

**EXTRACTIVE INDUSTRIES TRANSPARENCY
INITIATIVE**

**REPORT ON THE FIRST MONGOLIAN
RECONCILIATION BY**

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Executive Summary

The comparison of templates in the first EITI reconciliation in Mongolia disclosed aggregate company payments that greatly exceeded aggregate Government receipts.

It was obvious from this that information provided on Government receipts was incomplete and inaccurate. This was borne out by follow up investigation of the substantial number of significant discrepancies. In particular a large number of aimags, soums, agencies and ministries did not report receipts and others provided incomplete and inaccurate data.

Another major issue was the inconsistency that occurred in what data was reported. Companies included a variety of different items in the calculation of some taxes and charges. Issues also arose as to what should be included in some areas of Government receipts. These clearly indicate deficiencies in instructions.

Resolution of most unresolved discrepancies in the 2006 reconciliation is not a practical option. To do so would involve a massive task to produce a reconciliation of information that is now between 12 and 24 months old. Further this would need to take place at a time when both the Government and companies have heavy workloads dealing with 2007 year end requirements and when EITIM should be focused on preparing for future reconciliations.

The above issues represent a major concern for future reconciliations. If future reconciliations are to succeed it will be essential for

- a. the Government to introduce systems to ensure that complete and reliable data is obtained from all entities in receipt of taxes, fees and donations from mining companies, and
- b. EITIM to produce a revised set of detailed template instructions that incorporate requirements in respect of various matters discussed in this report

Section 1: Introduction

- 1 This report deals with the aggregated results of the first EITIM reconciliation. It deals with historical information pertaining to the financial year ended 31 December 2006 and laws, taxes and practices relating to some matters dealt with herein may have changed since that time.
- 2 At the request of EITI Mongolia we have prepared separate reports dealing with each of the 25 mining companies covered by this first reconciliation. Copies of these separate reports are attached and form part of this report.
- 3 All figures shown in this report are expressed in thousands of Mongolian Tugrug unless otherwise stated.
- 4 The global Extractive Industries Transparency Initiative (EITI) encourages Government, extractive companies, and civil society stakeholders to work together to develop a framework for the publication of payments and receipts from the extractive industries (i.e. oil, gas, and/or mining). The aim is to promote transparency in the revenues generated by extractive industries to increase the likelihood that such revenues are used in an efficient and equitable manner, and to reduce the risk of diversion or misappropriation of funds generated by the development of a country's extractive industry resources.
- 5 The Government of Mongolia announced the country's adherence to EITI in 2005. In follow-up, a National EITI Council and stakeholders working group, comprised of representatives of the Government, mining companies, and civil society, were established to implement EITI. EITIM implementation is now being supported by a grant from the EITI multi-donor trust fund administered by the World Bank. The working group, which is supported by a small secretariat, has published an EITIM work program and agreed templates for reporting at all levels (i.e., national, provincial, and local) of all payments by mining companies to Government and receipts by Government from mining companies.
- 6 Having completed the initiation stage including the development and publishing of an EITIM work program and agreed templates, Mongolia has now moved to the Implementation stage.
- 7 Reporting templates were completed by the Government and mining companies for 2006 and EITIM has engaged us as the International Auditor to undertake the first EITIM Reconciliation and Report. To keep the data analysis manageable for this first EITIM report the level of materiality of company payments was set by EITIM at a minimum of 200,000,000 during tax year 2006. As a result this report on the first reconciliation covers the 25 largest Mongolian mining companies.

- 8 The terms of reference established by EITIM define the objectives and scope of work for the project which may be summarized as follows

Objective

The objective of the consultancy is to ensure, in compliance with the procedures set out by the International EITI Secretariat, the transparency and credibility of mining sector payments and receipts in Mongolia. To this end, the assignment entails an analysis and reconciliation of material payments and receipts made in fiscal year 2006 in the mining sector.

Scope of work

The assignment is not a traditional financial audit. However auditing skills are critical to address the scope of work. The selected auditor shall:

- a. Analyze all material payments by mining companies to the Government and material receipts by the Government from the mining companies for the tax year 2006. The analysis will be based, in the first instance, on reporting templates completed by each company and by the Government for each company reporting. As necessary, the auditor shall have access to all underlying data and documentation on payments and receipts data.
 - b. Produce a report—in English and Mongolian—showing, on an aggregate basis, company payments and Government receipts. The auditor shall work with both parties to explain any discrepancies between the payments and receipts; and the report shall highlight any unexplained discrepancies. The report shall include the auditor's opinion on the quality of the data and on the process of the exercise as a whole. The report shall include the auditor's recommendations on how to strengthen the exercise going forward.
- 9 The TOR also mention that the role of an auditor is not to produce, revise or correct the financial reports he is auditing, but rather to express an opinion on the financial reports delivered to him. They further state that in order to form such an opinion an auditor is required by international auditing standards to, amongst other things, make judgments as to the extent of reliance he can place on the systems and controls employed to produce the information contained in the financial reports.

Section 2: Approach

- 10 We have carried out this assignment in accordance with International Auditing Standards applicable to agreed upon procedures engagements. The procedures, approach and methodology we have followed are detailed in our Technical Proposal dated 17th October 2007. They are also briefly summarized below to assist in an understanding of this report. This approach is designed to cover the scope of work required by the terms of reference referred to above.
- 11 The aim of the project is to assist in the provision of information needed for transparency. It is not designed to locate instances of miss-management of resources or corruption, but rather to provide information that will assist with accountability.
- 12 The TOR indicates that as necessary, the auditor shall have access to all underlying data and documentation on payments and receipts data. This does not stipulate that as part of the project the auditor must examine underlying data such as dockets, vouchers etc,
- 13 Further, stating something in the terms of reference for the project does not provide a legal or otherwise enforceable right to obtain or examine confidential records of either companies or the Government. Rather we are reliant on the goodwill of Government entities and the companies to comply with requests for information etc.
- 14 The TOR require us to analyze all material payments by mining companies to the Government and material receipts by the Government from the mining companies for the tax year 2006. They further state that the analysis will be based, in the first instance, on reporting templates completed by each company and by the Government for each company reporting.
- 15 This requires us to reconcile or match the receipts reported by Government against payments made by mining companies to check that the information reported by Government is comprehensive and accurate.
- 16 If the receipts the Government reports for a particular tax, charge etc agrees with the amount reported by the company for that item, the Government figures have been confirmed by the figures independently prepared by the company and no further checking is necessary.
- 17 The process does not prove that there were no payments to Government that were not recorded in both the company and Government templates. Whilst the absence of both receipt and payment figures against a particular type of tax, fee etc might indicate the possibility of this, it is not a requirement of the terms of reference that we carry out detailed procedures in an attempt to detect such instances, and in fact detection of such omissions would be difficult, if not impossible to discover even if a detailed investigation of all of the records of the companies was carried out..
- 18 Where differences arise between company payments and Government receipts, checking the companies payments back against supporting documentation would

only confirm that they have such documentation, not why the figure they have included on their template differs from the receipts recorded by the Government.

- 19 The books and records of companies in Mongolia are required to be audited. Some mining companies with overseas shareholders would also be subject to the accounting, reporting and control disciplines that are imposed by large multi national corporations. Even in the case of locally owned companies demands would exist for the timely accurate financial information needed to monitor their complex mining operations. In the absence of evidence to the contrary, it is reasonable to assume that the mining companies have reasonable accounting records.
- 20 Where discrepancies are identified, the procedure required to resolve them and identify why they occurred is to:
 - a. Obtain listings from both the Government and the company detailing the individual receipts / payments that make up the totals shown in their templates. These listings should detail the amount, date of receipt / payment and the name of the organisation for each transaction.
 - b. Compare these details, identify differences and investigate the reasons they occurred.
- 21 In summary we have
 - a. Compared on a line by line basis receipts reported on Government templates with payments reported on Company templates
 - b. Tabulated variances by line item (type) for each company.
 - c. As EITM had not determined any criteria for classifying discrepancies between significant and insignificant we established such a basis of classification for this project.
 - d. Aggregated the above details to produce item by item totals for Government receipts, company payments, total discrepancies and significant discrepancies.
 - e. Requested both the individual companies and the GDNTM, who had prepared the aggregated Government template for each company, to provide detailed listing of receipts / payments for each item on which a significant discrepancy had been identified.
 - f. Meet with the GDNTM to discuss our request in general and two particular items specifically, namely VAT and customs tax. The possibility of the existence of systemic problems on these two items had been highlighted by our variance analysis
 - g. Meet with a select number of companies to discuss their responses to our enquiry, namely Ivanhoe Mines, Boroo Gold, and Datsan Trade. Held telephone discussions with a number of other companies to follow up and clarify our request or to discuss information they had provided

- h. Held further meetings with GDNTM to discuss progress, and later to discuss their response
 - i. Met with Customs office to discuss issues that were arising from the reconciliation of Customs tax.
 - j. Based on the foregoing formed judgments on the systems used and opinions on the process
- 22 As stated earlier EITI is a voluntary initiative, supported by a coalition of companies, Governments, investors and civil society organizations. Alongside other efforts to improve transparency in Government budget practice, the EITI begins a process whereby citizens can hold their Governments to account for the use of those revenues.
- 23 The objective of the EITI process is to improve transparency which in turn assists in improving accountability and preventing corruption. This project is designed to assist in the provision of information needed for transparency. It is not designed to seek instances of miss-management of resources or corruption, but rather to provide information that will assist with accountability.
- 24 This was the first reconciliation undertaken in Mongolia. Irrespective of how much planning took place, and how well that planning was carried out, the first practical application of the process in any country is likely to highlight issues and problems that were never envisaged at the planning stage. It is also likely that many discrepancies may not be capable of being resolved because of underlying issues and problems with the process.
- 25 The limited number of companies involved in the first reconciliation indicates some recognition of these issues. To some extent this first reconciliation could be partly viewed as a pilot or trial to resolve issues in the process before embarking on a more ambitious application. In these circumstances the review of the process itself and developing recommendations for improvement therein, becomes even more critical.

