposit is due to be privatised in 2011-2 and contains 1.3 billion tonnes of lignite coal.

Copper

Mongolia has the second largest copper reserves in the world and until recently copper had been its main export. Its percentage contribution to GDP now levelling off as growth in other areas is stronger.

In 2010, Mongolia exported 568k tonnes of copper concentrate that constituted \$771million in value. This represented 26.5% of total Mongolian exports that year



Source: Mineral Resources Authority of Mongolia

Erdenet Mining Corporation (EMC) runs the largest Mongolian copper mine in production. The deposit is among the world's 10 largest copper-molybdenum porphyry mineralisation areas and in 2010 it alone accounted for about 12% of GDP and all copper ore and concentrate production.

Oyu Tolgoi is the largest undeveloped copper and gold deposit in the world, with deposits three times greater than EMC. Ivanhoe Mines have announced that the commercial production at Oyu Tolgoi mine will begin in 2013.

Gold

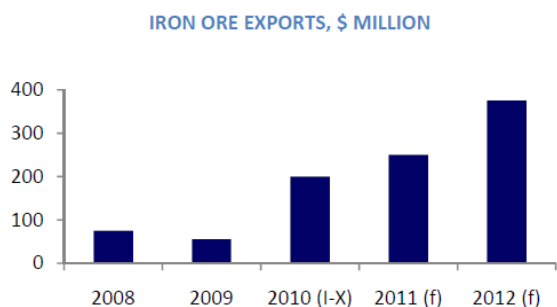
The largest company in the Mongolian gold mining industry is Boroogold (BG), which began production in 2003. From 2003-2009 the company extracted a total of 1.26 million oz.

Oyu Tolgoi is believed to contain 46 million oz of gold.

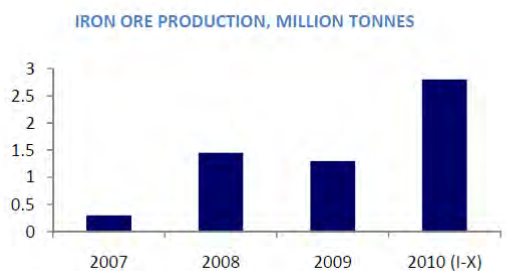
There is an issue over the licensing in the gold sector, as it is not clear whether the Mongolian government will allow current operators to continue developing certain mines. In November 2010, the Ministry of Mineral Resources and Energy of Mongolia announced that 1,782 mining licenses held by private companies and 254 alluvial-gold licenses would be revoked.

Iron

Iron ore mining in Mongolia commenced in 2007. Despite being a relatively new industry, substantial investment from 2008-10 has caused rapid growth in iron ore extraction. Iron ore exports reached \$251 million (3.5 million tonnes) in 2010, accounting for 8.7% of all exports.



Source: Mineral Resources Authority of Mongolia



Source: Mineral Resources Authority of Mongolia

The Trade and Development Bank had forecast iron ore exports to rise to \$250 million in value in 2011. Yet figures for year end 2010 showed that in 2010 iron ore exports already stood at 3.5 million tonnes, worth \$251 million.

In 2008 Singapore's sovereign wealth fund invested \$300 million in Iron Mining International which owns the Eruu Gol iron ore asset in Mongolia. China Investment Corporation (CIC) invested another \$700 million in the same company in October 2009.

IRON ORE DEPOSITS



Source: Ministry of Road, Transportation, Construction and Urban Development

Oil

In 2010, Mongolia exported 2 million barrels of crude oil worth \$155 million. This was an increase of 7% in volume and 34% in value from 2009. Although Mongolia started exporting crude oil in 1998, the current export capacity is limited by infrastructural constraints.

Mongolia's sedimentary basins were divided into 25 exploration blocks for international bidding, and the Petroleum Authority of Mongolia was working to add four more. Exploration blocks were located mostly in the southern half of the country in central, eastern, and western Mongolia. The East Gobi sedimentary basin encompassed four petroleum sub-basins in east-central Mongolia.

OIL AND GAS DEPOSITS



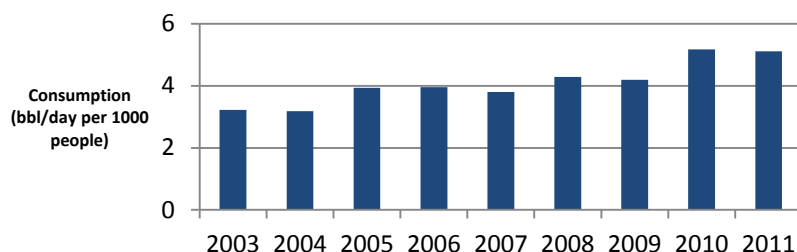
Source: Ministry of Road, Transportation, Construction and Urban Development

The Zuun Bayan basin was discovered in 1941 when there was intensive exploration and extraction. The Tamsag basin was discovered in eastern Mongolia in the 1990s and a 2001 Chinese National Oil Corp. survey of the basin estimated its reserves to be 1.5 billion bbl.

The major players in the industry are PetroChina and Petro Matad, and both companies have invested heavily. Additionally, Marubeni Corporation and Toyo Engineering Corporation are due to begin constructing a \$600 million oil refinery in Darhan-Uul Aimaq this year. This development is to meet Russian demand, and will process 44,000 barrels of crude oil per day.

The graph below shows that there is also an increasing domestic market for Mongolian crude oil.

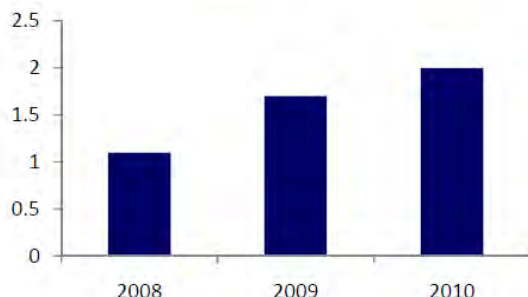
CRUDE OIL CONSUMPTION PER CAPITA



Source: CIA World Factbook

Half of China’s oil demand is met by imports, and its consumption reached 8.3 million barrels per day in 2009. The graph below shows the increasing crude oil exports to China from Mongolia.

CRUDE OIL EXPORTS TO CHINA, MILLION BARRELS



Uranium

There are large uranium deposits in Mongolia, with estimates of reserves being between 30 and 62 thousand tonnes. At present, Mongolia does not export any uranium.

URANIUM DEPOSITS



Source: Ministry of Road, Transportation, Construction and Urban Development

Khan Resources had two exploration licenses for uranium mines in the Dornod province of Mongolia. The main deposit produced sporadically from 1988 to 1995. However, since 1995, no further mining has occurred in the area.

The Dornod uranium deposits are included in the list of the fifteen national ‘strategic deposits’, the implications of that are outlined below.

Strategic Importance

According to the Minerals Law (2006), a deposit is considered to be strategically important, if it:

- Influences Mongolia’s national security, economic and social development
- Contains minerals that have strong international demand
- Yields annual revenues exceeding 5% of GDP

If a deposit is identified as strategically important, the government may acquire 34% of ownership rights from the license holder, if the exploration work has been financed purely with private funds, and up to 50% of ownership rights, or if the exploration work has been financed partially with state funds, including capital invested during the Soviet era.

DEPOSITS OF STRATEGIC IMPORTANCE



Source: Mineral Resources Authority of Mongolia

List of Strategically Important Mineral Deposits:

Deposit Name	Mineral Type	Reserves (1000 tonnes)	Composition
Nariin Sukhait	Fossil Coal	126,000	-
Baganuur	Brown Coal	600,000	-
Erdenet	Copper, Molybdenum	1,200,000	0.51% Cu and 0.012 Mo
Gurvan Bulag	Uranium	0.0161	-
Oyu Tolgoi	Copper, Gold	26,300 (Cu) 0.019 (Ag)	-
Tavan Tolgoi	Fossil Coal	6,400,000	-
Shivee Ovoo	Brown Coal	646,000	-
Mardai	Uranium	0.0011	-
Mornod	Uranium	0.0289	-
Tomortei	Iron	229,000	51.15 Fe
Tsagaan Suvarga	Copper, Molybdenum	10,600	0.42% Cu and 0.011 Mo
Burenkhaan	Phosphor	192,000	21.1 Phosphor
Tomortein Ovoo	Zinc	7,700	11.5% Zn
Asgat	Silver	6,400	351.08g/tonne Ag
Boroo	Gold	0.025	1.6g/tonne Au

Source: Mineral Resources Authority of Mongolia

Gas

Except for LPG, there is no significant consumption of gaseous fuels in Mongolia. Current developments of domestic coal bed methane and natural gas resources are still at the initial exploration stage in most areas. Previous proposals to start using LNG were not implemented.

4. APPROACH

4.1 Scope of the reconciliation

Hart Nurse Ltd and Ulaanbaatar Audit Corporation LLC (“the Consultants”) were required to undertake the work set out in the Terms of Reference for the Engagement.

4.2 Restrictions/Concept of the work

Unless noted in our report, the reconciliation has been carried out on a cash accounting basis, with both monetary and in-kind payments taken into account.

In conducting our work, we have relied upon the completed reporting templates, information and explanations obtained from Covered Entities. No representation is made as to the accuracy or completeness of such information. If there are material receipts or payments omitted from the reporting templates, our work would not have been sufficient to detect them. Any such receipts or payments which were omitted would not therefore be included in our report except if they came to our attention through other means.

This report is prepared both in English and Mongolian language. If there should be any differences or contradictions between the English version and the Mongolian version, the English version will prevail.

Our report incorporates information received up to 16th December 2011, which is the date agreed with the MEITI secretariat. Any information received after this date might not, therefore, have been included in our report.

4.3 Covered parties

a) companies

For the 2010 reconciliation, 264 companies submitted their report to MEITI.

The MOF issued a report for 2010 covering 478 companies, showing receipts by the government from these companies under the headings used in the templates approved by the MSWG for use in the 2010 EITI reconciliation.

In accordance with the EITI Rules (Requirement 18(b)(ii)), the EITI reconciliation report should include a complete list of all licensed or registered companies involved in the extractive sector exploration and production, noting which companies participated in the EITI Reporting process. Government maintains different lists for different purposes; in particular, there is a list of companies holding licenses, that is maintained by the Ministry of Minerals and there is a separate list of companies maintained by the Ministry of Finance for taxation purposes. These lists are not compatible, as they were prepared for different purposes. The MEITI secretariat is undertaking a review to determine more accurately the causes of differences between the lists and to determine whether additional companies should participate in the reconciliation in future years.

b. Government covered entities

The Government Departments, Aimags, Soums and other government agencies/organisations are the “Government Entities”.

4.4 Materiality

The National Council has defined the material flows that should be reported by companies as follows::

As per resolution of 7th National Council Meeting of MEITI of 24th June 2010, 150 companies were selected to be covered under the reconciliation of year 2010. These companies’ payments to the government reported in excess of MNT 50 million for 2010 and these are the “Covered Companies”.

The MSWG has issued no guidance on materiality in respect of discrepancies between reported payments and receipts.

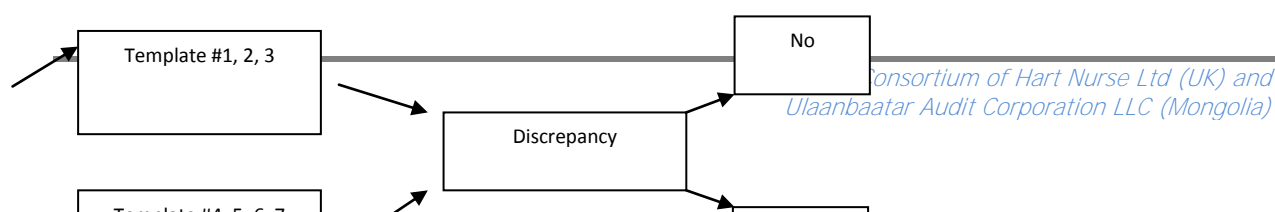
Also, as per resolution of 7th National Council Meeting of MEITI of 24th June 2010, the reconciliation is required to cover all taxes, payments, fees, charges and other payments which are more than MNT 10,000, a minimum amount of material for reporting purpose. This is a low figure; for example, it should be noted that Article 5.8 and 13.1 of “Mongolian law on stamp fee”, a fee for registration and issuance of certificate is MNT 10,000. Consequently, a large number of relatively low value transactions are included in this report.

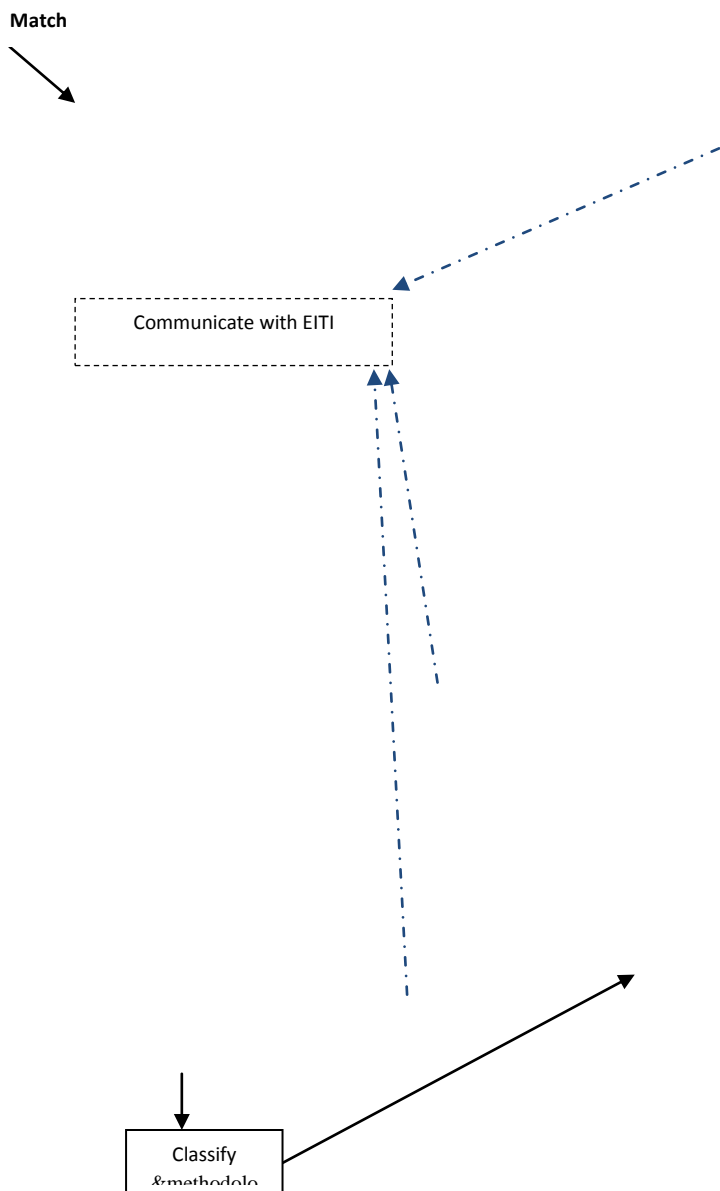
4.5 Reconciliation approach and methodology

The approach we have adopted is summarised below:

- Gained a thorough understanding of the EITI procedures established for Mongolia through discussions with the Mongolia EITI Secretariat and review of relevant documents, including in particular the accounting principles and treatments established for the reporting templates.
- Prepared schedules incorporating the information reported by Covered Entities and adjusted these returns to remove items which were incorrectly included (e.g. tax penalties and fines) or miss-stated (e.g. reported in MNT rather than MNT000 as required) Carried out reconciliation procedures with a view to resolving reported discrepancies.
- Liaised with both Company and Government Departments to resolve discrepancies.
- Explained all the adjustments made during the reconciliation.
- Explained unresolved differences and provided respective recommendations.