Section 3: PROCESS

Data gathering

26 The process adopted by EITM to gather information on payments by companies and receipts by Government is summarized below

a. Companies payments

Each mining company summarized payments made to Government Authorities etc on EITIM Template #1

EITIMS loaded the payments information provided on these Templates on an Excel spreadsheet showing the figures for each company.

b. Government receipts

Payments are made by mining companies to all levels of Government, namely national (Ministries and Agencies) provincial (aimags), local (soums) and other local organizations such as schools etc

The Government entities receiving tax, fees etc from mining companies were required to complete EITIM Template #2 detailing the amount received from each mining company during fiscal year 2006.

Data collected was used by GDNTM to compile an aggregated report for each company on Template #3

The templates #3 (the aggregated reports of Government receipts from each company) were then approved by the Ministry of Finance

EITIMS loaded the aggregated Government receipts information for each company shown on these Templates into an Excel spreadsheet.

c. EITIM Template #4

This was designed as a template on which mining companies would provide production, sales and profit information. We are advised by EITIMS that this process was not implemented.

d. We were also advised by the EITIMS that they had chosen not to proceed with collecting information on a number of items shown on Templates. These were

Taxes

- 2.a.9 Individual income tax
- 2.a.10 Social insurance premium paid by employers
- 2.a.11 Social insurance premium paid by employees
- 2.a.12 Other
- Other taxes in monetary value

Fees

2.6.9 License fee

Charge and Service charges

2.b.3 Customs tax

We were further advised by EITIMS to ignore any revenues and profit flow information provided by some companies on a voluntary basis under scope 2 of template #1

Reconciliation

- 27 Details of both company payments and Government receipts extracted from the summaries prepared by EITIMS were loaded into spreadsheets for each mining company. Variances between the payments and receipts were calculated.
- 28 As requested by EITIM we established a basis for classifying discrepancies between significant and insignificant

Because we had been requested to prepare separate reports for each company as well as a report on an aggregated basis, we calculated precision for such classification on a company by company, rather than an aggregated, basis. We adopted the criteria that variances on individual categories of taxes, fees etc of 5% or less of total Government receipts of each company would be classified as insignificant for all companies except Erdenet. Because of Erdenet's size and materiality to the overall aggregated total, we classified variances of 500,000,000 and above (or 0.14% of reported Government receipts for Erdenet), as significant.

- 29 Discrepancies were then classified between significant and insignificant based on the criteria described above.

Initial comparison

30 The aggregate of all company payments (template #1) and all Government receipts (template #2) differed by 96,826,863 thousand as summarized below:

a. Analysis by payment / receipt type

Area	Company payments	Government receipts	Aggregate net discrepancies
Total taxes	333,583,355	324,333,6698	-9,249,687
Total fees	60,607,740	42,288,902	-18,318,838
Total charges	2,211,858	0	-2,211,858
Total dividends	98,440,436	38,337,637	-60,102,799
Total payments	3,012,958	2,671	-3,010,287
Total donations	4,236,863	303,469	-3,933,394
Totals	502,093,210	405,266,347	-96,826,863

a. Analysis by company

Company	Company payments	Government receipts	Aggregate net discrepancies
Sharyn Gol	1,221,763	608,111	-613,652
Baganuur	3,461,022	3,558,023	97,001
Chinhua MAK Nariin Sukhait	2,610,141	874,639	-1,735,502
Ivanhoe Mines Mongolia Inc	9,433,535	1,558,946	-7,874,589
Tsairt Minerals LLC	4,197,473	5,831,067	1,633,594
Boroo Gold	11,546,790	5,208,579	-6,338,211
Shizhir Alt LLC	6,296,953	4,658,998	-1,637,954
Ulz Gol Cooperative	634,622	498,465	-136,157
Jump LLC	696,604	618,069	-78,534
Cold Gold	309,511	286,602	-22,909
Shin Shin LLC	744,270	15,370	-728,900
ErdesHolding	387,665	317,526	-70,139
Mongolrostsvetment	1,883,080	902,599	-980,481
MAK	1,063,208	767,504	-295,703
Petro China	3,958,905	46,444	-3,912,461
Datsan trade	473,738	257,220	-216,518
AltanDornot Mongol	6,602,335	3,879,604	-2,722,730
Gatsuurt	2,043,194	2,054,916	11,722
Shivee Ovoo SC	1,076,349	1,039,224	-37,125
Aduunchuluun	263,622	253,810	-9,812
Shim Technology	324,267	305,197	-19,069
Mongol Gazar	77,889	275,364	197,476
MGH	842,884	686,811	-156,073
Tavantolgoi	4,266,361	4,451,988	185,628
Total excluding Erdenet	64,416,179	38,955,077	-25,461,102
Erdenet Mining Corporation	437,677,031	366,311,270	-71,365,761
Totals	502,093,210	405,266,347	-96,826,863

A detailed analysis of the variances shown in the foregoing table is included as Appendix A

- 31 The aggregate net discrepancies detailed above are the net of positive (amount per Government template exceeded amount per company template) and negative variances (amount per company template exceeded amount per Government template). Total positive and negative variances were as follows

Positive variances	6,407,478
Negative variances	<u>-103,234,341</u>
	<u>-96,826,863</u>

- 32 The above analysis highlights a major issue – companies reported significantly higher payments than the Government reported they had received. The considerable excess of company payments over Government receipts indicates that the Government templates do not record all taxes, fees, charges, dividends and donations paid by mining companies.
- 33 Whilst discrepancies were identified in all template line items, discrepancies in customs tax occurred in most companies, indicating a systemic problem in this item. The templates of all 23 companies on which payments and / or receipts were reported disagreed.
- 34 The discrepancies that were identified for each company were classified between significant and insignificant on the basis described earlier. 95,094,967 of the aggregate net discrepancies were classified as significant and 1,731,896 or 1.79% of total aggregate net variances insignificant. Appendix C.
- 35 No significant discrepancies were identified in respect of the following three companies
- Baganuur
 - Cold Gold
 - Aduunchuluun

Follow up of discrepancies

- 36 Prior to completing our analysis of discrepancies a probable systemic problem had been identified on customs tax. We therefore held a meeting with GDNTM to request them to specifically follow up this area to determine if a procedural issue could be found to explain such widespread discrepancies. At this meeting we also advised them of a few large discrepancies on VAT and requested them to also attempt to provide a possible explanation for these.
- 37 Faxes, translated into Mongolian where necessary, were sent to the 22 mining companies on which significant discrepancies had been identified. Each company was requested to provide the date, amount and payee of the individual payments that made up the figure shown in their template for each item on which a significant discrepancy had been identified.

- 38 A fax was also sent to the GDNTM requesting them to provide similar details on a company by company basis for each significant discrepancy. A meeting was also held with them to further explain the information we were seeking.
- 39 In order to allow sufficient time to both prepare a draft report and have it translated by the date scheduled for the EITIM working group meeting on 14th January 2008 we had decided that information contained in any responses received after 9th January 2008 would not be incorporated into the draft report.

Whilst responses had been received from a number of companies, some companies and most importantly GDNTM had not responded to our request to provide details of the composition of the specified figures by Friday 4th January 2008. We therefore followed up those companies that had not responded and arranged a meeting with GDNTM on the 7th January 2008 to see what progress had been made in reviewing the Government information. It became clear at this meeting that little if anything had been done to follow up our request. In an attempt to expedite the matter we provided GDNTM with a copy of the detailed analysis we had prepared for each company and they advised that they would provide us with a report on their investigation of the Government templates by 10th January 2008, which we reluctantly agreed to. They further advised that we should seek explanations on the widespread customs tax differences directly from the Customs Tax Office.

- 40 A meeting was held at the Mongolian Customs General Administration on the 9th January 2008. Customs personnel advised on how they manage and record Customs tax, VAT and excise tax as well as fees for the bond store service they provide. Our analysis highlighting the discrepancies that had occurred on Customs tax was discussed and during this discussion they advised that they did not recognize bond store service and other fees as customs taxes as these were revenues earned from providing a service. This disclosure highlighted one reason discrepancies had occurred as we were aware that some companies had included such fees in Customs taxes. The Customs department then undertook to provide us a summary of all 2006 receipts from the 25 companies by Friday afternoon 11th January 2008.
- 41 We met again with GDNTM on 10th January 2008 at which time they provided us with a large spreadsheet. This spreadsheet did not detail the specific information we had requested, but did contain some brief comments on where the Government data had been sourced from. Importantly the spreadsheet did not just deal with the items on which significant discrepancies had been identified, but included all items detailed on the analysis of each company that we had provided them on 7th January 2008 (i.e. all figures that had been included on both the Government and companies templates).
- 42 An examination of the spreadsheet provided by GDNTM disclosed that they had amended a substantial number of figures included on the Government templates. These changes covered not only items on which significant discrepancies had been identified but also other items on which either insignificant or no discrepancies between templates had been identified.
- 43 The spreadsheet provided by GDNTM necessitated a complete check of every item on the Government template for each company. Whilst this resolved some

significant variances (or resulted in them being reclassified as insignificant) it also created new significant discrepancies on items on which insignificant, or in a couple of instances no discrepancies existed between figures included on the respective templates.

- 44 The remaining outstanding responses were received from a couple of companies on 10th and 11th January 2008, together with a second response from one company in which they completely revised the information previously supplied
- 45 The schedule from the Customs department was duly received on 11th January 2008. None of the figures on this schedule reconciled with the figures shown in either the Government template or the figures on the spreadsheet provided by GDNTM, although they did enable two significant discrepancies to be resolved.
- 46 The magnitude of the additional work created by the matters described in the preceding points made it impossible to produce a comprehensive draft final report in time for the EITIM working group meeting on 14th January 2008. In lieu thereof we were forced to produce a preliminary incomplete rough draft report that we clearly labeled as such. This only detailed the discrepancies identified between the original templates and our draft findings and recommendations to that date.

Section 4: Findings

Aggregate Discrepancies

47 After adjusting for the changes to the Government templates advised by GDNTM, the changes advised by companies to their templates and also adjusting for discrepancies that were resolved, the adjusted aggregated totals were as follows

	<u>Templates</u>	<u>Adjustments</u>	<u>Balance</u>
Government receipts	405,266,347	61,927,252	467,193,600
Company payments	<u>-502,093,210</u>	<u>9,805,457</u>	<u>- 492,287,753</u>
Discrepancies	<u>-96,826,863</u>	<u>71,732,709</u>	<u>- 25,094,153</u>

A summary of the adjustments is attached as Appendix D

Individual Taxes Fees & Charges

48 Summarized below are the aggregate figures dissected by individual template line items together with comments pertaining to the major issues that contributed to the unresolved discrepancies in each category. The receipts, payments and details of resolved and unresolved discrepancies for each company are detailed in the individual company reports that are attached to, and should be read in conjunction with, this report

a. Corporate income tax

	Templates	Resolved or amended	Adjusted balances
Aggregate payments / receipts			
Company	-132,122,838	- 464,433	-132,587,271
Government Templates	<u>134,635,576</u>	<u>- 7,725</u>	<u>134,627,851</u>
Net aggregate discrepancy	<u>2,512,738</u>	<u>- 472,158</u>	<u>2,040,580</u>

The major unresolved issue relates to the offsetting by the tax office of corporate income and other taxes levied against accumulated VAT credits. EITIM instructions do not provide clear instructions as to how such offsets are to be dealt with in the templates and as a result there is no consistency between companies, and between companies and the tax office, on their treatment. Further the responses from and discussions with companies would indicate that some companies are not aware that such offsets have occurred or the amount of any VAT balances standing to their credit.

b. Value added tax deducted from paid, back

	Templates	Resolved or amended	Adjusted balances
Aggregate payments / receipts			
Company	-12,708,669	7,022,136	- 5,686,533
Government	<u>4,263,985</u>	<u>0</u>	<u>4,263,985</u>
Net aggregate discrepancy	<u>-8,444,684</u>	<u>7,022,136</u>	<u>- 1,422,548</u>

VAT is paid by mining companies on the procurement of goods and services. This not only includes local purchases but also imported goods in which case VAT must be paid in cash to the customs department before the goods are released. Export of minerals however attracts a VAT rebate and as a result mining companies accumulate large net VAT credit balances (balances due to them). Amounts levied for other taxes (e.g. income tax, Windfall tax) can be offset against such accumulated credit balances.

Some significant discrepancies that represented amounts included in company templates for VAT paid to local suppliers on procurement of goods and services have been resolved. In these cases the payments shown in company templates were reduced as these amounts were not paid to Government

Inconsistencies occurred from company to company as to what figure they reported in their template for VAT. For example;

- The amount of 4,647,936 that Boroo Gold included in their template represented the net 2006 increase in credits against future VAT payables
- The amount of 983,105 that Tsairt Minerals included in their template represented VAT paid to local suppliers on the procurement of goods and services.(this is included in the adjustments referred to above)

No VAT was paid to the Government by the above companies during the year and this was reflected in the Government templates

Some companies reported the combined total of VAT on imported goods, excise tax and customs tax as customs tax.

EITIM instructions do not provide clear guidelines as to how the various VAT items are to be dealt with in the templates. As a result there was no consistency between companies, and between companies and the tax office in respect of what was included in templates.

c. Customs tax

	Templates	Resolved or Amended	Adjusted balances
Aggregate payments / receipts			
Company	- 9,056,172	269,281	- 8,786,891
Government	<u>6,860,924</u>	<u>1,591,768</u>	<u>8,452,692</u>
Net aggregate discrepancy	<u>-2,195,248</u>	<u>1,861,049</u>	<u>-334,199</u>

Discrepancies, a number of which were significant, occurred in most companies. Whilst the adjusted net aggregate discrepancy may appear relatively minor, it represents the aggregation of positive and negative balances occurring in most companies – Appendix E

Customs tax of 5%, VAT of 15% (subsequently changed to 10% in 2007) and excise are levied on imports. Customs declarations prepared by companies separately detail the allocation of the total amount between the three taxes. The total amount and the allocation on these declarations may however differ from that assessed by customs which is detailed on the customs certificate issued by them. All taxes must be paid in cash to the customs department before the imported goods are cleared to the importer.

The customs department operates a Customs Bond Warehouse where goods are stored prior to clearance. It charges a fee for goods stored in this warehouse but advised these charges are viewed as revenue earned from services rather than taxes or fees. The responses to our enquiries of companies however disclosed that some companies had included these fees in Customs tax on their templates

Some companies reported the total of all taxes paid to the customs office (customs tax, VAT and excise tax) as customs tax. We were advised by the customs office that the individual components of the total amount paid to the customs office are detailed on the certificate issued by their office. Some companies however advised they were unable to ascertain the allocation of the total amount when variations were made by Customs to the amounts they had included on their customs declarations. As a result some companies tend to classify the total amount paid as customs tax rather than trying to allocate it into its various components.

Other companies that had allocated in their accounting records the amount paid to customs between its various components included the total amount paid in their templates as customs tax because of confusion as to how the template was to be completed.

EITIM instructions do not provide clear instructions as to how the various items charged by the Customs office are to be dealt with and as a result there is no consistency between companies, and between companies and the tax office.

d. Windfall Tax

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	-176,235,102	- 225,085	- 176,460,187
Government	<u>175,944,943</u>	<u>210,462</u>	<u>176,155,405</u>
Net aggregate discrepancy	<u>-290,159</u>	<u>- 14,623</u>	<u>- 304,782</u>

Windfall tax applies when the commodity price exceeds a pre determined base level.

Significant discrepancies only occurred in two companies and both of these were subsequently resolved. Consequently the adjusted net aggregate discrepancy is made up of discrepancies that were classified as insignificant.

e. Real Estate Tax

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 1,679,583	- 2,948	- 1,682,531
Government	<u>1,624,228</u>	<u>18,370</u>	<u>1,642,598</u>
Net aggregate discrepancy	<u>-55,355</u>	<u>15,422</u>	<u>- 39,933</u>

All of the discrepancies identified for this item were classified as insignificant and therefore no follow up procedures were undertaken. Some adjustments were made however during the follow up of our enquiries regarding significant discrepancies on other items.

f. Excise tax (on imported fuel and lubricants)

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 2,007	- 312,563	- 314,570
Government	<u>874,567</u>	<u>0</u>	<u>874,567</u>
Net aggregate discrepancy	<u>872,560</u>	<u>- 312,563</u>	<u>559,997</u>

The adjustment relates to an amount omitted from a company template. The major portion of the net aggregate discrepancy remaining relates to Erdenet who recorded no amount for this item in their template and advised they were too busy to follow up the discrepancy.

Excise tax is collected on imported goods by the Customs Tax office and is subject to the inconsistencies referred to earlier under customs tax.

g. Tax on petrol and diesel fuel

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	-1,696,814	589,164	-1,107,650
Government	<u>45,101</u>	<u>0</u>	<u>45,101</u>
Net aggregate discrepancy	<u>-1,651,713</u>	<u>589,164</u>	<u>-1,062,549</u>

The major matter adjusted related to one company including an incorrect figure in their template.