4.6 Interrelations of the work flow





4.7 Methodology

Data has been reported by companies on EITI Mongolia Template 1.

Template 1 is divided into 2 sections namely:

Scope 1: Scope 1 consists of 2 main parts and the first part was stated cost of goods and sales amounts both in unit and currency monetary unit of mining companies. The Second part included taxes, fees, Dividends on state and local property, other payments to recipient Government, Donation to Governmental organisations, Costs disbursed for environment protection, paid by foreign and domestic companies to state and local budget, and

Scope 2: Revenues and profit flow (voluntary basis)

Excel spreadsheets were used to match taxes and fees paid by companies to government and local budget recorded for each Indicator on the template supplied by each company (EITI Template 6) with those re-

corded on each company's consolidated report prepared by government organisations (EITI Templates 1, 2&3).

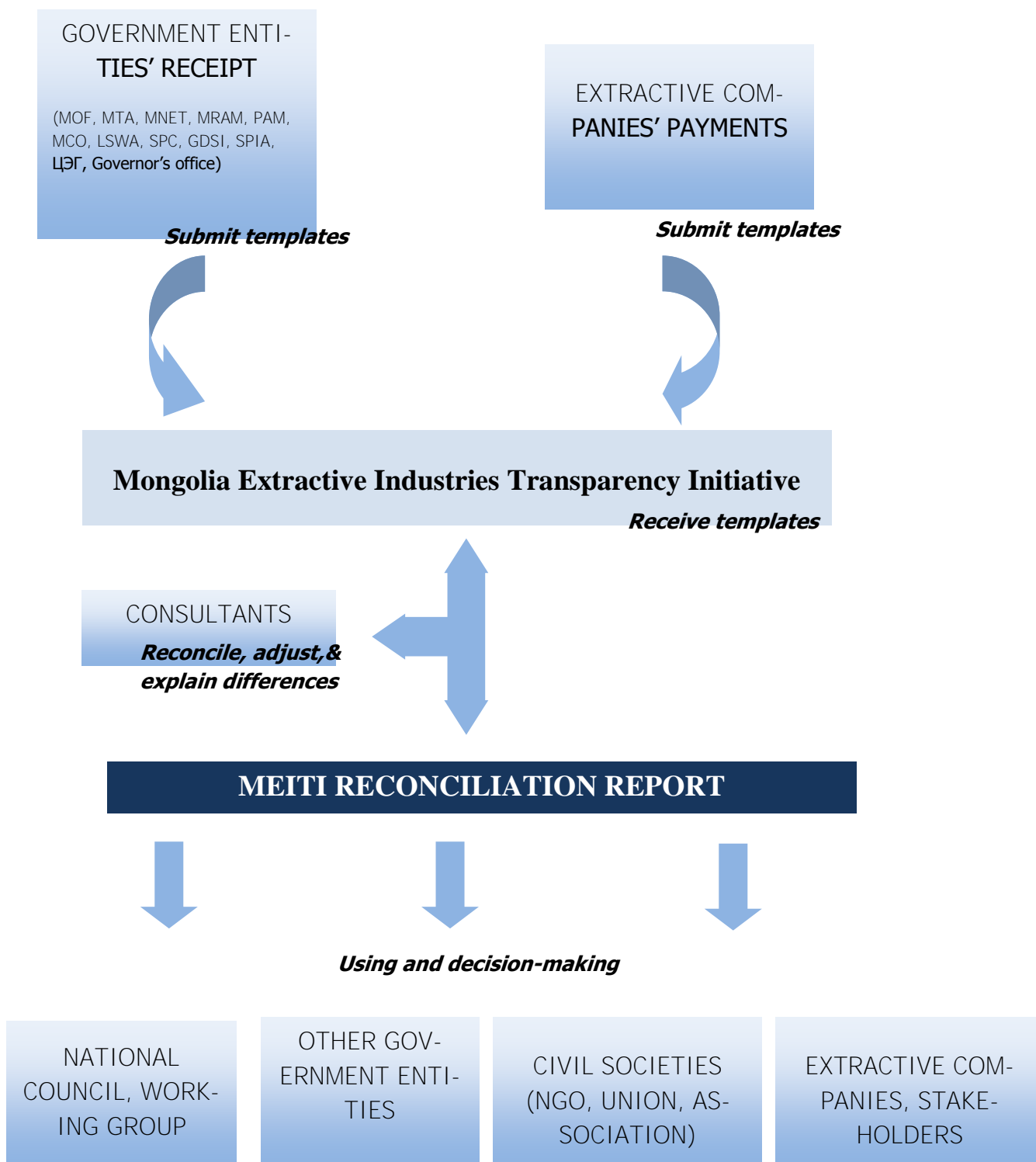
All discrepancies arising were tabulated and analysed.

The compilation of the consolidated figure(s) on EITI Template #1,2 & 3 was checked from information provided on EITI Templates #6 by each Government organisation and Taxation authority.

The following were performed for each significant discrepancy:

- Detailed reconciliations were requested as necessary from relevant Government Organisations and Taxation Authorities (detailing the dates and amounts of receipts making up the amount disclosed on Template 2) and used to match with reconciliations of payments made by companies in order to identify the details of, and where possible explain, the discrepancy as detailed below,
- After considering the number, size and type (indicator) of the discrepancies that occurred for a particular company using our professional judgement based on whether the figures on Template 1, 2, & 3 reported by the companies had been audited, we:-
 - Reviewed the validity of data contained in MEITI Template #1. We identified the items making up the difference. Depending on the nature of the item, this involved checking from source documents, analytical review or independent confirmation.
 - Requested the relevant company to provide a copy of their reconciliation (workings detailing the payment dates and amounts) supporting the calculation of the payment figures they included on EITI Template #1, 2& 3.
 - If insufficient explanation was provided in the detailed information supplied by the company, we sent protocols in respect of each unresolved difference to relevant government entities in order to obtain an explanation of the difference and its causes.
- Where the process did not resolve the manner in which the discrepancy(ies) should be corrected, joint meetings were held with the company and relevant government organisation to agree a solution.
- Discrepancies identified by the matching process have been classified by type / nature once the reasons for the discrepancy(ies) have been identified (or if necessary as unresolved) in order to highlight any common issues which occurred in the preparation of the Templates and the EITI process.

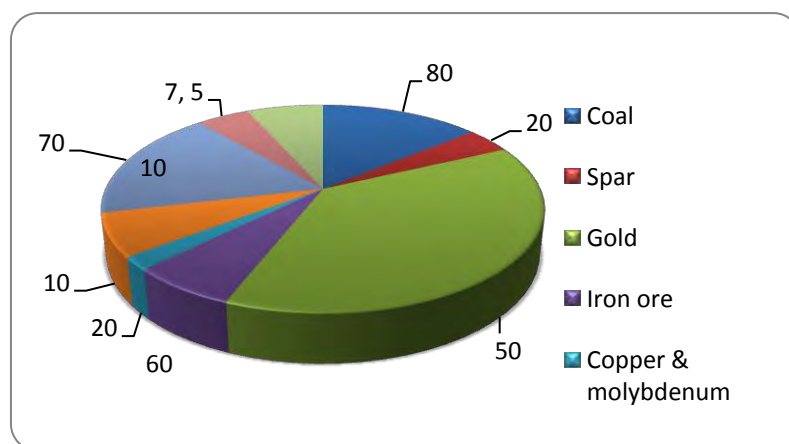
4.8 EITI participation chart



Companies	Tax and fee	Corporate income tax	MTA		
		Fee and rules for for exploitation of mineral resources			
		Windfall tax			
		Payment of air pollution			
		Real estate tax		MTA, Local MTA, MTA	
		Tax on automobile and self-driving vehicles			
		Value added tax		MCO	
		Mongolian Customs Office			
		Excise tax on vehicle's quantity and diesel fuel			
		Tax on vehicle's quantity and diesel fuel			
	Service charges and charges	Customs excise fee	Nuclear Office		
		Stamp fee on licensing of construction, modification, renovation, decommissioning of nuclear equipment			
		Stamp fee on licensing of possession, utilization, sale, import, export, transport of nuclear substances, dumping treatment after utilization			
		Stamp fee for licensing import, export, transport of nuclear minerals, dumping and reclamation of wastes after utilization			
		Stamp fee for licensing possession, utilization, sale, storage, plant, repair, production, decommissioning, demolition, storage, transport, import, export of nuclear generator, dump treatment, demolition and other related activities, and resources.			
		Social and health insurance charges paid from entity		GDSI	
		License fee for exploitation and exploration of mineral resources			
		Other		Payment for deposit, exploration of which was carried out by the Government	MRAM
				Payment for recruiting foreign experts and workers	
				Service fee for foreign experts and workers	LSWA
	Bonus after signing nuclear fuel cycle agreement				
	Bonus for commencement of production according to product sharing agreement		PAM		
	Bonus for training according to product sharing agreement				
	Field deposit according to product sharing agreement				
	Administrative charges according to product sharing agreement				
	Fee for supporting field office according to product sharing agreement				
	Production income per Government according to product sharing agreement		MOF		
	Government bond				
	Fees	Land fee	Local admin		
		Water user fee			
Fee for forestry use and fire wood					
Fee for use of mineral resources of wide spread					
Fee for recruiting foreign experts and workers					
Supports provided based on product sharing agreement					
License fee for exploitation mineral resources except mineral resources					
Stamp fee collected in local budget					
Service charges paid to local administration					
Membership and one-time donations to Government organizations					
Donation	Dividends on local state property	Government organ			
	Locally transferred to local budget				
Penalty	Locally transferred to state budget	SPC			
	Locally transferred to state budget				
Dividend	Stamp fee paid to ministries and state administration agencies				
	Service charges paid to ministries and state administration agencies				
Expense	Dividends on state property				
	In-kind contribution at rate of 5% to Environmental protection appraisal annual				

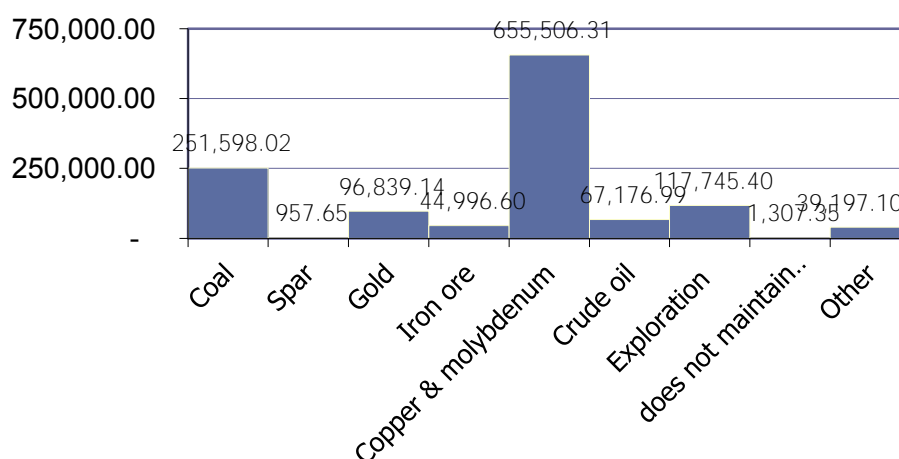
4.9 Covered companies

The 150 companies included in EITI Report were classified by their operations and activities as shown below:

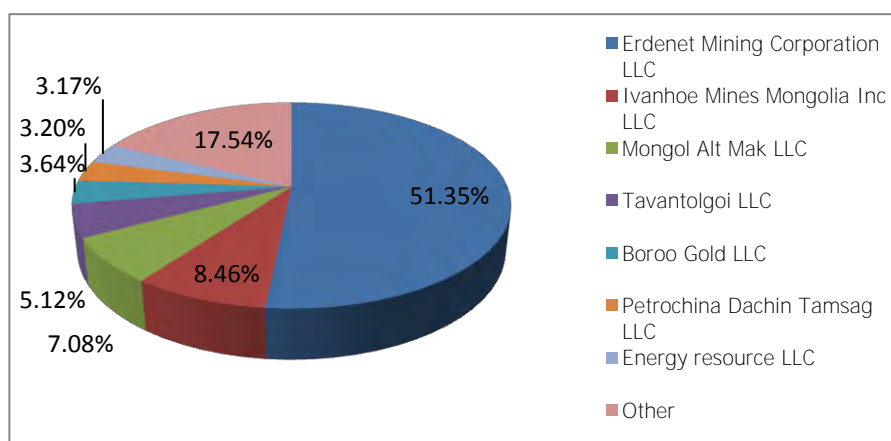


The 150 companies' corresponding payments to Government of Mongolia were as follows for the tax year 2010:

(In million MNT)

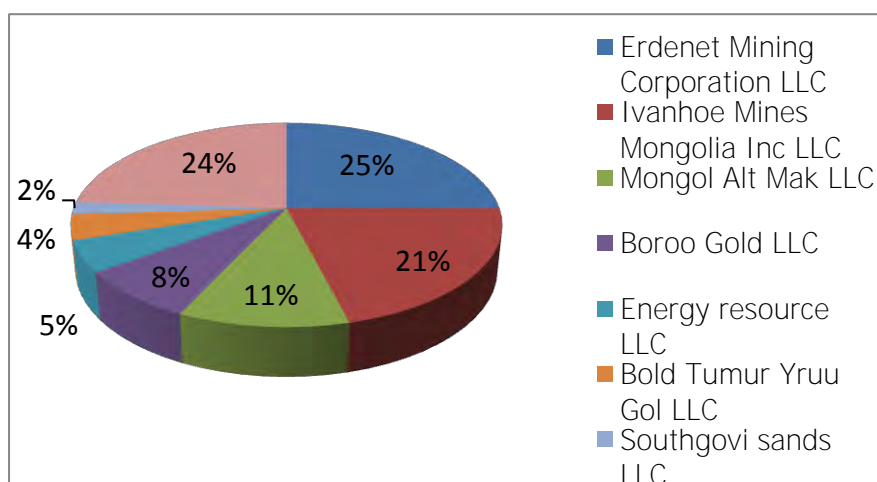


Payments were made to Governmental Organisations in 2010 by companies as shown below, expressed as a percentage of the total payments covered under EITI:



From this diagram, it can be seen that Erdenet Mining Corporation LLC is the largest paying company.