The vast majority of the net aggregated unresolved discrepancy relates to another company who advised they were too busy to follow up the matter.

h. Tax on automobile and self-moving vehicle

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 84,177	- 633	- 84,810
Government	<u>84,345</u>	<u>9,768</u>	<u>94,113</u>
Net aggregate discrepancy	<u>168</u>	<u>9,135</u>	<u>9,303</u>

All discrepancies for this item were relatively minor and less than the precision levels established for the individual companies involved. As a result no further specific follow up actions were instituted. The GDNTM however made small adjustments to the Government template for a number of companies

i. Fee for exploitation of mineral resources

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 39,452,649	- 232,195	- 39,684,844
Government	<u>39,047,996</u>	<u>-465,527</u>	<u>38,582,469</u>
Net aggregate discrepancy	<u>-404,653</u>	<u>- 697,722</u>	<u>- 1,102,375</u>

The major adjustment to the company payments occurred as a result of one company amending its figures to include a large fee that it had omitted from its template.

The major adjustments to Government receipts resulted from the GDNTM advising that large amounts included on the Government templates should have been nil. One of these companies was in fact the company referred to above that increased its figure from nil to a significant amount.

Whilst the variances are relatively small in relation to the overall fees, there is obviously some confusion in the calculation of these fees.

j. License fee for exploration and exploitation of mineral resources

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 7,871,541	-164,874	- 8,036,415
Government	<u>314,810</u>	<u>0</u>	<u>314,810</u>
Net aggregate discrepancy	<u>-7,556,731</u>	<u>-164,874</u>	<u>- 7,721,605</u>

The significant level of discrepancies in this item principally arose because the receipt of the fees was not included in the Government templates

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

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 1,207,176	- 686,776	- 1,893,952
Government	<u>0</u>	<u>0</u>	<u>0</u>
Net aggregate discrepancy	<u>-1,207,176</u>	<u>-686,776</u>	<u>- 1,893,952</u>

The significant discrepancies arose because the Government templates did not record the receipt of payments made by the companies.

- l. Land rent

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 7,587,980	16,749	- 7,571,231
Government	<u>302,949</u>	<u>41,286</u>	<u>344,235</u>
Net aggregate discrepancy	<u>-7,285,031</u>	<u>58,035</u>	<u>- 7,226,996</u>

The significant discrepancies arose because the Government did not include in its templates the receipt of payments made by the companies.

- m. Fee for water use

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	-2,058,516	- 30,673	-2,089,189
Government	<u>1,789,933</u>	<u>-179,729</u>	<u>1,610,204</u>
Net aggregate discrepancy	<u>-268,583</u>	<u>-210,402</u>	<u>-478,985</u>

Discrepancies occurred across a number of companies with the amounts generally falling under our classification of insignificant. The discrepancies principally arose because receipts were not included in Government templates

n. Fee for forestry use and firewood

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 100	-684	- 784
Government	<u>200</u>	<u>0</u>	<u>200</u>
Net aggregate discrepancy	<u>100</u>	<u>-684</u>	<u>- 584</u>

No follow up took place as these amounts are insignificant

o. Fee for recruiting foreign experts and workers

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 2,424,185	- 48,467	-2,472,652
Government	<u>813,772</u>	<u>0</u>	<u>813,772</u>
Net aggregate discrepancy	<u>-1,610,413</u>	<u>- 48,467</u>	<u>- 1,658,880</u>

The significant discrepancies arose because the Government templates did not record the receipt of payments made by companies.

p. Fee for use of mineral resources of wide spread

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 5,594	-2,875	- 8,469
Government	<u>19,241</u>	<u>2,052</u>	<u>21,293</u>
Net aggregate discrepancy	<u>13,647</u>	<u>- 823</u>	<u>12,824</u>

No follow up took place as these amounts are insignificant

q. Stamp and other charge for state registration paid to state and local administrative organizations in accordance with law

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 44,014	217	- 43,797
Government	<u>0</u>	<u>0</u>	<u>0</u>
Net aggregate discrepancy	<u>-44,014</u>	<u>217</u>	<u>-43,797</u>

All of the discrepancies identified were classed as insignificant and therefore no specific follow up took place. It is clear however from the nature of the discrepancies that receipts for these charges were not included in the Government templates.

- r. Service charges paid to state and local administrative organizations in accordance with law

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 612,958	- 17,823	- 630,781
Government	0	0	0
Net aggregate discrepancy	<u>-612,958</u>	<u>- 17,823</u>	<u>-630,781</u>

The significant discrepancies arose because the Government did not include in its templates the receipt of payments made by the companies.

- s. Customs Service fee

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 1,554,886	0	1,554,886
Government	0	1,554,886	1,554,886
Net aggregate discrepancy	<u>-1,554,886</u>	<u>1,554,886</u>	<u>0</u>

This item represents Customs fees for shipment of coal across the Chinese border paid by Chinhua Mak. These fees were not included in the information submitted by the Customs office as they were viewed as a fee for services rather than a tax. The reconciliation subsequently provided by the Customs office disclosed the receipt from Chinua Mak.

- t. Dividends on state property

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 97,408,079	950,000	-96,458,079
Government	38,337,637	58,119,284	96,456,921
Net aggregate discrepancy	<u>-59,070,442</u>	<u>59,069,284</u>	<u>1,158</u>

Erdenet paid a dividend of 59,152,701 on 29th December 2006. The transfer was however not credited to the recipients account by the bank until 2nd January 2007 and was therefore treated as a 2007 receipt and not included in the Governments 2006 template.

Shizhir Alt included a dividend of 950,000 on its template that represented a dividend paid to Mongolrostvetmet, rather than to the Government.

The Government template included a dividend on state property of 1,032,357 whereas Tavantolgoi included this amount in its template as dividend on local property. The GDNTM subsequently advised that the company classification was correct (see Dividends on Local property below)

u. Dividends on local property

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	1,032,357	0	-1,032,357
Government	0	1,032,357	1,032,357
Net aggregate discrepancy	<u>-1,032,357</u>	<u>1,032,357</u>	<u>0</u>

The company template included a dividend on local property of 1,032,357 whereas the Government included this amount in its template as dividend on state property. The GDNTM subsequently advised that the company classification was correct

v. Entitlement under Production sharing Contract to Government

	Templates	Resolved or amended	Adjusted balance
Aggregate payments / receipts			
Company	- 3,010,951	3,007,940	- 3,011
Government	2,671	0	2,671
Net aggregate discrepancy	<u>-3,008,280</u>	<u>3,007,940</u>	<u>-340</u>

The company figures relate to PetroChina. The company subsequently revised its figure to 3,011 which was only 340 different from the Government figure

w. Donations

Aggregate donations reported on company templates and Government templates are summarized in the following table

	Government Templates	Adjustments	Adjusted
Monetary donation from Company to Ministries and agencies	1,923		1,923
Monetary donation from Company to aimags	43,172		43,172
Monetary donation from Company to soums	41,176		41,176
Monetary donation from Company to local organizations	109,834		109,834
Fund disbursed by Company in sustainable development and community relations	107,363		107,363
Total donations	303,468		303,468
	Company Templates		
Total donations	-4,236,863	140,000	-4,096,863
NET	-3,933,395	140,000	-3,793,395

The amendments made to the aggregated Government receipts relate to figures that were omitted from the template for MGH. The major amendment to company payments was an adjustment of 140,000 made by Chinhua Mak. This was not dissected between the separate donation categories.

Company templates recorded significant donations that were not included in Government templates:

- No donations were reported on either the companies' or the Government templates for three companies. The company and Government templates only completely agreed for one company.
- The Government and company templates for the remaining companies only agreed on a few individual items. Numerous discrepancies occurred within all donation items across many companies.
- Information on donations received was only included in the Government templates for six companies. No figures for donations paid were provided on three of these by the relevant company and all donations on the Government and company templates for Tsairt Minerals agreed.
- In most other cases either the Government templates did not include any information on donations or in the limited number that did, the Government figures were less than those reported by the company.

Company templates included both cash and "in – kind" donations in the form of the provision of goods and services such as vehicles, equipment, livestock, repairs etc provided to Government entities. Issues could arise if these are not recorded by the recipient or if the value placed on them by the recipient does not coincide with the value recorded by the company

The templates require the inclusion of figures for monetary donations from Company to local organizations and for funds disbursed by Company in sustainable development and community relations. In order for the Government templates to be properly completed for these items it would be necessary to collect data on donations received from a large number of recipients such as hospitals, schools, kindergartens, herders etc. It is unlikely that the Government would know what organizations had received such donations unless some centralized system existed to track them.

Items included on some companies templates as monetary donations included both cash and the cost of in – kind donations

Template preparation

49 Companies

A number of companies, particularly those with foreign shareholders prepared complete and accurate templates and when requested were able to provide proper reconciliations of figures included in their templates. Some companies however did not pay due care and attention to the completion of the templates, produced incomplete and / or inaccurate information and when requested to provide details made significant changes to their data. A small number of companies advised they were too busy to provide information on some items.

50 Government

The task of combining taxes, fees, charges and donations received by various Government entities into a combined template was assigned to the Data Processing and Automation Department of the GDNTM. Whilst we have no doubt that the processing of the data they received was carried out accurately, no effective systems were implemented to ensure information was received from all Government entities that received payments from mining companies

Many Government entities either did not provide details of receipts or did not provide complete and accurate details

Template format

51 Differences exist between the information the Government is required to supply on its templates and the information companies are required to supply on their templates. The templates mix items that are required to be reconciled with items that are not. This makes the reconciliation process more susceptible to errors.