Monetary and non-cash donations were made to Governmental Organisations in 2010 by companies as shown below, expressed as a percentage of the total payments covered under EITI:



5. RECONCILIATION OF FINANCIAL FLOWS

5.1 Aggregated financial flows reported initially

(in MNT '000)

#	Taxes, fees, charges, donation and assistance paid from companies to local and state budget	Initial difference		Initial differences	
		Government	Company		
1	Taxes, payments, fees, dividends paid to state budget	1,109,349,560.7	1,064,253,864.5	45,095,696.2	
1.1	Taxes, fees, charges	925,202,795.8	891,633,822.3	33,568,973.5	
1.2	Payments	11,387,979.0	7,717,626.2	3,670,352.8	
1.3	Social and health insurance charges paid from entity	44,481,340.0	37,257,806.8	7,223,533.2	
1.4	Service fees and fees	15,110,869.0	26,890,690.3	(11,779,821.3)	
1.5	Dividends on State property	40,988,860.0	40,988,860.0	-	
1.6	Government revenues and other revenues	58,330,494.0	55,718,340.4	2,612,153.6	
1.7	Penalty	13,847,222.9	4,046,718.5	9,800,504.4	
2	Taxes, payments, dividends and fees paid to local budget	9,678,193.2	36,759,682.9	(27,081,489.7)	
2.1	Taxes, fees, charges	4,345,801.9	10,166,695.9	(5,820,894.0)	
2.2	Payments	5,332,391.3	18,439,672.8	(13,107,281.5)	
2.3	Service fees and fees	-	267,134.3	(267,134.3)	
2.4	Dividends on Local property	-	7,872,615.0	(7,872,615.0)	
2.5	Penalty	-	13,565.0	(13,565.0)	
3	Other payments and expenses	5,904,541.0	12,785,547.3	(6,881,006.3)	
3.1	Advance to costs disbursed to environment protection	697,719.0	1,128,396.1	(430,677.1)	
3.2	Donation and assistance to Government organizations	5,206,822.0	11,657,151.2	(6,450,329.2)	
3.2.1	Donation and assistance to	Monetary	2,196,334.0	6,861,639.4	(4,665,305.4)
3.2.2	Gvernment organizations	Non cash	3,010,488.0	4,795,511.8	(1,785,023.8)
Total		1,124,932,294.9	1,113,799,094.8	11,133,200.1	

Discrepancy of MNT11,133,200.1 thousand, revealed during the initial reconciliation, was caused from the following reasons:

- Personal Income Tax (PIT), which is not inclusive to EITI Reporting templates, is reported in both Government report and companies' report. Government reported PIT of MNT 1.3 billion; Companies reported PIT of MNT 7.3 billion. This caused a discrepancy of MNT 6.0 billion.
- Initial discrepancy of 35.7 billion togrogs was caused that Bold Tumor Eruu LLC presented its 2010 payment in million togrogs instead of thousand togrogs at reporting to MEITI.
- Discrepancy of 55.9 billion togrogs was created that 61 companies failed to submit their 2010 reports to MEITI;
- Discrepancy of 5.1 billion togrogs was caused that 9 companies are not included in the Government initial report;
- The initial reconciliation showed penalty of 13.8 billion togrogs at the government side, and the initial difference was 9.8 billion togrogs.
- Tax, payment and fee of 27 billion togrogs and donation and supportings of 6.5 billion togrogs paid to Local Government were not included in the initial report of the Government;
- Some taxes, payments and fees are not reported or misreported due to accountant's irresponsibility misstatement;
- Companies report customs taxes, payments, fees and service charges in lump sum amount instead of detailed amount;
- One tax overpayment is transferred to other tax underpayment. This case causes difference.
- Government includes from year to year received amount in next year reconciliation, where as companies include and report in the fiscal year, when the taxes were paid.

Total amount is shown below at comparison of company report and Government report. Detailed breakdown of total difference is as follows:

	(in MNT '000)
Payments reported by companies which exceed the corresponding receipts reported by Local Government Entities	(120,210,625.0)
Receipts reported by Local Government Entities which exceed the corresponding payments reported by companies	131,343,825.1

5.2 EITI Report at Soum Level

5.2.1 Khanbogd soum

#	Taxes, fee and charges paid from Company to local government budget	Initial		Initial difference
		Local government	Company	
1	Tax income	2,063,144.5	553,635.1	1,509,509.4
2	Non tax income	902,908.6	478,647.0	424,261.6
3	Other income	922,811.4	934,091.5	(11,280.1)
	Total	3,888,864.5	1,966,373.6	1,922,490.9

	(in MNT '000)
Payments reported by companies which exceed the corresponding receipts reported by Local Government Entities	(605,318.2)
Receipts reported by Local Government Entities which exceed the corresponding payments reported by companies	2,527,809.1

5.2.2 Tsogtsetsii soum

(in MNT '000)

A/A	Taxes, fee and charges paid from Company to local government budget	Initial		Initial difference
		Local government	Company	
1	Tax income	3,474,740.3	3,206,460.4	268,279.9
2	Non tax income	-	-	-
3	Other income	431,652.4	429,711.4	1,941.0
	Total	3,906,392.7	3,636,171.8	270,220.9

(in MNT '000)

Payments reported by companies which exceed the corresponding receipts reported by Local Government Entities	(446,099.1)
Receipts reported by Local Government Entities which exceed the corresponding payments reported by companies	716,320.0

5.3 Aggregated financial flows reported to the MEITI Working Group on December 23, 2011

In order to resolve differences after the reconciliation, EITI Secretariat and Ulaanbaatar Audit Corporation LLC sent the official note #2/65 on October 12, 2011 to get detailed information from government entities and companies and received related information. Also, we went to some government entities and companies, worked with the accountants and made adjustments. Therefore, unresolved differences was reduced sum up to MNT426.5 million.

Donation and assistance to Government entities accounts for main percentage of remained unresolved difference.

Aggregated financial flows after adjustment were as follows:

a. EITI report

(in MNT 000)

#	Taxes and fees paid from companies to state and local budget	Initial differences *	Adjustments		Unresolved differences after adjustments
			Government	Company	
			All companies		
1	Taxes, payments, fees, dividends paid to state budget	45,095,696.2	117,048,783.2	162,214,431.4	(69,952.0)
1.1	Taxes, fees, charges	33,568,973.5	43,880,704.4	77,361,359.2	88,318.7
1.2	Payments	3,670,352.8	481,557.9	4,162,269.8	(10,359.1)
1.3	Social and health insurance charges paid from entity	7,223,533.2	1,490,788.6	8,909,393.5	(195,071.7)
1.4	Service fees and fees	(11,779,821.3)	14,447,110.1	2,621,200.1	46,088.6
1.5	Dividends on State property	-	-	-	-
1.6	Government revenues and other revenues	2,612,153.6	68,368,000.0	70,980,153.6	-
1.7	Penalty	9,800,504.4	(11,619,377.7)	(1,819,944.8)	1,071.5
2	Taxes, payments, dividends and fees paid to local budget	(27,081,489.7)	27,053,298.0	2,058.8	(30,250.6)
2.1	Taxes, fees, charges	(5,820,894.0)	(1,188,559.1)	(7,009,665.3)	212.2
2.2	Payments	(13,107,281.5)	12,257,414.3	(823,784.1)	(26,083.1)
2.3	Service fees and fees	(267,134.3)	256,992.2	(9,342.4)	(799.6)
2.4	Dividends on Local property	(7,872,615.0)	14,772,615.0	6,900,000.0	-

(in MNT 000)

#	All companies				
	Taxes and fees paid from companies to state and local budget	Initial differences *	Adjustments		Unresolved differences after adjustments
			Government	Company	
2.5	Penalty	(13,565.0)	954,835.6	944,850.6	(3,580.0)
3	Other payments and expenses	(6,881,006.3)	6,281,537.1	(273,221.5)	(326,247.7)
3.1	Advance to costs disbursed to environment protection	(430,677.1)	192,916.4	(225,759.7)	(12,001.0)
3.2	Donation and assistance to Government organizations	(6,450,329.2)	6,088,620.7	(47,461.8)	(314,246.7)
3.2.1	Donation and assistance to Government organizations	Monetary	4,124,639.2	(330,806.7)	(209,859.5)
3.2.2		Non cash	(1,785,023.8)	1,963,981.5	283,345.0
Total		11,133,200.1	150,383,618.3	161,943,268.7	(426,450.3)

* Receipts reported by Local Government Entities which exceed (+)m under (-) the corresponding payments reported by companies

Net difference were as follows:

	MNT 000
Payments reported by companies which exceed the corresponding receipts reported by Local Government Entities	(562,141.3)
Receipts reported by Local Government Entities which exceed the corresponding payments reported by companies	135,691.0

b. EITI report at soum level

I. Khanbogd soum

(in MNT 000)

#	Items	Initial differences	Adjustments		Unresolved differences after adjustments
			Local government	Company	
1	Tax income	1,509,509.4	-	1,509,509.4	-
2	Non tax income	424,261.6	(815,181.6)	(390,920.0)	-
3	Donation, assistance and expenses	(11,280.1)	211,106.2	199,826.1	-
Total		1,922,490.9	(604,075.4)	1,318,415.5	-

We travelled to Kanbogd soum to get detailed information from 2 sides and after getting bank statement report of State treasury and reconcile related documents and information, there were no unresolved differences remained.

II. Tsogttsetsii soum

(in MNT '000)

#	Items	Initial differences	Adjustments		Unresolved differences after adjustments
			Local government	Company	
1	Tax income	268,279.9	-	268,279.9	-
2	Non tax income	-	-	-	-
3	Donation, assistance and expenses	1,941.0	(5,288.0)	(3,817.0)	520.0
Total		270,220.9	(5,238.0)	264,462.9	520.0

We presented unresolved difference for 50% to Environmental protection special account deposit amounting to 520.0 thousand MNT of “Energy Resource” LLC to Working Group meeting on 23rd December, 2011.

5.4 Aggregated financial flows after final reconciliation and adjustment

Since Working Group meeting on December 23, 2011, we exchanged information and cooperated with MTA, MRAM and LSWA to define reasons of unresolved difference, required replies from governors offices of the locals, government entities, worked at the covered entities’ premises, gathered copies of supporting documents of tax, fees, charges, donations and assistance from the companies and contacted with related organizations again. Subsequent to these actions, we presented to second Working Group meeting with the unresolved discrepancy 356.7 thousand MNT.

Service fees and fees paid to state central administration and ministries and 50% to Environmental protection special account occupy 67-74% in unresolved differences.

A summary of the initial differences, the adjustments made as a result of the reconciliation exercise, and the remaining unresolved net differences shows:

a. EITI report

(in MNT 000)

#	All companies				
	Taxes and fees paid from companies to state and local budget	Initial differences *	Adjustments made		Unresolved differences after adjustments
			Government	Company	
1	Taxes, payments, fees, dividends paid to state budget	45,095,696.2	117,125,377.4	162,212,459.2	8,614.1
1.1	Taxes, fees, charges	33,568,973.5	43,865,444.7	77,434,418.2	-
1.2	Payments	3,670,352.8	549,044.2	4,219,397.0	-
1.3	Social and health insurance charges paid from entity	7,223,533.2	1,490,788.6	8,714,321.8	-
1.4	Service fees and fees	(11,779,821.3)	14,467,416.0	2,678,980.5	8,614.1
1.5	Dividends on State property	-	-	-	-
1.6	Government revenues and other revenues	2,612,153.6	68,368,000.0	70,980,153.6	-
1.7	Penalty	9,800,504.4	(11,615,316.0)	(1,814,811.6)	-
2	Taxes, payments, dividends and fees paid to local budget	(27,081,489.7)	26,355,118.2	(729,217.0)	2,845.5
2.1	Taxes, fees, charges	(5,820,894.0)	(1,230,684.9)	(7,051,578.9)	-
2.2	Payments	(13,107,281.5)	12,429,077.1	(681,289.9)	3,085.5
2.3	Service fees and fees	(267,134.3)	256,992.2	(10,142.0)	-
2.4	Dividends on Local property	(7,872,615.0)	14,772,615.0	6,900,000.0	-
2.5	Penalty	(13,565.0)	127,118.8	113,793.8	(240.0)
3	Other payments and expenses	(6,881,006.3)	6,649,847.9	(219,342.2)	(11,816.3)
3.1	Advance to costs disbursed to environment protection	(430,677.1)	194,241.5	(228,345.7)	(8,090.0)
3.2	Donation and assistance to Government organizations	(6,450,329.2)	6,455,606.4	9,003.5	(3,726.3)
3.2.1	Donation and assistance to Government organizations	Monetary	4,346,585.5	(314,993.6)	(3,726.3)
3.2.2		Non cash	2,109,020.9	323,997.2	-
Total		11,133,200.1	150,130,343.5	161,263,900.4	(356.7)

* Receipts reported by Local Government Entities which exceed (+), under (-) the corresponding payments reported by companies

The net differences are detailed per company as follows:

		(in MNT '000)
Company name	Unresolved differences after adjustment	
Payments reported by companies which exceed the corresponding receipts reported by Government entities		
Ikh mongol mining LLC		(4,500.2)
Pibody winsway resources LLC		(2,400.0)
Braveheart resources LLC		(1,700.0)
Tephys mining LLC		(1,300.0)
Golden cross LLC		(900.0)
Shanlun LLC		(600.0)
Gobi Energy Partners LLC		(276.1)
Southgovi sands LLC		(240.0)
Erdene Jas LLC		(140.0)
Total		(12,056.3)
Receipts reported by Government entities which exceed the corresponding payments reported by companies		
Govigeo LLC		8,614.1
Datsan trade LLC		2,960.0
Altain khuder LLC		125.5
Total		11,699.6
Net difference		(356.7)

B. EITI REPORT AT SOUM LEVEL

- KHANBOGD SOUM

					(in MNT '000)
#	Taxes, fee and charges paid from Company to local government budget	Initial difference	Adjustment		Unresolved difference after adjustment
			Local government	Company	
1	Tax income	1,509,509.4	-	1,509,509.4	-
2	Non tax income	424,261.6	(815,181.6)	(390,920.0)	-
3	Other income	(11,280.1)	211,106.2	199,826.1	-
	Total	1,922,490.9	(604,075.4)	1,318,415.5	-

More detailed information is required from two sides (Government and company) for resolving the discrepancy, so we visited to Governor Office of Khanbogd soum. During the site visit, we checked whether the amounts were received by the state budget account of Khanbogd soum based on bank statements. There was not any difference.

- TSOGTSETSII SOUM

					(in MNT '000)
#	Taxes, fee and charges paid from Company to local government budget	Initial difference	Adjustment		Unresolved difference after adjustment
			Local government	Company	
1	Tax income	268,279.9	-	268,279.9	-
2	Non tax income	-	-	-	-
3	Other income	1,941.0	(5,758.0)	(3,817.0)	-
	Total	270,220.9	(5,758.0)	264,462.9	-

we enquired to a specialist of state treasury of Tsogtsetsii soum after working group meeting held on December 23 and received related information informing that MNT 520.0 thousand which was environmental protection rehabilitation deposited of "Energy resource" LLC was transferred from "Ukhaa khudag us khangamj" LLC. Thus, we have adjusted by deducting, resolved the difference and represented it at the second working group meeting.

6. UNRESOLVED DIFFERENCE

6.1 All unresolved differences after reconciliation

Differences remain unresolved after reconciling amounts and making adjustment based on detailed information provided by two parties. Unresolved difference is explained in detail by type of financial flows. (See Appendix D-/B/)

Summary of initial difference between government receipts and company payments, provided corrections and unresolved difference are as follows:

(in MNT' 000)						
#	All companies					
	Taxes and payment of company paid to state fund	Initial difference	Adjustment		Unresolved difference after adjustment	
			Government	Company		
1	Taxes, payments, fees, charges and dividend paid to Stat fund	45,095,696.2	117,125,377.4	162,212,459.5	8,614.1	
1.1	Taxes and payment	33,568,973.5	43,865,444.7	77,434,418.2		
1.2	Fee	3,670,352.8	549,044.2	4,219,397.0	-	
1.3	Social and health insurance premium	7,223,533.2	1,490,788.6	8,714,321.8	-	
1.4	Charges and service fee	(11,779,821.3)	14,467,416.0	2,678,980.5	8,614.1	
1.5	Dividend on state property	-	-	-	-	
1.6	Government income and other income	2,612,153.6	68,368,000.0	70,980,153.6	-	
1.7	Penalty	9,800,504.4	(11,615,316.0)	(1,814,811.6)	-	
2	Taxes and payment of company paid to local fund	(27,081,489.7)	26,355,118.2	(729,217.0)	2,845.5	
2.1	Taxes and payment	(5,820,894.0)	(1,230,684.9)	(7,051,578.9)	-	
2.2	Fee	(13,107,281.5)	12,429,077.1	(681,289.9)	3,085.5	
2.3	Charges and service fee	(267,134.3)	256,992.2	(10,142.0)	-	
2.4	Dividend on local property	(7,872,615.0)	14,772,615.0	6,900,000.0	-	
2.5	Penalty	(13,565.0)	127,118.8	113,793.8	(240.0)	
3	Other payment and expense	(6,881,006.3)	6,649,847.9	(219,342.2)	(11,816.3)	
3.1	Advanced payment for environmental protection	(430,677.1)	194,241.5	(228,345.7)	(8,090.0)	
3.2	Donation provided to Government Organization	(6,450,329.2)	6,455,606.4	9,003.5	(3,726.3)	
3.2.1	Donation provided to government organizations	Monetary donation	(4,665,305.4)	4,346,585.5	(314,993.6)	(3,726.3)
3.2.2		Non-monetary donation	(1,785,023.8)	2,109,020.9	323,997.2	-
Total amount		11,133,200.1	150,130,343.5	161,263,900.4	(356.7)	

Below table shows difference between Government receipts and Company payments as a result of reconciliation of information from participant parties:

(in MNT' 000)

	Initial difference	Difference presented to 1 st Working Group meeting	Unresolved differences after final adjustments
Receipts reported by Local Government Entities which exceed the corresponding payments reported by companies	131,343,825.1	135,691.0	11,699.6
Payments reported by companies which exceed the corresponding receipts reported by Local Government Entities	(120,210,625.0)	(562,141.3)	(12,056.3)
Total difference	251,554,450.1	697,832.3	23,755.9
Net difference	11,133,200.1	(426,450.3)	(356.7)

Breakdown of unresolved difference by each company is as follows:

(in MNT'000)

Company name	Unresolved difference after adjustment
Payments reported by companies which exceed the corresponding receipts reported by Local Government Entities	
Ikh mongol mining LLC	(4,500.2)
Pibody winsway resources LLC	(2,400.0)
Brave heart resources LLC	(1,700.0)
Tephys mining LLC	(1,300.0)
Golden cross LLC	(900.0)
Shanlun LLC	(600.0)
Govi Energy partners LLC	(276.1)
Southgovi sands LLC	(240.0)
Erdene jas LLC	(140.0)
Total	(12,056.3)
Receipts reported by Local Government Entities which exceed the corresponding payments reported by companies	
Govi geo LLC	8,614.1
Datsan trade LLC	2,960.0
Altain khuder LLC	125.5
Total	11,699.6
Net difference	(356.7)

6.1.1 Charges and service fee

(In MNT 000)

Company name	Unresolved difference after reconciliation
Government receipts are more than company payment	
Govigeo LLC	8,614.4
Total	8,614.4
Net difference	8,614.4

Charges and service fee

Unresolved difference of MNT 8,614.1 thousand is related to Govigeo LLC.

Reason of difference

The differences are caused by MRAM reported and company failure to report.

Work done for solving the difference

In order to address this payment issue, we have personally requested to see the person in charge of the accounting details at the company, but denoting to the absence of the accountant who was abroad at that point in time, the economist had agreed to step in charge in providing us with details, however after an extensive search through her own set of archived material, she informed us that there is no document connected with the above mentioned payment, including the primary accounting documents of any sorts.

Unresolved reason

The CEO of the company in question had stated in his official note (dated January 18, 2012) that “The accounting staffs of this company are currently out of the country due to the professional training courses, please conduct the MRA summary by referring to the general research accounts.” We were not able solve the difference because both sides’ information is different.

6.1.2 Fee

For fee, unresolved difference is related to land fee. Fee difference is shown below by each company:

(In MNT’ 000)

Name of company	Unresolved difference after reconciliation
Government receipts are more than company payment	
Datsan Trade LLC	2,960.0
Altain khuder LLC	125.5
Total	3,085.5
Net difference	3,085.5

Land fee

Unresolved difference of MNT 2,960.0 thousand is related to “Datsan Trade” LLC.

Reason of difference

Company failed to report it in its initial and detailed reports. But it was reflected in the information provided by Governor Office at Tuv aimag.

Work done for solving the difference

We reviewed information provided by Governor Office at Tuv aimag and contacted the company again. However the company notified us that there is no record of such payment in their accounting register and there is no primary accounting document available, as well. Due to this fact that there is no proof, the payment cannot be fully accredited as valid, therefore it is furthermore not possible to confirm based on one sided documentation.

Water use fee

Unresolved difference of MNT 125.5 thousand is related to “Altain khuder” LLC.

Reason of difference

Governor’s office at Govi-Altai aimag reflected the payment in their provided detailed information.

Work done for solving the difference

We reviewed information provided by the aimag and contacted with the company again.

Explanation of unresolved difference:

The Government amount was confirmed by information provided from Governor’s office of Govi-Altai aimag. However the company notified us that there is no record of such payment in their accounting record and there is no

primary supporting document available, as well. Due to this fact that there is no proof, the payment cannot be fully accredited as valid, therefore it is furthermore not possible to confirm based on one side documentation.

6.1.3 Penalty

For penalty, unsolved difference is related to penalty paid to local fund. Penalty difference is shown below by each company:

(In MNT'000)	
Name of company	Unresolved difference after reconciliation
Company payment is more than government receipts	
South Gobi Sands LLC	(240.0)
Total	(240.0)
Net difference	(240.0)

Unresolved difference of MNT 240.0 thousand is related to "Southgovi sands" LLC

Difference reason

Government failed to report payment paid locally in its initial report.

Work done for solving the difference

We sent an official letter to Police Authority of Umnugovi aimag. The reply was that they did not receive any penalty from this company. So we contacted the company again and requested for primary accounting document. And we revealed that it was payment paid to Tax Authority, not penalty paid to Police Authority. After enquiring to the company again to make copies of the primary documents, it was noted that the payment was made under the name of Ch. Och who is a personnel in the Tax Administration. Therefore further inquiry was made to the Tax Administration about the matter.

Explanation of unresolved reason

The company paid penalty to tax authority of Umnugovi aimag on March 7, 2010; in the payment slip name of payer was Och Ch, name of individual. We were not able solve the difference because payment slip does not bear company name, and both sides' information is different.

6.1.4 Advance for environment protection expense

This difference is related to payment paid by exploration companies holding X license for environment protection and remediation fund at Governor Office. Difference of payment is shown below by each company:

(In MNT'000)	
Name of company	Unresolved difference after reconciliation
Company payment is more than government receipts	
Peabody Winsway Resources LLC	(2,400.0)
Brave Hart Resources LLC	(1,700.0)
Ikh Mongol Mining LLC	(1,650.0)
Tethys Mining LLC	(1,300.0)
Golden Cross LLC	(900.0)
Erdene Jas LLC	(140.0)
Total	(8,090.0)
Net difference	(8,090.0)

50 percent of environmental protection expense

Unresolved difference (MNT 8,090 thousand) is related to Brave Hart Resources LLC, Golden Cross LLC, Ikh Mongol Mining LLC, Peabody Winsway Resources LLC, Tethys Mining LLC and Erdene Jas LLC.

Reason of difference

Local Governor Office failed to prepare EITI report in compliance with items of template and get environment protection and remediation expense aggregated at government initial report.

Work done for solving the difference

We sent official letters to the following soum's Governor Office based on the company information and received replies.

Unresolved reason

Replies of the following soums' Governor Office were those environment protection and remediation advances were not held: Bayanchandmani soum of Tuv aimag, Undurkhangaï, Davst, Umnugovi and Tarialan soum of Uvs aimag, Eruu of Selenge aimag, Bugat soum of Bayan-Ulgii aimag, Altanshiree soum of Dornogovi aimag, Tonkhil and Tugrug soum of Govi-Altai aimag. However the company had sent primary documents to prove that the company had concentration to the environment protection and restoration funds appertaining to the Governor's office of the soums. We were not able solve the difference because both sides' information is different.

6.1.5 Donation provided to Government Organizations

Donations are shown below by each company:

(In MNT 000)	
Name of company	Unresolved difference after reconciliation
Company payment is more than government receipts	
Ikh Mongol Mining LLC	(2,850.2)
Shanlun LLC	(600.0)
Gobi Energy Partners LLC	(276.1)
Total	(3,726.3)
Net difference	(3,726.3)

a. Donation provided to Government Organizations

Unresolved difference (MNT 876.1 thousands) is related to Gobi Energy Partners LLC and Shanlun LLC.

Reason of difference

Government Organizations received donation failed to prepare EITI report in compliance with items of template and get it aggregated at government initial report.

Work done for resolving difference

Based on detailed information of companies, we sent an official letter to Government Organizations received donation and received response from them.

Unresolved reason:

- Reply from Governor Office of Khan-Uul district was that this kind of donation is not deposited at District development Fund.
- Company reply was that it provided donation to Social Insurance Office of Bayangol district for moving into new office; we enquired the Social Insurance Office about this donation. The reply was that it did not receive any donation. (primary accounting document was cash payment slip)

b. Donation provided to aimag

Unresolved difference (MNT200.0 thousand) is related to Ikh Mongol Mining LLC.

Reason of difference

Local Governor Office received donation failed to prepare EITI report in compliance with items of template and get it aggregated at government initial report.

Work done for resolving the difference

Based on detailed information of companies, we sent an official letter to Governor Office of aimag which received donation and received response from them.

Unresolved reason

Reply from Governor Office at Govi-Altai, Dundgovi was that they did not get donations. But company provided donation sent us copy of supporting document related to donation.

c. Donation provided to soum

Unresolved difference (MNT2,650.2thousand) is related to Ikh Mongol Mining LLC.

Reason of difference

Local Governor Office received donation failed to prepare EITI report in compliance with items of template and get it aggregated at government initial report.

Work done for resolving difference:

We sent official letters to Governor's office of Bayan-Ovoo soum of Umnugovi aimag, Umnugovi soum of Uvs aimag and Matad soum of Dornod aimag based on detailed information provided from the company and received related information. We enquired again to the company and the company sent as copy supporting documents.

Unresolved reason

Reply from Governors at Bayan-Ovoo soum of Umnugovi aimag, Umnugovi soum of Uvs aimag and Matad soum of Dornod aimag was that they did not receive donation, Companies sent as copy supporting documents related to donation provided.

7. ADDITIONAL SURVEYS TO BE DONE BY RECONCILER AS REQUESTED ON TERMS OF REFERENCE

7.1 Compliance of Order No. 45 of the Minister of Finance, Mongolia

The Appendix of Government Ordinance No.80 of 2007 provides a clear statement of State organizations' participation in EITI implementation, and the requirement to prepare information regarding receipts (eg: taxes, payments, fees, various charges and service charges, donations and support) received in the state budget accounts of the respective local government, per company, along with the items indicated in the EITI forms. However, each year, differences relating to donations paid and support provided to state budget organizations occur. Furthermore, most state and government organizations as well as the governor's offices of the local government do not implement "Guidance on recording of donations and supporting".

In conclusion, the Order No.45 of Minister of Finance, Mongolia, of 2010 is not implemented basing on submission of aimags like Umnugovi, Tuv and Uvs whose amounts are reported and reconciled in the initial reconciliation in accordance of the EITI templates.

7.2 Working in Khanbogd and Tsogttsetsii soums of Umnugovi aimag

The consultants worked in Khanbogd and Tsogttsetsii soums of Umnugovi aimag in November, 2011 in coordination with civil society organization Publish What You Pay (PWYP) Mongolia. We performed the following:

- We were provided with reporting issued by the state fund specialist of the soums using the PWYP form showing payments, donations and supporting to the local budget from "ONTRE" LLC, "Oyu Tolgoi" LLC and "BLT" LLC operating in Khanbogd soum, and "Broad" LLC, "Daitsuki" LLC, "Morinluu" LLC, "Tavan tolgoi" LLC, "Energy resource" LLC and "Erdenes MGL" LLC operating in Tsogttsetsii soum.
- MRAM informed us that licenses of "BLT" LLC and "Daitsuki" LLC had been cancelled, and "Broad" LLC and "Morinluu" LLC had not started mining activity even though the companies had received

their licenses for 30 years in 2006. We tried to contact the management of these companies using contact details provided by the MRAM, however, we were not successful due to reasons such as phone numbers having been closed, phone numbers had been transferred to others and phones not being answered.

- We reviewed taxes, payments, fees and service charges paid from “ONTRE” LLC, “Oyu Tolgoi” LLC and other companies to the local budget and checked whether the amounts were received by the state budget account of Khanbogd soum based on bank statements.
- We confirmed the amounts with assistance of checks made by the companies over disbursement of the donations and supporting to state and government organizations and individuals.
- In making the adjustments after clarifying reasons of differences by reconciliation using form of PWYP we confirmed 7.8 billion MNT of receipts (covering taxes, payments, fees and service charges), and 744.6 thousand MNT of donations and supporting to state organizations and individuals. (See details in Appendix U-/B &C/).
- Donations and Support have been satisfactorily reconciled.

7.3 Study on Implementation of IFRS

During the reconciliation, we requested 150 companies to fill in a form on Implementation of IFRS and IAS. Of those 128 companies replied and 22 did not reply to our request. See details in Appendix J.

From the result of the study, 46 auditing firms (of which 3 were foreign and 43 local) provided an audit opinion on these 128 companies.

Of total audit opinions, 87.5 percent were unqualified and 12.5 percent were qualified and other opinions.

10 companies (7.8 percent of the total that replied) answered 11 questions related to Standards as they pursue all of them. The remaining companies' reply was that they failed to pursue some of them, but as indicated in audit opinion provided to them, 87.5 percent had unqualified opinion. We are not sure whether the replies of the companies are proper or an audit opinion provided to the companies is proper.

For replied 128 companies, compliance information of IFRS and IAS are shown at percentage below:

IFRS	Question	Percentage of compliance		
		Yes	No	N/A
IAS 2-Inventory	Inventories are valued at the lower of cost or net realizable value ?	49.3	38.2	12.5
IAS 16- Property, plant and equipment	Include any fixed assets at valuation (as opposed to cost) ?	34.0	57.6	8.3
	Capitalise and depreciate property, plant and equipment ?	55.6	41.7	2.8
IAS 17-Leases	Financial leases are valued at the lower of the present value of the minimum payments and fair value of assets ?	18.8	46.5	34.7
IAS 40-Investment Property	Separately record the investment property apart from fixed assets?	27.1	41.0	31.9
IFRS 6- Exploration for and Evaluation of Mineral Resources	Assess impairment loss of exploration and evaluation assets ?	20.1	62.5	17.4
IAS 10- Events After the Balance Sheet Date	Disclose events after the BS date in Financial statements ?	56.3	37.5	6.3
IAS 24- Related-party disclosures	Disclose transactions with related parties?	80.6	14.6	4.9
IAS 37- Provisions, Contingent Liabilities and Contingent Assets	Recognize any obligation incurred by dismantling and restoration during a certain period as a result of having carried	28.5	42.4	29.2

IFRS	Question	Percentage of compliance		
		Yes	No	N/A
	out activities of exploration and evaluation of mineral resources and calculate amortization ?			
	Recognize and record contingent liabilities ?	41.0	47.9	11.1
IAS 12-Income tax	Record differences between tax and financial bases of accounting and recognize deferred assets and liabilities?	75.7	22.9	1.4
Average percentage		44.3	41.2	14.6

From this table, it is clear that IFRS and IAS compliance of companies does not reach at required level.