Template Instructions

52 Instructions were issued outlining the information that was being sought for each section of the templates. These instructions were general in nature and as a consequence various interpretations of what information was required to be submitted for particular items occurred. Most importantly the instructions did not deal with the specific complexities of individual taxes and charges. As a result items were omitted or incorrectly classified. Examples of this latter issue include:

- a. Some companies included both customs duty and VAT as customs duty whereas only customs duty was included under this category in the Government report and the VAT paid to the customs office was omitted.
- b. Some companies reported VAT paid to suppliers on the procurement of goods and services as VAT payments to the Government.

- c. The GDNTM advised that where a company has prior year tax outstanding, this amount was netted off against amounts received in the 2006 year. As a result only the net amount may have been included on the template as income tax received in 2006.

Section 5: Issues

Timing and Timelines

- 53 Delays in implementing the project resulted in its start date being delayed until 17 December 2007. As a consequence the project ran over public holidays on the 31 December, and 1st January when companies and Government agencies were closed. More importantly senior staff of a number of the foreign controlled companies returned to their homeland for periods of a week or two over the Christmas / New-Year period. These factors delayed responses to our queries from some companies.

As the Mongolian fiscal year ends on 31 December, both the Tax office and companies were extremely busy with 2007 year end work at the time we were attempting to obtain information and explanations from them.

These factors disrupted the progress of the project.

- 54 The time budget allocated for the project (30 days) provided minimal time for Government and companies to respond to enquiries on significant discrepancies and created considerable pressures.

Responses from some companies to our requests for information were only received in the latter half of the week ending 12th January 2007 and a few companies that had previously responded also forwarded amended figures during that period.

More importantly the response from GDNTM was only received on 10th January 2007. This response not only contained explanations and amendments to the items we had requested information on, but also revised numerous other figures. In fairness to the GDNTM it is reasonable to state that companies only had to respond to our enquiries in respect of their own individual templates whereas the GDNTM had to cover 25 individual companies

Although the aforementioned responses were received after the deadline we had set for making changes, the importance of the information provided by GDNTM was such that we decided to incorporate them in our findings even though this would create considerable pressure and delay our report.

Incomplete Government data

- 55 The majority of discrepancies occurred because Government templates did not fully and accurately record the receipt of payments made to them by the companies. This occurred because either information was not sought from all Government entities that received payments from mining companies or if such information was requested, inadequate follow up occurred to ensure it was received

- 56 The consolidation of information supplied by the various Government and local entities into templates for each company was carried out by the Data Processing and Automation Department of GDNTM. The fact that this department was put in

charge of the exercise indicates it was viewed purely as number processing task. It is apparent that no effective procedures were implemented to ensure information was obtained from all Government entities that received amounts from mining companies.

Further without an effective system that enables the Government to identify what local organizations received payments from mining companies, it is not possible to capture complete and accurate information on such receipts.

Format of templates

57 The format of EITIM templates resulted in items (figures) that were not required to be, or were not capable of being, reconciled being mixed in with items that needed to be reconciled. This complicated the comparison of company and Government information and made the process of reconciliation more difficult.

Accuracy of template preparation

58 In their responses to the queries we raised most companies provided supporting details of, and confirmed the items we had requested information on. Some however re submitted new figures on not only the items we had requested details for, but also for other items on which no, or insignificant discrepancies had been identified.

The magnitude of these changes was such that in a few instances discrepancies that had previously been classified as insignificant became significant and in one instance altered a figure that previously agreed to the Government template to a new figure that was significantly different from the Government figure.

59 The GDNTM in response to our request for information on items on which significant discrepancies had been identified provided to us on Thursday 10th January 2007 an excel spreadsheet. This spreadsheet covered all items on the original Government template, (not just those items we had requested them to review because significant discrepancies had been identified) and incorporated amendments to a substantial number of figures that had not been queried. In a few instances these changed what had previously been classified as insignificant differences to significant

Instructions on completing templates

60 Instructions were issued to provide guidelines on completion of templates. The instructions only covered general issues and did not deal with specific, and sometimes complex, aspects of the reporting requirements of particular items. As a result inconsistencies occurred in the basis used to arrive at figures included in templates. Examples of this include

- VAT collected by the customs office on imported goods was treated as Customs tax in some templates, VAT in other templates and omitted from others
- Taxes paid during 2006 and included in company templates were applied by the GDNTM against taxes levied in respect of the previous year and not included in Government templates as taxes received in 2006

Overall concept of what payments need to be included

61 Instances were encountered that indicated some mining companies did not understand that the information being sought related to payments to Government entities. Examples of this include one company including a dividend paid to a related company as “dividends on state property” and other companies including VAT paid to local suppliers on the procurement of goods and services as “Value added tax deducted from paid, back” (see later)

VAT

- a. Mining companies receive VAT credits from the export of minerals. As a result companies can accumulate substantial credit VAT balances (i.e. amounts due to the company from the tax department). Companies also claim credits for VAT paid when procuring goods and services

There is widespread confusion as to how VAT should be treated in the templates. Under the template item “Value added tax deducted from paid, back” one company included the net increase that occurred in 2006 in its credit VAT balance. Others included the VAT paid to local suppliers on procurement of goods and services that they had claimed back from the tax department.

- b. A further complication arises because other taxes payable by the company (e.g. corporate income tax) may be offset by the tax authorities against accumulated VAT credits. No clear understanding appears to exist as to whether or not companies and the tax office should treat such offsets as payments and receipts respectively.

Customs Tax

Discrepancies, many of which were significant, occurred between Government and company templates in respect of most companies

- a. Customs tax reported on companies’ templates was calculated on a number of different bases. Some companies just reported customs tax paid, others reported the combined total of customs tax and VAT paid to the customs office on imported goods, others included customs bond store fees in their calculations and still other companies included excise tax in customs tax.
- b. The Customs office in turn does not view bond store and other service fees charged to companies as taxes and therefore excluded them from figures submitted for the Government templates.
- c. Further we are advised that the information included for customs tax on the Government templates was extracted from information provided to GDNTM on periodic returns submitted by the Customs department. A summary of receipts from each of the 25 mining companies provided to us by the Customs office on 11th January 2008 however, apart from a couple of items, did not agree to the information shown on the Government templates

Timing differences – “cut off”

- 61 The largest discrepancy by far occurred because of a timing or cut off issue. Erdernet paid a dividend of 59,152,701 TMNT on 29th December 2006 but this was not credited by the bank to the Government account until 2nd January 2007. The company included this in their 2006 EITIM template as it had been paid during that year. The Government excluded it from their template because it was not received until the start of the 2007 fiscal year. Whilst this was the only specific cut off issue we identified, it is likely that similar issues may have caused smaller discrepancies in other items.

Donations to Governmental organizations

- 62 Whilst the aggregated total donations may be relatively small in comparison to taxes, fees charges and dividends, the nature of donations means they are susceptible to a higher risk of corruption than most items.
- a. As referred to earlier, not all Government entities completed templates, or if they did, accurately record all items received by them.

This was particularly evident in respect of donations where no receipts were included on Government templates in respect of a number of companies who reported sizeable payments. Examples of this include Boroo Gold who reported 937,557 monetary donations against which no figures were included in the Government templates. In response to our request regarding the resulting significant discrepancy the company provided us with schedules detailing the dates, amounts and recipients of these payments. The GDNTM however advised they could not provide any explanation as they had no information on donations. They further advised that donations generally were very difficult, especially in respect of aimags and that it was impossible for GDNTM to confirm them.

- b. A further issue arises in respect of “in kind” donations of goods and services. Companies are able to quantify the value of in – kind donations based on the cost to the company of the goods and services it donated. Recipient organizations however may have difficulty in quantifying the value of an in – kind donation and could place a different value on it, unless notified by the company of the cost it had incurred in providing the donation.
- c. Any Government entities that maintain records on a cash basis may not keep records of equipment acquired (asset register). In such circumstances it may be difficult for such an organisation to compile details of in kind donations received.
- d. The practicality of obtaining data from recipients of donations such as hospitals, schools, kindergartens, herders etc is questionable.

Section 6: Recommendations

63 During the course of undertaking the project we identified several areas of concern.

Our work however cannot be relied upon to identify all possible weaknesses. We have attempted in this report to identify significant issues and provide practical recommendations in relation to them. The number, amount and variety of significant discrepancies identified, some of which remain unresolved, evidences the serious problems that occurred with the processes employed and the level of understanding of those processes by both Government entities and some mining companies

In this report we make recommendations for improvement and effectiveness of some processes employed by EITIM. Putting these recommendations into practice will however not necessarily be straight forward. Considerable effort knowledge and expertise will need to be applied in order to successfully implement these recommendations.

Unresolved discrepancies

64 Discrepancies principally occurred because

a. Government templates did not include all receipts from the mining companies

And

b. Inconsistencies occurred in information provided in both Government and company templates because of inadequate instructions

Resolution of these discrepancies would require the Government to repeat the entire exercise but this time ensure receipts information was obtained from all Government entities. It would also require EITIM to establish detailed guidelines covering areas where inconsistencies have arisen and requesting both the Government and the mining companies to re-submit relevant 2006 data on that basis.