It is noteworthy that the auditors reported in most cases that the financial statements had been prepared in accordance with IFRS whereas the questionnaire indicates that in many cases the financial statements contain departures from IFRS. It is possible that the departures relate to immaterial items. In future years, additional information may be sought from the companies and auditors to understand the position more clearly.

No issues arose from this work that cast doubt on the declared payments made by companies.

7.4 Environmental Protection and Rehabilitation Report

Environmental Protection and Remediation Reports is summarized based on 70 companies' information provided from MRA. 80 companies did not carry out remediation work for the following reasons: some of them carry out only exploration and oil operations; some failed to conduct remediation work even they carried out mining operation; some did not have remediation plan for that year.

Summary of the 70 companies that carried out a remediation work is shown below:

Technical Remediation (in thousand cubic meters)			Soil remediation (in thousand cubic meters)			Biological remediation (in thousand cubic meters)			Disbursement (in thousand togrogs)		
Plan	Performance	Percent	Plan	Performance	Percent	Plan	Performance	Percent	Budget	Actual	Percent
448.1	1,102.3	246.0	150.1	230.8	154.0	355.6	412.7	116.0	3,835.4	9,096.4	237.0

From this remediation report, "Gatsuurt" LLC, "Shijir talst" LLC and "Pibody winsway resources" LLC made remediation full. (See details in Appendix M)

The companies that spent more for remediation work are as follows: Gatsuurt LLC spent MNT2.7 billion, Boroo Gold LLC- MNT 2.2 billion, Southgobi sands LLC-MNT 439.1 million, Shijir Alt LLC – MNT 413.8 million, Energy Resource LLC- MNT412.0 million, MONENKO LLC-MNT398.5 million, Mongolrustsvetmet LLC-MNT301.0 million.

7.5 Analysis on Implementation of Mining Activity Plan

111 companies submitted its Analysis on Implementation of Mining Activity Plan by mining production commodity; 39 companies failed to submit the analysis (the reason the cited is that they were undertaking exploration activities only); 2 companies are oil companies.

Information of the 30 companies that submitted Analysis on Implementation of Mining Activity Plan is summarized below by same unit measurements. Copper, zinc, plumbum, spar, iron, limestone and gypsum are summarized in this table. In future, a different questionnaire should be designed for oil companies.

(See details in Appendix L)

Earth removal (in thousand cubic meters)			Ore mining (in thousand cubic meters)			Ore processing (in thousand cubic meters)			Product output (kilograms)			Sales of products (kilograms)		
Plan	Performance	Percent	Plan	Performance	Percent	Plan	Performance	Percent	Plan	Performance	Percent	Plan	Performance	Percent
17,539.9	12,922.0	73.7	37,399.8	32,449.8	86.8	47,356.2	31,550.1	66.6	557,734.3	548,594.4	98.4	557,691.1	533,579.4	95.7

Information of the 6 companies that submitted gold mining activity plan and performance are summarized below: (See details in Appendix L)

Earth removal (in thousand cubic meters)			Ore mining (in thousand cubic meters)			Ore processing (in thousand cubic meters)			Product output (kilograms)			Sales of products (kilograms)		
Plan	Performance	Percent	Plan	Performance	Percent	Plan	Performance	Percent	Plan	Performance	Percent	Plan	Performance	Percent
6,918.5	6,860.6	99.2	3,346.0	112.1	3.3	5,928.1	116.0	2.0	5,113.6	3,681.9	72.0	2,227.6	3,762.0	168.9

Information of the 61 companies that submitted gold mines activity plan and performance are summarized below: (See details in Appendix L)

Earth removal (in thousand cubic meters)			Ore mining (in thousand cubic meters)			Ore processing (in thousand cubic meters)			Product output (kilograms)			Sales of products (kilograms)		
Plan	Performance	Percent	Plan	Performance	Percent	Plan	Performance	Percent	Plan	Performance	Percent	Plan	Performance	Percent
19,219.0	11,384.8	59.2	8,663.6	6,013.5	69.4	9,462.2	6,289.5	66.5	3,758.9	1,936.6	51.5	3,762.6	1,552.3	41.3

Information of the 18 companies that submitted coal mines activity plan and performance are summarized below: (See details in Appendix L)

Overburden removal (in thousand cubic meters)			Product output (coal, kilograms)			Sales of products (coal, kilograms)		
Plan	Performance	Percent	Plan	Performance	Percent	Plan	Performance	Percent
62,286.6	73,015.1	117.2	16,957.9	19,805.0	116.8	16,573.0	19,598.0	118.3

Companies are listed in order of quantity of carried out earth removal work in 2010 below:

Companies	Performance (in thousand cubic meters)
Energy Resource LLC	19,906.0
Baganuur LLC	15,340.8
Tavantolgoi LLC	12,378.4
South Gobi Sands LLC	10,862.5
Olon Ovoot Gold LLC	6,793.8
Shivee-Ovoo JSC	6,247.0
Erdenet Mining Corporation LLC	5,556.3
Chinkhua Mak Naryn Sukhait LLC XXK	4,548.7
Bold Tumur Eruu Gol LLC	3,285.1
Mondulaan trade LLC	2,526.5
Mon polimet LLC	1,594.7
Sharin gol JSC	1,448.6
Others	13,694.0
Total	104,182.4

Due to the companies being involved in many different categories of mining, thus making it difficult to compare the amounts indicated in operations such as mining, production, product manufacturing, sales of product, the amounts have been converted and classified here to have same unit measurements.

We have prepared the information on natural environment protection and rehabilitation work and execution re-search of mining work plan based on information provided by MRAM.

7.6 Movement in Mining and Exploration License holdings

Changes in Mining and Exploration License of Companies involved in the Reconciliation are as follows: See details in Appendix K.

Number of Mining Licenses				Number of Exploration Licenses			
At the beginning of 2010	Issued	Ceased	At the end of 2010	At the beginning of 2010	Issued	Ceased	At the end of 2010
402	5	38	369	692	5	237	460

At the beginning of 2010, 107 (out of the total 150 companies involved in the reconciliation) hold 402 mining licenses; by the end of 2010 it had decreased to 369. The following companies obtained one mining license: Taats Murun LLC, Uyangan LLC, Chin-hua MAK Nariin Sukhait LLC, Erel LLC, and SBF LLC ; 38 mining licenses of the named 21 companies ceased for the following reasons: transfer, expiration and revocation. The companies that held most mining licenses were: Mongol-Rostsvetmet LLC (33 licenses), Altan Dornod Mongol LLC (29 licenses), Mongol Alt Mak LLC (26), Gatsuurt LLC (19), Datsan Trade LLC (14), Boroo Gold LLC (10), MONENKO LLC (9); these represent 41 percent of all mining licenses held by the 150 companies.

For exploration licenses, at the beginning of 2010, 77 of those 150 companies held 692 exploration licenses; at the end of 2010, it reduced to 460. The following companies obtained between them five exploration licenses: Khan Shijir LLC, KhOTU LLC, Universal Copper LLC.; 237 exploration licenses of 43 companies ceased for the following reasons: transfer, expiration and revocation.

7.7 Quality of reporting by covered entities

First we have sent a letters with some appendixes to companies. The appendixes include questionnaire about implementation of IFRSs, changes in mining and exploration licenses, environmental remediation report, and analysis on implementation of mining activity plan. Companies are required to complete the questionnaire. We have observed that the information and reports submitted by the companies were sometimes inadequate. Some companies submitted incomplete and incorrect information and reports, so we have been required to contact them several times to obtain appropriate information and report.

Environmental remediation reports and analysis on implementation of mining activity plan provided to us were copy of reports submitted by the companies to Mineral Authority. We have observed some irregularities / errors. For example, in submitting environmental remediation reports and implementation on mining activity plans, companies presented data in cubic metres instead of in thousand cubic metres which is indicated in the template, and in kilograms instead of tonnes.

From the point of the consultants, in the duration of the reconciliation report, according to the instruction in the fifth report of the EITI and the 2010 audit reconciliation executive project, it is imperative that the companies concerned in this report to send copies of the reports relating to the MRA such as "Execution of Mining work plan" (Form no. 2.7) and "environment protection and rehabilitation work information" (Form no. 2.9). Therefore all the companies have been requested to send copies of all the concerning documents such as the above that have been included in the report made to the MRAM.

The information and research results provided by the companies were combined and presented at the meeting of the Working group on December 23rd, 2011. From this Working group meeting an order was issued that there should be an inspection of how the information on environmental protection and restoration and execution research of mining work plan compare with information and research results given by the companies to the MRA. Following this order, and in cooperation with the MRA, we have acquired information and research results and have compared materials from both sides. To demonstrate this work, we have included the combination of all data that was sent to us by MRA in this current report.

7.8 Participation of government and companies

We sent official letters to 400 organisations and received replies to clarify the information in relation to Report EITI 2010, as follows:

	Number of responses

Ministries and agencies	25
Budget organizations	32
Aimags	21
Soums	169
District	8
Companies	150
Total	405

The TOR require references of all participating companies and Government entities, how they were transparent, how communication was run; we are required to attach a summary of openness of all participants to this Report. Therefore, we evaluated the 150 companies and Government institutions using above criteria.

Companies' participation was as follows:

- Good– 6, Average – 110, and Inadequate – 34.

The summary of openness of the companies is shown on Appendix O., and activeness of the companies is mentioned in Section 7.14 of this report.

Government entities' participation was evaluated as follows:

- Good – 2, Average – 7, and Inadequate – 1.

Evaluation of "Good" regarding transparency and communication was given to "Boroo gold" LLC, "Tethys mining" LLC, "Khar tarvagatai" LLC, "MCS Holding" LLC, "Erdenet factory" LLC, "Universal copper" and other companies. Because, these companies were active in providing their detailed information timely, truly and completely, and replied to our additional requested clarifications on a timely basis and meaningfully. Specially, "Tethys mining" LLC was particularly active in providing its detailed information together with its EITI 2010 Reports.

Evaluation of "Inadequate" was given to companies that were slow to provide detailed information, amounts indicated in the provided detailed information were as lump sums not shown in breakdown, incomplete, and additional information requested by appendices was not provided; further, we needed to contact these companies many times.

Evaluation of "Average" was given to MOF, MTA, MCO, MRAM, PAM and General Office for Social Insurance due to the following reasons:

- The MOF was too slow in replying to our clarification letter requested to clarify prepayment of investment agreement from "Oyu Tolgoi" LLC.
- The MTA prepared its initial reconciliation including taxes from individual, water and land fee, tax on automobile and self moving vehicles and fee for use of mineral resources of widespread deposit as "Penalty others" under "Penalty" category as a single lump sum amount. We wasted much time in obtaining clarification to confirm and adjust the amounts by contacting to MOF and SPIA several times.
- The MCO wasted much time and did not provide a breakdown of the detailed information on time.
- The MRAM was very much more helpful than in previous years, except, not considering incomplete submission of detailed information, and the MRAM reported the license fee for exploitation and exploration of mineral resources in MNT not in USD; MRAM worked cooperatively and on a timely basis.
- The PAM wasted much time and did not give priority to this work. We had to request several times to obtain the necessary information.

Evaluation of "Inadequate" was given to SPIA due to the following reasons:

- After multiple requests to the SPIA, and passing of many days we did not receive any information but only a reply to review with the state fund the penalty receipt account of the MOF. It was very bureaucratic and time wasting.

Covered entities openness is shown in (Appendix O), and replies are shown in (Appendix P).

7.9 Donations and support provided to Governmental Organizations

Companies reported that they provided donation and support of MNT 2,725.0 million to Ministries and Agencies. But Ministries and Agencies reported that they received donations and support of MNT 50.1 millions. The initial discrepancy was MNT 2,674.9 millions. We have made correction of MNT 2,838.2 millions based on information provided by Governmental organizations. A discrepancy of MNT 876.1 thousand was not resolved.

Donation and assistance from companies to Government entities

#	Name of companies received donation	Corrected		Unresolved discrepancy	Name of companies provided donation	Comments
		Government	Company			
1	Administration of President	122,441.0	122,441.0	-	Mongolian Alt Corporation LLC, Energy Resource LLC, Erdenet Mining Corporation (3 companies)	Letter sent on November 21; reply received on December 5; we gave phone call many times and requested.
2	Cabinet Secretariat of Government of Mongolia	13,094.2	13,094.2	-	Ivanhoe Mines Inc Mongolia /Oyu Tolgoi/ (1 company)	Letter sent on November 21; reply received on November 28.
3	Ministry of Foreign Affairs	25,000.0	25,000.0	-	Erdenet Mining Corporation (1 company)	Letter sent on November 21; reply received on December 1.
4	Mongolian Embassy in London	838.8	838.8	-	Erdenet Mining Corporation (1 company)	Letter sent on November 21; reply received on December 16. we gave phone call many times and requested.
5	Mongolian Embassy in Russia	3,615.4	3,615.4	-	Erdenet Mining Corporation (1 company)	Letter sent on November 21; reply received on November 25.
6	Mineral Authority	22,500.6	22,500.6	-	Boroo Gold LLC, Khunnu Resources LLC, Chin-hua MAC Nariin SuKhait LLC, Shin Shin LLC (4 companies)	
7	Petroleum Authority	62,468.6	62,468.6	-	Gobi Energy Partners, Dongsheng Oil, Petro China Dachin Tamsag, Space Geology, Sheiman, NPI (6 companies)	Letter sent on November 21; reply received on November 30.
8	Labour and Welfare Service Agency	765,719.5	765,719.5	-	Ivanhoe Mines Inc Mongolia /Oyu Tolgoi/, Shanlun (2 companies)	Letter sent on November 21; reply received on November 28.
9	Vocational and Technical Education Agency	894,080.1	894,080.1	-	Ivanhoe Mines Inc Mongolia /Oyu Tolgoi/ (1 company)	Letter sent on November 21; Reply received on December 6.
10	National Emergency Management Agency	17,000.0	17,000.0	-	Mon Polimet, Shivee Ovoo, Shijir Alt (3 companies)	Letter sent on November 21; reply received on November 30
11	Border Protection General Board	14,550.0	14,550.0	-	Energy Resource, Erdenet Mining Corporation, Senterra Gold (3 companies)	Letter sent on November 21; reply received on November 25.
12	Center of Standardization and Measurement	31,000.0	31,000.0	-	AUM, Boroo Gold, Gatsuurt, Mondulaan Trade (4 companies)	Letter sent on November 21; reply received on November 25.
13	General Intelligence Agency	3,000.0	3,000.0	-	Mongolian Alt MAC (1 company)	Letter sent on November 21; reply received on November 28.
14	Immigration Agency	9,282.0	9,282.0	-	AnKhai-International, Tsairt Mineral, Emeelt Mines, Energy Resource (4 companies)	Letter sent on November 21; reply received on November 28.
15	Mining Institute	12,489.0	12,489.0	-	South Govi Sands (1 company)	Letter sent on November 21; reply received on November 29.
16	Child Care Center	1,800.0	1,800.0	-	Kokegovi (1 company)	Letter sent on November 21; reply received on November 28.

#	Name of companies received donation	Corrected		Unresolved discrepancy	Name of companies provided donation	Comments
		Government	Company			
17	National Center for State Courts	5,000.0	5,000.0	-	Erdenet Mining Corporation – (1 company)	Letter sent on November 21; Reply received on December 6.
18	State research center on Maternal and Child Health of Mongolia	2,734.9	2,734.9	-	Kokegovi (1 company)	Letter sent on November 21; reply received on November 28.
19	Customs Office /Gashuun SuKhait, Sainshand/	67,523.0	67,523.0	-	Energy Resource (1 company)	Letter sent on November 21; Reply received on December 15.
20	Museum of Jukov	1,322.0	1,322.0	-	Mongolrustsvetmet-1 компани	Letter sent on November 21; Reply received on November 21.
21	Mongolian National Broadcasting System	5,000.0	5,000.0	-	Erdenet Mining Corporation – 1 company	Letter sent on November 21; reply received on November 29.
22	General Inspection Agency	8,426.4	8,426.4	-	Boroo Gold (1 company)	Letter sent on November 21; reply received on November 28.
23	Governor Office of Bayangol District	300.0	300.0	-	Shanlun (1 company)	Letter sent on November 21; reply received on November 29.
24	Social Insurance Office of Bayangol District		600.0	(600.0)	Shanlun (1 company)	Letter sent on November 21; reply received on November 28.
25	Social Insurance Office of BayanzurKh District	200.0	200.0	-	Western Propector Mongolia (1 company)	Letter sent on November 21; reply received on November 28.
26	National Emergency Management Office at BayanzurKh District	830.0	830.0	-	Mon Dulaan Trade LLC	Letter sent on November 21; reply received on November 28.
27	Tax Office at BayanzurKh District	1,000.0	1,000.0	-	Tunsini (1 company)	Letter sent on November 21; Reply received on December 16.
28	Police Office at BayanzurKh District	1,966.8	1,966.8	-	Mongolian Alt MAC (1 company)	Letter sent on November 21; Reply received on December 16.
30	Social Insurance Office at SuKhbaatar District	1,900.0	1,900.0	-	Donsheng Oil (1 company)	Letter sent on November 21; Reply received on November 29.
34	Social Insurance Office at SonginoKhairKhan District	100.0	100.0	-	Gatsuurt (1 company)	Letter sent on November 21; reply received on November 28.
35	Health Center at SonginoKhairKhan District	5,000.0	5,000.0	-	Gatsuurt (1 company)	Letter sent on November 21; reply received on November 28.
36	Governor Office at Khan-Uul District		276.1	(276.1)	Gobi EWnergy Parnters (1 company)	Letter sent on November 21; reply received on November 28.
Sub-total		2,100,182.3	2,101,058.4	(876.1)		

Donations and assistance from companies to local government organizations

1	Arkhangai	6,200.0	6,200.0	-	Bumbat Resources, Beren Minign (2 companies)	Letter sent on November 19; Reply received on November 28.
2	Bayan-Ulgii	11,000.0	11,000.0	-	Altain Khuder, Erdene Jas (2 companies)	Letter sent on November 19; Reply received on November 24.
3	BayanKhongor	339,793.8	339,973.8	(180.0)	Andyn Temuulel, Gobi Coal and Energy, Jump Alt, G&U Gold, IKh Mongol Mining, Mongolrostsvetmet, Odod Gold, KhanShijir, Erdene Jas (9 companies)	Letter sent on November 19; Reply received on November 28.
4	Bulgan	53,462.0	53,462.0	-	Urmun Uul, Mondulaan Trade, Peebody Winsway Resources, Erdenet Mining Corporation (4 companies)	Letter sent on November 19; Reply received on November 28.
5	Govi-Altai	201,035.0	201,035.0	-	Altain Khuder, Gatsuurt, Gobi Coal and Energy, Mongolian Alt MAC (4 companies)	Letter sent on November 19; Reply received on November 28.
6	Govisumber	62,878.0	62,878.0	-	Govigeo, Shaiman, Shivee-Ovoo (3 companies)	Letter sent on November 19; Reply received on December 1.
7	DarKhan-Uul	10,198.0	10,198.0	-	Mongol-Alt, Sharyn Gol, Erel (3 companies)	Letter sent on November 19; Reply received on November 29.
8	Dornogovi	728,725.7	728,725.7	-	Boroo Gold, BerKh Resources, Gobi Energy Partners, Dongsheng Oil, Zaraya Holdings, iKh Mongol Mining, Kokegovi, Commod, MGMK, Mongolian Alt MAC, MongolRosTsvetmet, Peebody Winsway Resources, Tethys Mining, Tsairt Mineral, Erdenet Mining Corporation (15 companies)	Letter sent on November 19; Reply received on December 2. We gave phone call many times and requested.
9	Dornod	210,924.5	211,474.7	(550.2)	Aduunchuluun, Dun-Erdene, Kamp-Alt, IKh Mongol Mining, Mongolian Alt MAC, Petro matad, Petro China Dachin Tamsag, Centerra Gold, Khuusgul, Shanlun, Shing Shing, Emeelt Mines, NPI, Erdene Jas (15 companies)	Letter sent on November 19; Reply received on December 14. We gave phone call many times and requested.
10	Dundgovi	8,950.0	9,150.0	(200.0)	Adil-Och, Gobi Coal and Energy, Golden Pogada, iKh Mongol Mining, Mongol-Ros-Tsvetmet, Tumen-And (6 companies)	Letter sent on November 19; Reply received on November 29.
11	ZavKhan	170,914.9	170,914.9	-	Bayan Airag Exploration, Mongolian Alt MAC (2 companies)	Letter sent on November 19; Reply received on November 25.
12	Orkhon	2,695,741.7	2,695,741.7	-	Erdenet Mining Corporation – 1 company	Letter sent on November 19; Reply received on December 14. We gave phone call many times and requested.
13	UvurKhangai	294,890.0	294,890.0	-	Agit Khangai, AUM, Gatsuurt, Capcorp, Peebody Winsway Resources, Erdenet Mining Corporation (6 companies)	Letter sent on November 19; Reply received on November 25.
14	Umnugovi	2,500,792.6	2,502,292.6	(1,500.0)	AGM Minings, Ivanhoe Mines Inc Mongolia /Oyu Tolgoi/, BraveHeart Resources, Dun Yan, Zon Hen Yu Tian, iKh Mongol Mining, QGX Mongolia, Mongolian Alt MAC, Olon Ovoot Gold, ONTRE, Peebody Winsway Resources, South Gobi Sands, Tavan Tolgoi, Khangad Exploration, Chinhua MAC Naryn SuKhait, Energy Resource (16 companies)	Letter sent on November 19; Reply received from November 25 to December 14.
15	SuKhbaatar	308,816.0	308,816.0	-	Andyn Ilch, Bayan Erch, Garrison Asia, Petro China Dachin Tamsag, Senterra Gold, Tsairt Mineral, Erven Khuder (7 companies)	Letter sent on November 19; Reply received on December 1. Some information was missed. So we requested again.
16	Selenge	1,312,942.4	1,312,942.4	-	Buurgent, Bold Tumur Eruu Gol, Boroo Gold, Gatsuurt, IKh Mongol Mining, Senterra Gold Mongolia, Khurai, Shijir Talst, Erdes Holding (9 companies)	Letter sent on November 19; Reply received on December 5.

17	Tuv	303,831.0	303,831.0	-	AnKhai-International, Bud-Invest, Bulgangangat, Gatsuurt, Gunbileg Trade, Urmun-Uul, Ten Hun, Jotoin Bajuuna, Zaamaryn IKh Alt, Iltgold, Mon Polimet, Monros Prom Ugoli, Mongol CheKh Metal, Mon Dulaan Trade, Noyon Garry, Uyan Gan, KhOTU, Taats Murun, Shaiman, Shijir Alt, Erdene Jas (21 companies)	Letter sent on November 19; Reply received on December 1.
18	Uvs	150,232.0	150,832.0	(600.0)	Golden Cross, Datsan Trade, IKh Mongol Mining, Mongol-Ros-Tsvetmet, Khar Tarvagatai, Erdenet Mining Corporation (6 companies)	Letter sent on November 19; Reply received on December 2.
19	Khovd	1,700.0	1,700.0	-	Braveheart Resources, Long Xenda (2 companies)	Letter sent on November 19; Reply received on December 9. We gave phone call many times and requested.
20	Khuvsgul	52,278.0	52,278.0	-	Mogoin Gol, Mon Ajnai, Erdenet Mining Corporation (3 companies)	Letter sent on November 19; Reply received on December 1. We gave phone call many times and requested.
21	Khentii	33,160.2	33,160.2	-	BerKh-Uul, Geo-Erel, Datsan Trade, IKh Mongol Mining, Mongol-Ros-Tsvetmet, Northwind, Tunsini, Shaiman (8 companies)	Letter sent on November 19; Reply received on November 25.
22	Baganuur	103,600.0	103,600.0	-	Baganuur (1 company)	The company did not provide detailed information, so donation receiver is not known.
Sub-total		9,562,246.1	9,565,096.3	(2,850.2)		
Total		11,662,428.4	11,666,154.7	(3,726.3)		

Donation and support provided to Khanbogd soum

Companies reported that they provided donations and supporting of MNT 302.3 million to Local Government and individuals. But Local Government reported that they received donations of MNT 291.0 million. Initial discrepancy was MNT 11.3 million. During the assignment, we visited the province, reviewed donations against documentation and resolved the discrepancy.

During the site visit, we revealed that companies provide its used furniture, computers and equipments with no useful-life to local administration, governmental organizations and households as donations at the price as one wants. There is not any creative work done for soum development except Ivanhoe Mines Inc Mongolia LLC provided diesel fuel of MNT 242.9 million to Khan Diesel Local Owned Self-Sustained Enterprise. Most donations provided by companies are related to finance celebration, holidays, and mountain worship. Compensation provided for a dead camel that fell into a channel dug by Ivanhoe Mines Inc Mongolia LLC was reported as donation. This payment is not donation, so we provided correction on this and excluded it from both reports of government and company. See details in Appendix J.

Donations and support provided to Tsogttsetsii soum

Companies reported that they provided donations and support of MNT 429.7 million to Local Government and individuals. But Local Government reported that they received donations of MNT 431.1 million. Initial discrepancy was MNT 1.4 million. During the assignment, we visited to the province, reviewed donations against documentation and resolved the discrepancy of MNT 1.4 million.

Energy Resource LLC provided more donation and aid compared with Ivanhoe Mines Inc Mongolia LLC. For example, it provided motor vehicle ("UAZ" Van) to soum hospital, installed street lightening, furnished a playground for children, provided soft toys to kindergarten, furnished lingo phone room for a school, and provided equipment to a school. See details in Appendix U-/C/.

8. ISSUES

8.1 Receipts/payments omitted

Neither the government nor “Oyu Tolgoi” LLC reported a 50 million USD (equivalent to 68.4 billion MNT) transaction.

We have included this transaction in the reconciliation by adjusting both sides’ amounts based on their detailed information sent to us during the reconciliation. “Oyu Tolgoi” LLC has provided its detailed information by explaining that the company has made payment of 50 million USD to the MOF on 7 April, 2010 as prepayment under an investment agreement. Also, the government has provided an official letter No.3-214680 dating on 16, November, 2011 accepting its receipt of this amount through its USD Bank Account #3332416 of payable note on 8 April, 2011, and also enclosed the bank statement. According to public information, the amount is a negotiated prepayment of duties and amounts that are expected to become payable to the government.

The scope of the reconciliation work is not designed to ensure that payments / receipts omitted by both payer and recipient are detected. In this instance, the amount came to our attention as it was a matter of public knowledge. Other payments / receipts omitted by both sides might not be detected.

8.2 Inclusion of companies not in the extractive sector

There are some companies like “Odod” LLC, that operates in hotel service, leasing and trading, not exploration, “Khotiin zam” LLC, whose license was cancelled in 2006 and is currently engaged in road and bridge business, “Mongolia development resources” LLC whose business is real estate and investment in infrastructure. “Kevin invest” LLC operates in selling and concentration of floursparand “Govix” LLC which does geophysics activities are covered under 2010 reconciliation. Also, “Taz murun” LLC operates in mining using license of “Khuder erdene” LLC.

Inclusion of companies, those are not engaged in mining and/or exploration, in the reconciliation causes difficulties both to consultants who are making the reconciliation and as well to the companies. We, as consultants, received the following reply from the companies after requesting for information that *...our company is not engaged in mining activities, therefore, cannot provide your requested information....*, however, we gathered official letters from these companies.

“DQE International Mongol” LLC sent us official letter No.126 dated on 19 October, 2011 stating that the company does not own exploitation and exploration licenses and works as a sub-contractor for a petroleum company. The company did not provide its supporting documents..

8.3 Work responsibility of the state organizations

i. MTA / state registration

Two companies namely “Jargalant mineral” LLC, engaged in construction and maintenance, and “Ten Khun” LLC, engaged in mining, have the same duplicated state register number, registered at tax authority of Bayangol district. These were mixed and “Jargalant mineral” LLC was covered under the reconciliation. During the reconciliation, we noticed that all the payments, taxes made to the MTA was paid by “Ten Khun” LLC not by “Jargalant minerals” LLC, even the contact details provided by the MTA related to “Jargalant minerals” LLC. Eventually, we approached again the MTA and switched names and included “Ten Khun” LLC in the reconciliation. This duplication indicates a weakness in the working of the system of state registration.

ii. Penalties / SPIA

The initial reconciliation showed penalty of 13.8 billion togrog at the government side, and the initial difference was 9.8 billion togrog. In order to resolve this difference, we have prepared separate appendix as per each company showing the different amount and sent to the SPIA, enclosing together with an official letter however, the SPIA could not even determine its penalties, which the SPIA imposes on, names separately, rather explained us that *...the State fund Account #900000602 budget summary account that is located at the MOF, therefore, our organizations cannot review its original supporting documents, so, better check with the MOF....* Within this explanation, we approached to State fund department of the MOF, again the penalties names and set out amounts are not clarified separately, so, requested again from the MTA asking

to determine us the sources of the penalty before its summarization. This time, the MTA has determined the penalties separately by preparing random survey, into its recording system, on the taxes paid by business entities those issue the EITI Reports in order to easy-up the EITI Reconciliation work. Due to this survey, the MTA has found out that CIT, VAT, tax on automobile and self moving vehicles, real estate tax and PIT were named separately, but, others like taxes from individuals, water fee, fee for exploitation of mineral resources, fee for use of mineral resources of widespread deposit, tax on gun, tax on selling of fixed asset and other under "Penalty-others". Total amount of these taxes, payments, fees was reported as doubled in the initial reconciliation, and due to this, due to one organization's weak work responsibility, we have wasted much time approaching to many entities and organizations. From here, we can see how the work responsibility of the staff of the state organizations is low and their approach to their work is weak.