This would amount to a massive task to produce a reconciliation of what is now out of date information at a time when both the Government and companies have heavy workloads dealing with the 2007 year end requirements and EITIM should be preparing for future reconciliations.

It is therefore our opinion that there is little if anything to be gained from trying to resolve the outstanding 2006 discrepancies. It would be far more productive to concentrate efforts on implementing the recommendations contained herein in order to overcome these problems in subsequent reconciliations

Timing and timelines

65 The delays in commencement of the project to a period that straddled holidays and the end of the fiscal year and the difficulties this could cause were not foreseen in

planning the 2006 project. To increase efficiency in future every effort should be made to avoid such periods.

To provide adequate time for Government and companies to respond to requests for information on discrepancies, and for those responses to then be properly reviewed, consideration should be given to splitting future projects of this nature into two components. The first component should comprise the comparison of templates, the resulting identification of significant discrepancies and the drafting and dispatch of requests for information to both Government and Companies. A period of say two to three weeks should then be allowed for Government and companies to respond to those requests before the remainder of the reconciliation process begins.

This approach would involve a relatively small amount of additional travel costs if it was carried out by the consultants on location. Alternatively it may well be possible through the use of electronic and fax communication for the first stage to be performed at the consultant's home office. In this instance the consultants would not need to arrive on location in Mongolia until around the date that the responses were due from Government and Companies. This approach would result in a small reduction in on-location costs.

Incomplete Government data

- 66 A system needs to be introduced to ensure that requests for information on receipts from mining companies are forwarded to all Government entities and that a response is received from all such entities (including nil responses where applicable).

A special situation arises in respect to donations. If information on donations received by local and other organizations is to be reported on Government templates, it is necessary to introduce some form of simple but effective system to enable the Government to ascertain who donations were paid to. One possibility for this would be for the mining companies to periodically report details of donations to soums, aimags and Government departments and agencies.

The reconciliation of non monetary In-kind donations presents a particular challenge. Mining companies making the donation would have a record of the cost of the goods provided and would have, or be able to allocate a cost against services donated. Because these are non-monetary donations however Government entities may not record them. Even if they do maintain a record, they may not be able to accurately assess a value, or if they do, the value they assess may vary from the cost recorded by the company. The provision of this information on non monetary donations by the company may overcome this issue. One possibility would be for mining companies to issue some form of donation note (e.g. a form of no charge invoice that records the cost of the goods or services donated) to the recipient for each donation.

Format of templates

- 67 The templates should be redesigned so the data on Government receipts and company payments collected for reconciliation purposes is formatted identically. Other data collected should be in a separate area of the templates.

Accuracy of template preparation

68 Whilst the responses to our enquiries from some mining companies demonstrated that they had taken due care in the preparation of their templates, the reaction to our enquiries and the subsequent changes made by others indicated a lack of care.

The many changes made to the Government figures in the subsequent schedules provided by GDNTM also indicated that insufficient care and attention to detail had been taken in compiling data for Government entities.

The importance of providing accurate and comprehensive details on the templates should be stressed to all areas of Government and to mining companies.

Instructions on completing templates

69 The instructions need to be revised and in particular expanded to include specific detailed instructions on the receipts and payments information being sought. Many of the items on which more detailed instructions are needed (e.g. VAT, Customs Taxes, Cut-offs etc) are discussed in this report. The report should not however be viewed as a comprehensive list of all items that need to be detailed as other as yet unidentified issues may have occurred in respect of discrepancies that have not been resolved.

We also note that a number of training sessions were held by EITIM covering the preparation of templates and the process as a whole. We would recommend that this process continue once the contents of this report have been analyzed and the templates and instructions revised.

a. VAT

VAT is a complex area and we note that EITI advises that it can be excluded from the reconciliation process.

Significant difficulties arose with the reconciliation of VAT receipts and payments, not only in respect of the item itself but also in respect of other tax areas that it inter relates with (e.g. corporate income tax and customs tax).

The inter relationship of VAT in Mongolia with other taxes such as corporate income tax, customs tax etc needs to be considered, irrespective of whether EITIM chooses to leave VAT in the reporting process, or take it out. Whilst its inclusion in 2006 has created a number of significant discrepancies, its exclusion would be likely to also cause reconciliation problems in respect of other taxes that are offset against it. Irrespective of what course EITIM chooses, it is essential that clear instructions be provided.

In particular specific instructions need to be included in respect of how the following items are to be dealt with in both the Government and company templates

- VAT collected by the Customs office (some companies reported this as Customs Tax and others ignored it)
- Off sets of other taxes against VAT credits
- VAT paid to local suppliers on the procurement of goods and services

Additionally consideration needs to be given as to whether obtaining information pertaining to movements in the accumulated credit VAT balances would be useful to the process.

b. Customs tax

The template instructions should include clear detailed instructions dealing with what information is required for both the company and Government templates. In particular the treatment of VAT collected by the customs office on imported goods should be clearly spelt out.

EITIM also needs to consider whether fees for the customs bond store should be reported.

One issue that will impact on the implementation of the above recommendations is that some companies indicated they were unable to dissect the amount charged by the customs office into its various components. It is not possible for us to comment on whether this issue arose because the dissection by the Customs office is unclear. It would appear however that some companies may ignore the Customs certificate and simply use their own customs declarations as the basis for their records (which may of course differ with the assessment made by the customs office) and that others simply lump all components together in their records (customs tax, VAT and bond store fees)

c. Timing differences – “cut off”

This problem is only likely to occur in isolated instances and can only be overcome by Government entities monitoring receipts during the first few days after year end for possible cut-off issues. The template instructions should cover this point.

d. Donations to Governmental and local organizations

Because of their openness to abuse, donations represent a high risk area. The recommendations we have detailed under the section dealing with incomplete Government data however details the matters that we believe need to be addressed to overcome issues with this area.

Section 7: Conclusions

70 Numerous discrepancies and areas of concern relating to both the process itself and the manner in which both Government entities and some companies responded were highlighted during the course of this project. Whilst some discrepancies were resolved, various issues and difficulties summarized in this report meant many remained unresolved. Because of this we are unable to precisely define the reasons some of these occurred but believe that the issues identified in resolving some discrepancies probably also contributed to the variances we were not able to resolve.

We therefore believe that the effective implementation of our recommendations will overcome many of the problems encountered.

71 Based on the work we have carried out as summarized in this report it is our opinion that

- a. The process adopted was deficient in terms of inadequate detailed instructions and that this resulted in several inconsistencies in information provided
- b. The quality of data received from companies was, subject to the inconsistencies referred to in point a above, generally reasonable
- c. The quality of data received from Government was deficient. In particular Government templates were incomplete and the responses received to our queries did not include the information we requested
- d. The process as a whole was deficient because of the factors detailed in this report including in particular the matters referred to in points a and c above.

72 Finally in conclusion we would like to express our sincere appreciation of the outstanding support provided by Mr. Sharyn Tsolmon and Mrs. Tumenjargalin Khurelchimeg from EITIMS. They have provided great assistance and valuable insights and background in relation to the mining sector and also to Government departments. In particular without the assistance provided by Mr. Tsolmon in arranging meetings and obtaining information sought from companies and Government within tight time constraints during a period disrupted by holidays it is doubtful that we could have completed this report.

CRANE WHITE & ASSOCIATES
Chartered Accountants, Australia
14 January 2008

Abbreviations

EITI	Extractive Industry Transparency Initiative (International)
EITIM	Extractive Industry Transparency Initiative (Mongolia)
EITMS	EITM Secretariat
GDNTM	General Department of National Taxation Mongolia
Government Entities	A combination of all or some types of recipients, namely Ministries, agencies, amiaags, soums and local organizations
MOF	Ministry of Finance
MNT	Mongolian Tugrug
TOR	Terms of Reference

Appendices

A	Summary of template discrepancies
B	Summary of company and Government template discrepancies
C	Summary of significant discrepancies as per templates
D	Summary of adjustments to templates
E	Customs tax reconciliation

Company reports

AltanDornot Mongol
Aduunchuluun
Baganuur
Boroo Gold
Chinhua MAK Nariin Sukhait
Cold Gold
Datsan trade
ErdesHolding
Erdenet Mining Corporation
Gatsuurt
Ivanhoe Mines Mongolia Inc
Jump LLC
MAK
MGH
Mongol Gazar
Mongolrostsvetment JV
Petro China Daqing Tamsag (Mongol) LLC
Sharyn Gol
Shim Technology LLC
Shin Shin LLC
Shivee Ovoo SC
Shizhir Alt LLC
Tavantolgoi
Tsairt Minerals LLC
Ulz Gol Co operative

APOLOGY NOTE: Please read “license fee for exploitation of minerals resources” wherever as “license fee for exploration and exploitation of mineral resources always.