8.4 Still occurrence of difference in charges and service charges

There are no possibilities to resolve the differences related to charges and service charges given that Government do not provide any information in this aspect and the uncertainty exists in mechanisms to report and aggregate data.

In addition, amount reported at detailed statement by entities is larger than the amount initially reported by them, contributing to the unresolved difference more. Such individual amounts are mostly insignificant, it will require enormous effort and time for government to reconcile them because entities paid those charges and service charges are spread over the country in terms of location. Although confirmation letters sent out to assure material amounts, responses are barely received or the response received does not adequately provide required information to reconcile the difference.

8.5 Lack information of the companies

It was very clear that the MTA records a company and opens a legal person data when it is established, on the other hand, the MRAM records a company when mining and/or exploration was issued to the company, and all the contact details like the company location, contact numbers of the management are records, however, all these information are not updated regularly, remains same as the first recording. Since there is no yearly updating of the companies' information, we exposed and wasted our time to look for the contact details of accountants, management and find the companies by using websites, information of the MRAM related tax authorities of districts, as well as locals, governor's offices and other various types of directory, because, addresses, location and contact details of almost 50% of the covered companies out of 150 were unclear. Particularly, management details of the exploration companies are unclear, the accountants are changed from year to year, and the location addresses are also changed, we have felt these difficulties during our sending of official letters.

For instance, as per the MRAM information "ZBAA" LLC owns exploration licenses in Tsengel soum of Bayan-Ulgii, Matad soum of Dornod and Manlai soum of Umnugovi. After contacting with the Governors and Environment inspectors of these soums on the phone and getting the contact details of the management, we tried to communicate, however, phone numbers are not reachable and transferred to other owners. Finally, we approached to the tax authority of Chingeltei district, where the "ZBAA" LLC belongs to, and clarified the phone numbers of the company Director and accountant from a tax inspector who is in charge of the company tax issues, however, we got reply "the company pays the taxes on time, prepares the financial and tax statements timely, why, do you need to call to the company, and there is no need to update the company information, is it not necessary, and I do not know"... and, we stuck on the way.

8.6 Tardiness of entities in report preparation

During the reconciliation, we encountered difficulties from some entities those were not responsive and supportive to our work especially when we ask for the contact details after distributing our official letter, ask for detailed data to assure initially provided information, with the accountants in order to complete the work on time efficiently, however, the accountants reply that...why do you need my phone number, you might bothering calling me again and again, we cannot contact with your repeatedly....and communication become so hard.

And when we request for a reply to our official letter, the companies have answered that...you are the one have chosen our company, and now bothering us, we do have our own work.

To confirm amounts of donations and assistance provided by entities, we send official letters to ministries, their agencies or major budget entities but these entities are not promptly and accountably responding to these letters and showing hardness and very much bureaucracy.

For example, the entities do not give significance in replying to our official letter by understanding that the official letter needs to be replied in timely manner, and show slowness in checking in their accounting recordings, and review the entries, and eventually, give reply that they did not receive any donation, there is no any centralized charge and service charge amounts in the accounts after many follow-ups from the reconciliation team members. However, we patiently approach again to the related companies and get the supporting documents and give back the entities, then finally, they accept their receipts, but, it very time wasting.

8.7 Difficulties in confirming difference and getting information

It was very time consuming when the companies reply that the accountant is changed and the accountant does not know about the previous accountant's work, or the accountant is abroad, or at the camp in countryside, or sick, or on annual leave and etc... For example, we received such replies from the following companies like "Mon dulaan trade" LLC, "Monpolimet" LLC, "Mr. Garry" LLC, "Andiin elch" LLC, "Govigeo" LLC, "Garrison Asia" LLC, "Uurt gold" LLC, "MEC" LLC and others.

Plus, difficulties caused because, some companies do not have their own accountant, for example, companies like: "Govix Mongolia" LLC, "Zuriin bulan" LLC, "Urt khoshuu" LLC, "Khuadi Kyone" LLC, "Khunan Jinlen" LLC and others.

When we request the details from the companies whose information is not satisfactory, they used to reply that we provided once, why do you request again, there is no information more than we have provided before, or replied that we are under tax inspection review, or under audit review etc..

Plus, there were companies who do not understand the reconciliation work purpose, and refused to reply to us. For example, "TRIMM" LLC was too slow in giving reply keep wasting time and complaining about why we need so much detail for preparing one reconciliation.

Most companies provided their information for the appendices incomplete, and we had to request again, in that way, we wasted our much time and the reconciliation work was on slow manner.

Some entities were slow in reply complaining that it was the organizations' confidential information when we sent official letter asking for charges and service charges. For example, Central Laboratory for Geology and General Agency for Spy.

We wasted much time also for getting information from the locals, and the received information are not complete, because, whenever we request, there were always many reasons like some remote aimags and soums do not have internet connection, no electricity, and some soums' state fund specialists are absent for seminars, or gone for cattle counting activity or there is civil representative's meeting is on etc...

We hardly received information from Dornogovi aimag, because, after our request for the incomplete information from a Head of the finance and state department of the aimag, he refused several times reasoning out many reasons like there is ceremony for financier's day etc... Finally, we approached and requested from the Governor's office of the aimag and explained our need, only after this, and after wasting much time we hardly got the information.

Same case was with Dornod aimag, we could not get the information directly due to many reasons such as all the staffs were in Beijing, and replacing person said that there is no direction given to him to provide with any information. Eventually, we got the information only with the participation of the Governor of the aimag.

8.8 Incompleteness of information prepared along of the EITI template

Due to incomplete and incorrect information reported in the EITI reports by the state and government organizations and the companies, we have needed to approach repeatedly to organizations and companies to check and correct information supplied.

From this, we infer that there is doubt as to whether some companies report their volume and quantity for its produced and sold products, and/or pay related taxes correctly after recording transactions completely in the records, and reporting in the financial statements.

8.9 Complaints from companies

During the reconciliation work and as well as obtaining information, we introduce and give knowledge about the EITI Reconciliation work to the management, accountants and geologists of the companies. However, some companies' management complain about the EITI process.

For example, they say that "even if the different information and surveys are taken in various types of ways from us, and evaluate them, there is not any qualified actions supporting and assisting us, rather produce so many laws, guidance, regulations and orders to be followed, but these are only becoming burden and time wasting for us and for our work. Plus, there is burden of various types of charges, and when try to make one business operation, many of licenses, permissions are required, and it becomes hardness for our business".

8.10 Reason for the Initial Discrepancy

During initial comparison of Government and company reports, huge discrepancy is revealed at Mongolian EITI Reconciliation Report in the previous years. This discrepancy was related to both Government and companies. All initial discrepancies revealed in the previous years are shown below:

	(In thousand MNT)				
	Years				
	2006	2007	2008	2009	2010
Number of mining and exploration licenses held by the companies involved in reconciliation				1,094	829
Number of companies that submitted MEITI templates	64	102	115	129	210
Number of companies included in report developed by Ministry of Finance	137	184	184	363	400
Number of companies decided by the Working Group to be included in Mongolian Reconciliation Report	25	38	46	101	150
Initial discrepancy					
Amount reported by the Government is more than the amount reported by the companies.	6,407,478	58,973,454	7,069,911	2,462,121	131,343,825
Amount reported by the companies is more than the amount reported by the Government.	(103,234,341)	(82,415,815)	(54,218,781)	(267,969,859)	(120,210,625)
Total discrepancy*	109,641,819	141,389,269	61,288,692	270,431,980	251,554,451
Net discrepancy	(96,826,863)	(23,442,361)	(47,148,870)	(265,507,738)	11,133,201

*The discrepancy is related to initial reconciliation by tax category

We determined discrepancy reason of initial reconciliation of 2010 and classified the reasons by same category. Detailed information is illustrated in Appendix M. From this study, 43.2 percent of total discrepancy was caused by Governmental Organizations and 56.8 percent was caused by the companies. Failure of submitting report to IETI represents 22.2 percent and influences materially to initial discrepancy. In preparing report, companies choose wrong abbreviation of thousands ('000) and millions ('000 000). This failure repre-

sents 14.2 percent of total discrepancy; misstatement at Government Report represents 17.3 percent; one tax overpayment is transferred to other tax underpayment, this represents 15.6 percent. The above mentioned discrepancy represents 70 percent of total initial discrepancy.

Initial discrepancies are caused by the following reasons:

- The 30% of mineral resources usage fee transferred back to local governments reported mostly as doubled.
- One tax overpayment is transferred to other tax underpayment. (The reconciliation is not made with these differentiated amounts with business entities).
- Penalty and re-pay taxes amounts, which are imposed from the tax inspection, are reported in the relates sections of the EITI report
- Government includes from year to year received amount in next year reconciliation, where as companies include and report in the fiscal year, when the taxes were paid.
- The government entities do not report in the reconciliation the charge and service charge amounts received from the mining companies.
- The companies do not completely report all the charges and service charge, and penalty amounts in the EITI report.
- Differences occur when small amount is paid through the bank accounts, the companies do not write its name rather an individual who is making the payment writes its name as a payer, and/or even if the payment is made under the company name, the supporting document is missed out, so, amount is not reported in the sides' reports.

There are some issues that require more control and attention: determine the nature of the reason of discrepancy, get the companies to submit reporting template properly, the Government to aggregate report appropriately, and get the local government to fill in reporting templates correctly. The Working Group is required to take specific action in improving reporting activity, and minimize errors and issues at reconciliation report and submitting proper report in order to decrease initial discrepancy.

8.11 Some payments gathered in the Local Funds

Mining companies pays deposits for environmental remediation work to Local Environmental Protection Fund every year and job position fee of foreign specialist and employees in compliance with Article 43 of Mineral Law.

In 2010, companies paid MNT 108 million to Local Environmental Protection Fund and job position fee MNT 910.4 million of foreign specialist and employees to Local Funds in compliance with the Article 43 of Mineral Law.

For deposits to Local Environmental Protection Fund, some companies get back the money after completion of remediation work as required by the laws and regulations for the year. But in most case, this deposit is not returned. Job position fee of foreign specialist and employees should be used for Education and Health sector as indicated in the Article 43 of Mineral Law. Expenditure of the funds by Local Governors is not known.

9. RECOMMENDATIONS

9.1 Selection of companies to be reconciled

As required in EITI Principle's requirement 18(b) ii, EITI reconciliation work involves companies which hold licenses related to extractive industry and companies participated at EITI Reporting process should be registered.

Ministry of Finance aggregated tax payment of 478 companies from 11 government organizations in preparing Government report. EITI Working Group aggregated payment of 264 companies. But report says that about 1900 companies holding mining and exploration licenses operate in Mongolia as of 2011. Companies which do not hold mining licenses are involved in this reconciliation. EITI Working Group is checking mining companies registered by National Taxation Department with companies holding license of Mineral Resource Authority and taking steps in determining additional companies for the next year's reconciliation

It is necessary for the MTA to request for survey of the companies owning the mining and the exploration license from the MRAM when include the companies, those engage in mining, in the reconciliation, and comply with the EITI purpose.

It is required that that the MTA and the MRAM should update companies' private details, which is initially recorded, at the end of the each year when receive the reports from them.

9.2 Inclusion or deduction of some payments in the initial reconciliation

The mining companies those own many exploration licenses ("X" license) centralize 50% (minimum from 50 thousand to 15 million togrog) of their cost for environment protection almost in each soums of all aimags. The MNET gathers and/or centralizes 50% of restoration expenses as indicated in "Environment protection plan" only from the mining companies, not from the exploration companies. Therefore, difference occurs since the exploration companies report about their centralized cost in the EITI report while the government does not and there is no description who would report the costs. We recommend determining the detailed description for this task and clearly setting out how the governor offices of aimags, capital, districts and soums would submit their amounts to the MRAM.

If the number of employees employed exceeds the percentage set forth in Article 43.1, the licence holder shall pay 10 times the minimum monthly salary to the local budget for each workplace occupied by expat employee every month. We recommend providing clear guidance that these payments shall be aggregated at governor's offices of aimag, soum and district governors and reported to Labour and Social Welfare Office.

The government entities do not report in the reconciliation the charge and service charge amounts received from the mining companies. There are no possibilities to resolve the differences related to charges and service charges given that Government do not provide any information in this aspect and the uncertainty exists in mechanisms to report and aggregate data. It is advisable to remove the fees and service charges since these are not enough influential significant financial flows to the EITI reconciliation.

It is very clear from the occurred difference that there is action is taken to implement the recommendation given from year to year relating to eliminate the above mentioned difference.

9.3 Oyu Tolgoi financing

The Working Group did not define financing transactions as Material Payments and Receipts for the purpose of MEITI reporting for 2009, nor for 2010. Financing transactions occurred to the value of US\$ 100 million in 2009 and US\$ 50 million in 2010. If they had been included, the declared total of government receipts would have increased by major portion.

It seems clear that such transactions related exclusively to the extractive sector and provided a significant benefit to the government; they should therefore have been included¹. The transactions were new and unusual, which gives rise to a question about the degree of awareness of the Working Group as to the exact nature of the transaction and their understanding of the EITI requirements.

This event indicates that it is necessary for the Working Group to make fresh enquiry each year as to whether the template is appropriate.

9.4 Concerning the inclusion of the pre-payments for the investment contracts in the EITI report.

The EITI report is conducted by monetary basis. For that reason, the pre-payments made by foreign invested companies in the mining industry to the Government have not been included in the accounts, and it will further affect the EITI reports. Since there is a high possibility of money divergences such as pre-payments to companies with foreign investments, the Working group needs to decide concretely on whether to include these payments in the EITI reports and create rules relating to that.

¹ EITI Requirement 9(d)(vii)

9.5 Control over budget receipt recordings at local level

We recommend improving controlling mechanism over the state budget centralization of the receipts since there is still difference from year to year. The difference occur because, when the state budget income plan types are not enough for the quarterly and/or yearly use of the fiscal year, then the payments, like water fee and land fee, made by the exploration companies operating in the locals, are transferred to and complete the budget.

9.6 Application of regulation for recording of donation and supporting

Here, we would like to mention about our observation noticed during reconciliation that an implementation and understanding of Order No.45 of Minister of Finance issued in year 2010 is weak.

Therefore, it is advisable to organize seminars, trainings to users of information issues from the MOF, do controlling over its implementation and to take measurements and actions towards state and government as well as local organizations and their officials those who has not implement and followed-up.

9.7 Improvement on quality of MEITI report

The TOR for the 2010 reconciliation requires that data at reporting template submitted by companies shall have been verified by auditor. Management Explanation Letter received by the companies

The evidence produced by companies, in their letter of representation, is a director statement that the reported data is consistent with the audited financial statements. It does not however confirm whether or not an external auditor has examined the template that was submitted.

We recommend that companies be required in future to confirm explicitly that the submitted templates have been examined by an auditor and that the auditor has reported that they are in conformity with the audited financial statements. The Working Group should consider whether to require such audit confirmation to be submitted directly to the reconciler (audit consortium). This may reduce initial reconciliation difference notably and increase quality of reporting templates and companies' responsiveness.

During the previous reconciliation work, we recommended to make the items of the EITI report more comprehensive and to comply the templates of "Financial statements" because reporting templates submitted companies shall have been verified by the company auditor". We are informed that working group is organized recently at the Accounting Policy Department of the MOF in order to amend "The financial statements' disclosures".

9.8 Procedure for return of templates and its supporting details

The templates completed by companies and government should be returned direct to the reconciler. This is part of EITI Requirement 11(a). If desired, a copy of the templates may additionally be provided to the MEITI secretariat.

It has been the experience of all previous reconciliations that the figures provided by Government and by companies do not initially agree. It has always been necessary to ask companies and government to provide supplementary information, in the form of detailed listings of transactions that make up the total template reported amounts. This adds an unnecessary step into the reconciliation process and increases the time required for the reconciliation.

We recommend that companies and government be required to provide the detailed listings of transactions at the same time as the initial submission of templates.

This change will also avoid the situation encountered in the 2010 reconciliation: that one government entity was not able to explain its reported figures, nor justify the total amount, nor analyse its reported amount according to the paying company; thus the entity was unable to assist in the reconciliation.

9.9 Mainstreaming the EITI process

Companies and government should make compliant EITI reporting a standard part of their management processes.

It appears to be generally the case that EITI reporting is viewed by companies as a special exercise that is undertaken on a once-off basis each year. Company systems are not oriented to produce EITI report data as a routine matter; this arises mainly because company systems tend to be organised to produce accruals-based financial reporting information which is classified according to purpose or type of expenditure: EITI on the other hand requires cash-basis information organised by payee. By mainstreaming, companies would ensure that their systems accurately identify relevant transactions and systematically report them; the accuracy of EITI reports would also become less reliant on knowledgeable individual employees and susceptible to difficulty of personnel change.

Government systems should also be developed to produce the required data routinely. Currently, we understand that a major exercise is required, coordinated by the Mongolian Tax Authority on behalf of the Ministry of Finance, to aggregate data for mining companies as a preparatory step to identifying which companies should participate in the reconciliation. Such processes should be automated.

9.10 Develop transparency of Civil Service

During reconciliation work, the following things are required to become more open and fair.

- Whether Government Organizations and Companies fill in MEITI templates completely and correctly;
- Strengthen control during report collection
- The way how do Government Organizations provide respective services to mining companies which form most part of State and Local Budget;
- Information on whether mining companies operate in compliance with Laws on Environmental Protection and Appropriate Usage of Minerals;
- Implementation of Guidance and Regulations approved in relation with application of laws;
- During reconciliation of report, it is important to determine bureaucracy at which level of civil service

9.11 Advertising of the EITI work to the public

It is advisable to take urgent actions to present more about the EITI's purpose, goal and its work scope processing in Mongolia to mining and exploration business entities, also subcontractors and the mining companies those cooperate or communicate in some ways with the state entities, and advertise and making propaganda towards the state entities and the local organizations, and eliminate the understanding that the EITI report is not prepared optionally, and to build the legal environment in further.

9.12 Management of the reconciliation

We recommend that the elapsed time for the engagement of the reconciler should be extended considerably to allow improved organisation of the reconciliation process. We propose that:

- 1 the reconciler should be appointed before any templates are finalised for issue to companies and government; this will enable the reconciler to contribute to the improved design of the templates, thereby reducing the difficulties that have previously arisen in the reconciliation;
- 2 the reconciler should contribute to instructions that should be issued along with the templates; clarification of instructions should help to reduce errors in templates that were identified in previous years;
- 3 the commencement of the reconciliation should be advanced; it should be a target that all templates should have been returned by 31st March in each year, so as to commence the reconciliation in April;
- 4 the time period allowed for the reconciliation work should be prolonged to 13 weeks; this allows for the additional complexity caused by the increasing numbers and geographical spread of companies, Aimags and Soums that are included in the reconciliation; For instance, It is necessary half month to confirm /delivery only official letters/ the amount of donation and assistance to local soums and it is

related to mail delivery between aimags and soums once a week, no internet and mobile connection. Therefore, the performance of reconciliation reporting needs to be not less than 13 weeks.

This will help to control difficulties of the covered companies, the companies located everywhere, and related entities of aimags and soums in report preparation.

- 5 the target date for presenting the draft report to the Working Group should be mid-July.

We consider that this arrangement would improve the reconciliation process and the quality of the reconciliation report. To enable this to take place, the procurement process for the reconciler should commence in October each year.

9.13 Controlling over some payment paid to Local Government

We would like to recommend that there should be controlling over the centralization and disbursement of the payments, such as costs disbursed for protection of environment, contribution in-kind to environment protection and fee for recruiting foreign experts and workers, those are paid to local budget, and environment restoration cost which is not refunded back should be remained as earning of the local.

9.14 Performing the Reconciliation report of EITI in aimag Level

Should clarify the accounting forms taken from the provincial administration and companies. In other words, should classify by specific criteria of tax, payment and service fee in order to make clear.

In doing on an Aimag (province) scale

- The report will be produced according to the deadlines, as information will be collected more efficiently due to the fact that it will be possible to contact Governor's offices of Soums via Governor's offices of the Aimag, therefore ensuring that the information will reach in time to the concerned clients,
- Will be possible to enumerate the total sum of taxes, payments, and fees collected from mining companies in the extent of the Aimag through the Tax Administration of the Aimag
- On top of improvements in quality of numerical and reconciliation works, it will also affect the provincial administrative entities and companies, and will ensure fully that any misses in reporting of paid and received profits do not occur.
- It is imperative to be organized in such a way that the reconciliation reports are undertaken and executed, in term of time, before the National reconciliation report works,
- Will be able to use information on the provinces /aimag/ used in the reconciliation reports in the Nation wide reconciliation report work,
- Finally, will be profitable to have discussions on the results of the Aimag scale reconciliation reports and if needed, to take measures to resolve any arising problems promptly.

9.15 Concerning the improvements of forms of Reconciliation report of EITI in Aimag scale

Set clearly items of the template form received from local administration and companies. Another words, classify taxes, fees, payments and service charges correctly. And follow-up filling guidance in using the proposing template.

9.16 Concerning the clear description of Reconciliation report of EITI in Aimag scale

Determine reconciliation work scope, its significance, purpose, requirement, criteria for choosing companies for aimag scale reconciliation report and set out material level to review discrepancies between payments and receipts.

9.17 Concerning the choosing company and local organization to be included in Reconciliation report of EITI in Aimag scale

In order to select local for the Aimag scale reconciliation report of the EITI, it is important to take into account the centralization status of the companies that are involved in the mining industry in the provinces, what percentage of the province's budget plans these companies receive, and the complaints and opinions of existence of illegal activities committed by the companies filed by the local inhabitants.

In order to choose the company to include in the summary, it is important to choose the company based on its business continuity and to have a broad base of selection. For example, there are multiple companies active in the region of Tsogttsetsii, Umnugovi aimag in a field of utilization and exploration with special authorized licenses.

9.18 Concerning issues to be covered under Reconciliation report of EITI in Aimag scale

Besides improving transparency of payments and receipts through reconciliation report, it is advisable to include the following issues:

- exploration and mining license holders in local report about their license information,
- review how the environment restoration is made,
- what contract/agreement is conducted between local administration and company,
- how local public's welfare and living is improved,
- whether donation and supporting directed to health and education industries,
- how structural work is supported and financed,
- whether work place is build for people of employment age of local and
- include the discrepancy issue between foreign and domestic labor force salaries in the report.

9.19 Concerning existence of legal environment

Reconciliation report would become more significance and transparency for more interesting information if there is legal environment on controlling over various types of contracts/agreements of local administration and foreign invested companies, building and disbursement of aimag and soum development fund and issues mentioned in 9.5 of this report.

For this, the following issues should be included in transparency law for mining industry which is process of development:

- Inform openly to public about donation and supporting received from mining companies at level of aimag and soum, and about contracts/ agreements made,
- Review periodically soum development fund, its building and disbursement from the National Auditing Department and inform to public openly and
- Local administration should inform also about its received donations and supporting, and their building and disbursement accordingly.

9.20 The clarification of the resources directed towards development funds of the Soum

The companies that practicing mining activities in the Soum must declare the differences between the annual profits of the capital resources directed for the development funds of the Soum and the operations that are undertaken, and this should be stated in detail in the cooperation contract by the companies and the local administration.

It is important to advise to the Administration board of the Soum, the representative body of the citizens, that it is far more effective to the well being of the citizens to have stable financial support rather than to accept the furniture, materials and tools that are no longer in the use in the form of "aid" from the companies.

9.21 Making Reconciliation report of EITI at aimag scale independent

To perform reconciliation report at aimag scale separately and in advance from National reconciliation report. Because, National reconciliation report work is becoming broader from year to year, and if it would go together with the reconciliation report work at aimag scale, then reconciliation work would become sluggish and time wasting.

9.22 Organizing triple participation working group

It is adequate to organize triple participation working group in soum where centralization of mining companies is high, not at every soums of aimags.

Also triple branch councils at aimags should be assisted from Working Group and National Council by their working principle, methodology. It would help to implement the Initiative satisfactorily in Mongolia.

1. Soum working group performs the following activities. As follow:

- Receive reports from both sides (local administrations, companies) according to approved template,
- Reconcile the both sides' reports,
- Submit the reconciled report to aimag branch council,
- Prepare brief brochure, materials to introduce to public within the reconciliation report and
- Present its prepared reconciliation report to bag's public meeting, soum public representative meeting and make transparency on taxes, payments, fees and donations paid from companies operating in mining at the local.

2. Aimag working group performs the following activities. As follow:

- Receive reports from all soums including with working group or not according to approved temple,
- Do reconciliation for a whole aimag and
- Present reconciliation report to public representative meeting, distribute to soums and inform to public.

We recommend to take measurement to improve knowledge on initiative by making information efficiently, increase public participation in decision making on issuance of special license, provide public with information how they can control over receipts, its disbursement centralized in local, and review on mining activities of the companies and "Publish on paid and received" committee should provide publics and representatives of civil societies those work in triple working groups of aimag and soum scale.

9.23 Concerning the improvement of methods of receiving information

Due to the fact that, at the time of receipt of MRA data, it was difficult to do so, because the payment was not recorded in the accounting registry by the company registry number, but was registered by the name of the company and the person in charge. Furthermore, due to the inaccurate record of the names of the companies with foreign names, further difficulties rose with the summary of the detailed data of the company. For these reasons, it would be beneficial to both sides of the transactions, if MRA registers the partner companies by their registry numbers in their accounting registry, when reporting the license payments and service fees by the other companies.

9.24 Appraising and acknowledgement of government entity and/or company, those actively participated in the EITI

The EITI reconciliation work is being done for the 5th year, however, the result and significance of the reconciliation is not understood efficiently enough in the public since there is no procedure to evaluate the participants for their participation, to appraise them, to prize them, and on the other hand, to take actions for their non-responsibilities, and to give assignment and to publish them through mass media.

We would like to appraise and inform to the public about actively participated government entities and as well as companies those were initiative enough in the reconciliation, and provided their information timely. For instance, government entities such as MRAM and GDNT, and companies such as "Adamas Mining" LLC, "Adamas Mountain" LLC, "Ivanhoe Mines Inc.," /Oyu Tolgoi/ LLC, "AGM Mining" LLC, "Ankhai International" LLC, "Boroo Gold" LLC, "Bold tumur eruu gol" LLC, "Beren group" LLC, "Buurgent" LLC, "Berkh Uul" LLC, "Dazan trade" LLC, "Geosan" LLC, "Gobi coal and energy" LLC, "Cupcorp" LLC, "Pedro matad" LLC, "Ilt gold" LLC, "ONTRE" LLC, "Mongolyn alt MAK" LLC, "Mongolrustsvetmet" LLC, "Uyan gan" LLC, "Tethys mining" LLC, "Khar tarvagatai" LLC, "Southgobi sands" LLC, "Chinkhua MAK nariin sukhait" LLC, "Shanlun" LLC, "Shariin gol" JSC, "Shijir alt" LLC, "Shivee-Ovoo" JSC, "Erdenet mining corporation" LLC, "MCS Holding" LLC, "SBF" LLC and "Universal copper" LLC.

9.25 Measurements toward the companies those did not prepare the EITI report several times and slow to the reconciliation work

The difference of 2.5 billion togrog is occurred and was influential to the initial aggregation difference because, the companies, those own the mining and as well as the exploration licenses, like “Braveheart resources” LLC, “Monpolimet” LLC, “Mongol gazar” LLC and “Engui tal” LLC, and the companies, who own only the exploration license, such as “Mongol tsamkhag” LLC, “Mongol-Alt” LLC and others did not prepare the EITI Report consequently in 2-3 years.

And we would like to mention here names of the companies those were really slow and slow in providing their details during the reconciliation. As follows: “Andiin elch” LLC, “Andiin temuulel” LLC, “Baganuur” LLC, “Garrison Asia” LLC, “Govigeo” LLC, “Tenkhun” LLC, “G and U gold” LLC, “EAM khunkh adar” LLC, “Sikh Mongol mining” LLC, “Ikh tokhoirol” LLC, “Uurt gold” LLC, “MEC” LLC, “Mongol international” LLC, “Monpolimet” LLC, “Mongol bulgar geo” LLC, “Mongol gazar” LLC, “Mongol tsamkhag” LLC, “Mondulaan trade” LLC, “Monrus from ugoli” LLC, “Mr. Garry” LLC, “Odod gold” LLC, “Olon ovoot gold” LLC, “TRIMM” LLC and “Tundre clup” LLC. Therefore, it is recommended to take some measurements toward these companies.

Appendix A - Adjustments resulting from the reconciliation exercise (1) – by financial flow

The aggregated flows submitted on the initial templates were shown in section 5.1 of the Report.

This Appendix describes the adjustments made to the initial templates, according to the type of financial flow as set out in the EITI Mongolia templates.

1. Taxes

The differences in the taxes section of the initial templates, together with the adjustments made to figures provided by Government Entities and companies as a result of the reconciliation exercise, are as follows:

Section	Initial Differences (net) MNT 000	Adjustments made		Unresolved Differences (net) MNT 000
		Government entities MNT 000	Companies MNT 000	
1.1.1 Corporate income tax	26,376,013.3	575,905.9	26,951,919.2	-
1.1.2 Customs tax	1,606,402.6	1,142,674.6	2,749,077.2	-
1.1.3 Value added tax	10,333,133.2	1,494,220.0	11,827,353.2	-
1.1.4 Excise on imported fuel and oil materials	968,596.6	6,658.8	975,255.4	-
1.1.5 Tax on petrol and diesel fuel	59,026.0	712.5	59,738.5	-
1.1.8 Windfall tax	(28,513,602.0)	38,680,077.7	10,166,475.8	-
2.1.1 Real estate tax	111,924.5	29,577.2	141,501.7	-
2.1.2 Tax on automobiles and self moving vehicles	70,579.8	10,631.1	81,210.9	-
2.1.3 Other taxes	(1,270,893.2)	(1,228,214.0)	(7,274,291.5)	-
Total	5,008,675.8	40,669,564.6	45,678,240.4	-

1.1 Corporate income tax (CIT)

Section	Initial Differences (net) MNT 000	Adjustments made		Unresolved Differences (net) MNT 000
		Government entities MNT 000	Companies MNT 000	
Corporate income tax	26,376,013.3	575,905.9	26,951,919.2	-

The adjustments to the initial differences for the corporate income tax are as follows:

- The government reported the penalty imposed by Taxinspection Authority as Corporate income tax in its initial reporting. Payment from “Mongoliin Alt MAK” LLC of MNT 776,357.8 thousand, “Erdenet Min-