Summary of company and government template discrepancies																							APPENDIX B					
Name of Business entity	Sharyn Gol	Baganuur	Chinhua MAK Nariin Suhait	Ivenhoe Mines Mongolia Inc	Tsairt mineral	Boroo Gold	Shizhir Alt	Ulzgol	Jump	Cold Gold	ShinShin	Erdes Holding	Monrosts vetnet	Mongolyln Alt Kompany	Petrochina	Datsan trade	Altan Dornod Mongolia	Gatsuurt	Shivee Ovoo	Erdenet	Aduunch uluun	Shim Technolog y	Mongol Gazar	MGH	Tavantolg oi	TOTAL	Variance	
COMPANY																												
Total taxes	893,349	2,371,327	115,358	1,206,043	1,221,902	4,803,208	3,868,855	386,429	616,861	176,010	59,915	49,378	1,385,200	471,889	58,402	243,606	2,372,440	523,325	798,218	309,305,310	217,938	249,032	0	0	0	2,189,362	333,583,355	
Total fees	296,826	1,058,548	768,280	7,553,267	2,845,316	5,780,381	1,472,097	247,443	79,268	127,001	526,296	331,082	247,700	559,011	621,743	230,133	4,033,105	1,482,069	276,894	30,067,174	37,945	4,072	77,889	842,884	1,041,319	60,607,740		
Total charges	0	0	1,554,886	17,867	9,602	25,644	0	0	475	0	148,626	2,550	224,872	0	215,969	0	0	0	18	9,614	419	0	0	0	1,316	2,211,858		
Total dividends	0	31,147	0	0	0	0	950,000	0	0	0	0	0	0	0	0	0	0	0	0	96,426,932	0	0	0	0	0	1,032,357	98,440,436	
Total payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,010,951	0	0	0	0	0	0	0	0	0	0	2,007	3,012,958	
Total donations	31,589	0	171,618	656,358	120,653	937,557	6,000	750	0	6,500	9,434	4,655	25,308	32,308	51,840	0	196,790	37,800	1,220	1,868,000	7,320	71,163	0	0	0	4,236,863		
Total paid	1,221,763	3,461,022	2,610,141	9,433,535	4,197,473	11,546,790	6,296,953	634,622	696,604	309,511	744,270	387,665	1,883,080	1,063,208	3,958,905	473,738	6,602,335	2,043,194	1,076,349	437,677,031	263,622	324,267	77,889	842,884	4,266,361	502,093,210		
Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
GOVERNMENT																												
Total taxes	285,305	2,461,033	65,163	1,288,491	2,939,602	91,957	3,322,734	256,305	327,953	185,349	14,369	19,799	728,563	599,506	43,773	10,235	1,313,576	533,858	761,882	306,189,324	216,404	305,197	28,898	9,095	2,335,296	324,333,669	-9,249,687	
Total fees	302,806	1,067,001	777,859	270,455	2,770,812	5,116,622	1,336,265	242,160	290,116	101,253	1,000	297,727	174,036	167,999	0	246,985	2,566,028	1,521,058	277,342	22,846,655	37,406	0	231,466	590,807	1,055,045	42,288,902	-18,318,838	
Total charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-2,211,858
Total dividends	0	29,988	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	37,275,291	0	0	0	0	0	1,032,357	38,337,637	60,102,799
Total payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,671	0	0	0	0	0	0	0	0	0	0	2,671	-3,010,287
Total donations	20,000	0	31,617	0	120,653	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15,000	86,909	29,290	303,469	-3,933,394	
Total paid	608,111	3,558,023	874,639	1,558,946	5,831,067	5,208,579	4,658,998	498,465	618,069	286,602	15,370	317,526	902,599	767,504	46,444	257,220	3,879,604	2,054,916	1,039,224	366,311,270	253,810	305,197	275,364	686,811	4,451,988	405,266,347	96,826,863	
Discrepancy	-613,652	97,001	-1,735,502	-7,874,589	1,633,594	-6,338,211	-1,637,954	-136,157	-78,534	-22,909	-728,900	-70,139	-980,481	-295,704	-3,912,461	-216,519	-2,722,730	11,722	-37,125	-71,365,760	-9,812	-19,069	197,476	-156,073	185,628	96,826,863		

SUMMARY OF SIGNIFICANT VARIANCES AS PER TEMPLATES (In Thousands of Tugrugs)																								APPENDIX C		
Name of Business entity	Sharyn Gol	Baganuur	Chinhua MAK Nairin Suhait	Ivenhoe Mines Mongolia Inc	Tsairt mineral	Boroo Gold	Shizhir Alt	Ulzgol	Jump	Cold Gold	ShinShin	Erdes Holding	Monrosv elmet	Mongolyn Alt Kompany	Petrochina	Datsan trade	Altan Dorlod Mongolia	Galsuurt	Shivee Ovoo	Erdenet	Aduunchu luun	Shim Technology	Mongol Gazar	MSH	Tavantolgoi	TOTAL
Taxation department	Darhan-Uul	National Taxation Administration	Umnugobi	National Taxation Administration	Sukhbaatar aimag	National taxation administration	National Taxation administration	Dornod	Sukhbaatar district	National Taxation administration	Bayanzurkh	Sukhbaatar district	National Taxation administration	Ulaanbaatar	Ulaanbaatar	Sukhbaatar district	National Taxation administration	Selenge	Gobi Sumer	National Taxation Administration	Dornod	National Taxation Administration	Ulaanbaatar	Umnugobi		
Paid taxes/																										
Corporate income tax					2,640,686		-330,000					-28,201						168,926								2,451,410
Value added tax deducted from paid, back	-597,909				-983,105	-4,647,936								159,782					-72,689	-2,283,567						8,425,434
Customs tax			-66,999	112,480					119,643		-45,590		-703,558		-35,925		-1,040,509	-180,617				58,194				-1,772,881
Windfall tax								-98,295								-228,309										-326,603
Real estate tax																										
Excise tax (on imported fuel and lubricants)									185,460				46,004		30,619					596,264						858,347
Tax on petrol and diesel fuel									-592,271						-9,323					-1,041,482						-1,643,076
Tax on automobile and self-moving vehicle																										
Fee																										
Fee for exploitation of mineral resources	75,062								233,705					-218,902	-262,125									16,716	-262,803	-418,348
License fee for exploitation of mineral resources				-7,011,934										-114,131		26,121	-265,870						110,009			-7,255,806
Reimbursement of deposit, exploration of which is carried by the budget fund						-558,448					-458,252			-53,436												-1,070,136
Land rent	-43,915			-240,264											-230,472					-6,545,000						-7,059,650
Fee for water use															-16,049								24,000			-73,521
Fee for forestry use and firewood																										
Fee for recruiting foreign experts and workers														-66,039												-1,707,132
Fee for use of mineral resources of wide spread																										
Charge and service charge																										
Stamp and other charge for state registration paid to state and local administrative organizations in accordance with law																										
Service charges paid to state and local administrative organizations in accordance with law																										
Customs service fee			-1,554,886																							-1,554,886
Dividends on state and local property																										
Dividends on state property																									1,032,357	-59,069,284
Dividends on local property																									-1,032,357	-1,032,357
Other payments to recipient Government																										
Entitlement under Production sharing Contract to Government																										-3,008,280
Taxation on Petroleum																										
Donations to Governmental organizations																										
Monetary donation from Company to Ministries and agencies																										-1,185,730
Monetary donation from Company to aimags				-97,860																						-817,325
Monetary donation from Company to soums			-144,588			-762,738																		15,000		900,760
Monetary donation from Company to local organizations				-171,565																				-61,163	74,284	-172,262
Fund disbursed by Company in sustainable development and community relations				-323,242																						-323,242
Total Significant Variances	-566,762	0	-1,756,472	-7,732,386	1,657,581	-5,969,122	-1,280,000	-98,295	-53,463	0	-727,940	45,593	-946,506	-226,687	-3,907,375	-202,187	-2,323,963	-11,691	-72,699	70,805,643	0	-2,969	165,725	-188,519	0	95,094,967
Total Insignificant variances	-46,891	97,001	20,970	-142,204	-23,986	-369,089	-357,954	-37,863	-25,071	-22,909	-960	-24,546	-33,976	-69,017	-5,086	-14,331	-398,768	23,413	35,574	-560,117	-9,813	-16,101	31,751	32,445	185,628	-1,731,896
Total variances	-613,652	97,001	-1,735,502	-7,874,589	1,633,595	-6,338,211	-1,637,954	-136,157	-78,534	-22,909	-728,900	-70,139	-980,481	-295,704	-3,912,461	-216,519	-2,722,730	11,722	-37,125	71,365,760	9,813	-19,069	197,476	-156,073	185,628	-96,826,863

ADJUSTMENTS TO GOVERNMENT TEMPLATES		APPENDIX D page 1																										
	Government Template	Sharyn Gol	Baganuur	Chinhua MAK Narin Suhait	Ivenhoe Mines Mongolia Inc	Tsairt mineral	Boroo Gold	Shizhir Alt	Uizgol	Jump	Gold Gold	ShinShin	Erdes Holding	Monrosv etmet	Mongolbtrn AR Kompany	Petrochina	Datsan trade	Altan Dornod Mongolia	Gatsuurt	Shivee Ovoo	Erdenet	Aduunch uluum	shim Technology	Mongol Gazar	MGH	Tavantolgoi	TOTAL	ADJUSTED GOVERNMENT RECEIPTS
		2.a	Paid taxes/																									
2.a.1	Corporate income tax												-19,798				12,074											7,725
2.a.2	Value added tax deducted from paid, back	134,635,578																										134,627,851
2.a.3	Customs tax	4,263,965																										4,263,965
2.a.4	Windfall tax	6,860,924																1,031,210	560,558								1,591,768	
2.a.5	Real estate tax	175,944,943															210,462										210,462	
2.a.6	Excise tax (on imported fuel and lubricants)	1,624,228			8,669												13,834	-1,107							-3,016		18,370	
2.a.7	Excise tax (on imported fuel and lubricants)	874,567																									874,567	
2.a.8	Tax on petrol and diesel fuel	45,101																									45,101	
2.a.8	Tax on automobile and self-moving vehicle	84,345			10,236					1,740			2,380	-5,873			1,839	-701	88								9,768	
2.6	Fee																											
2.6.1	Fee for exploitation of mineral resources	39,047,996									-233,705	-99,365	-297,469		152,940										12,072		-465,527	
2.6.2	License fee for exploitation of mineral resources	314,810																			0							314,810
2.6.3	Reimbursement of deposit, exploration of which is carried by the budget fund	0																									0	
2.6.4	Land rent	302,949												2,944	2,041			24,154	2,330								41,286	
2.6.5	Fee for water use	1,789,933						6,214		3,543						16,049		-312,050	18,226						-924		-179,729	
2.6.6	Fee for forestry use and firewood	200																									200	
2.6.7	Fee for recruiting foreign experts and workers	813,772							106,272		-7,302																0	
2.6.8	Fee for use of mineral resources of wide spread	19,241			2,537																	18,666				-495	2,052	
2.a	Charge and service charge																											
2.a.1	Stamp and other charge for state registration paid to state and local administrative organizations in accordance with law	0																									0	
2.a.2	Service charges paid to state and local administrative organizations in accordance with law	0																									0	
2.a.3	Customs service fee	0		1,554,886																							1,554,886	
2.r	Dividends on state and local property																											
2.r.1	Dividends on state property	38,337,637																										
2.r.2	Dividends on local property	0																				59,151,641					-1,032,357	
2.d	Other payments to recipient Government																											
2.d.1	Entitlement under Production sharing Contract to Government	2,671																									0	
2.d.2	Taxation on Petroleum																										2,671	
2.e	Donations to Governmental organizations																											
2.e.1	Monetary donation from Company to Ministries and agencies	1,923																									0	
2.e.2	Monetary donation from Company to aimags	43,172																									43,172	
2.e.3	Monetary donation from Company to soums	41,176																									41,176	
2.e.4	Monetary donation from Company to local organizations	109,834																									109,834	
2.e.5	Fund disbursed by Company in sustainable development and community relations	107,363																									107,363	
	Total receipts	405,266,347	0	1,554,886	21,492	0	0	112,486	0	-235,724	-99,365	0	-314,888	-2,929	154,981	16,049	238,209	741,505	581,262	0	59,170,297	0	0	0	7,648	0	61,927,252	
	Company net adjustments from page 2	502,093,210	598,132	0	1,655,386	21,492	983,105	4,647,936	845,575	110,686	-1,104,511	0	-50,883	339	0	-947,455	3,007,940	-54,445	0	0	0	2,283,567	0	-49,178	-852,195	266,344	0	9,805,457
	Net government and company adjustments		598,132	0	1,655,386	21,492	983,105	4,647,936	845,575	110,686	-1,104,511	0	-50,883	339	0	-947,455	3,007,940	-54,445	0	0	0	2,283,567	0	-49,178	-852,195	266,344	0	9,805,457
	Net Discrepancies per templates	-96,826,862	-613,652	97,001	-1,735,502	-7,874,589	1,633,594	-6,338,211	-1,637,955	-136,157	-78,536	-22,909	-728,900	-70,139	-980,481	-295,704	-3,912,461	-216,519	-2,722,730	11,722	-37,125	-71,365,760	-9,812	-19,069	197,476	-156,073	185,628	-96,826,862
	Remaining discrepancies		-15,521	97,001	-80,116	7,853,097	2,616,699	-1,690,275	-679,894	-25,471	-1,418,770	-122,274	-779,783	-384,689	-983,410	-1,088,178	-888,472	-32,755	-1,981,225	592,983	-37,125	-9,911,896	-9,812	-68,247	654,719	137,919	185,628	-25,094,153

ADJUSTMENTS TO COMPANY TEMPLATES		APPENDIX D page 2																											
	Company Template	Sharyn Gol	Baganuur	Chinhua MAK Nairin Suhait	Ivenhoe Mines Mongolia Inc	Tsairt mineral	Boro Gold	Shizhir Alt	Ulgol	Jump	Cold Gold	ShinShin	Erdes Holding	Monrosts vetmet	Mongolyn Alt Kompany	Petrochina	Datsan trade	Altan Dornod Mongolia	Gatsuurt	Shivee Ovoo	Erdenet	Aduunch uluun	Shim Technology	Mongol Gazar	MGH	Tavantolgoi	TOTAL	Adjusted company payments	
2.a	Paid taxes/																												
2.a.1	Corporate income tax	132,122,838							-9,610																474,043		464,433	132,587,272	
2.a.2	Value added tax deducted from paid, back	12,708,669	-598,132			-983,105	-4,647,936		509,267					668,700	321,600					1,037						-2,283,567	-7,022,436	5,686,539	
2.a.3	Customs tax	9,086,172		39,600				104,425	-1,155	199,322		-813		-668,700									49,178				-269,281	8,786,891	
2.a.4	Windfall tax	176,236,102							-98,296	117,566															210,196		225,085	176,460,187	
2.a.5	Real estate tax	1,679,583							2,948																		2,948	1,682,531	
2.a.6	Excise tax (on imported fuel and lubricants)	2,007							312,563																		312,563	314,570	
2.a.7	Tax on petrol and diesel fuel	1,696,814							-589,164																		-589,164	1,107,651	
2.a.8	Tax on automobile and self-moving vehicle	84,177							633																		633	84,810	
2.b	Fee																												
2.b.1	Fee for exploitation of mineral resources	39,452,649							522,601						-52,716										16,623	-254,313	232,195	39,684,844	
2.b.2	License fee for exploitation of mineral resources	7,871,541							7,311						-8,993		58,826								110,808	-3,080	164,874	8,036,415	
2.b.3	Reimbursement of deposit, exploration of which is carried by the budget fund	1,207,176										-788			687,564												686,776	1,893,952	
2.b.4	Land rent	7,587,980										464	-400												16,523	-28,952	-16,749	7,571,231	
2.b.5	Fee for water use	2,058,516							6,612			61													24,000		30,673	2,089,189	
2.b.6	Fee for forestry use and firewood	100							684																		684	784	
2.b.7	Fee for recruiting foreign experts and workers	2,424,185							-678			49,145									0						48,467	2,472,652	
2.b.8	Fee for use of mineral resources of wide spread	5,594										2,875															2,875	8,469	
2.a	Charge and service charge																												
2.a.1	Stamp and other charge for state registration paid to state and local administrative organizations in accordance with law	44,014							-217																		-217	43,797	
2.a.2	Service charges paid to state and local administrative organizations in accordance with law	612,958							17,822																		17,822	630,780	
2.B.3	Customs service fee	1,554,886																									0	1,554,886	
2.r	Dividends on state and local property																												
2.r.1	Dividends on state property	97,408,079							-950,000																		-950,000	96,458,079	
2.r.2	Dividends on local property	1,032,357																									0	1,032,357	
2.a	Other payments to recipient Government																												
2.a.1	Entitlement under Production sharing Contract to Government	3,010,951														-3,007,940										-3,007,940	3,011		
2.a.2	Taxation on Petroleum																										0	0	
2.e	Donations to Governmental organizations																												
2.e.1	Monetary donation from Company to Ministries and agencies	1,221,345																									0	1,221,345	
2.e.2	Monetary donation from Company to aimags	967,866																									0	967,866	
2.e.3	Monetary donation from Company to soums	1,089,275			-144,587																						-144,587	954,688	
2.e.4	Monetary donation from Company to local organizations	507,567			4,587																						4,587	512,154	
2.e.5	Fund disbursed by Company in sustainable development and community relations	440,810																									0	440,810	
	Total paid	502,093,210	-598,132	0	-100,500	0	-983,105	-4,647,936	-845,575	-110,686	1,104,511	0	50,883	-339	0	947,455	-3,007,940	54,445	0	0	0	0	0	49,178	852,195	-286,344	0	-9,885,457	492,287,753
	Significant Discrepancies in Company		-598,132	0	-144,587	0	0	-4,647,936	-950,000	-98,296	1,072,154	0	0	0	634,848	-3,007,940	58,826	0	0	0	0	0	0	49,178	852,195	-254,313	0	-9,317,569	
	Insignificant Discrepancies in Company		0	0	-44,087	0	983,105	0	-104,425	12,391	-32,366	0	-50,883	339	0	-312,607	0	4,381	0	0	0	0	0	0	0	32,031	0	487,888	

CUSTOMS TAX RECONCILIATION				APPENDIX E
	Template	Company	Government	Adjusted
	discrepancies	adjustmen	adjustment	discrepancies
Baganuur	74,923			74,923
Chinhua MAK Nariin Suhait	-56,999	-39,500		-96,498
Ivenhoe Mines Mongolia Inc	112,480			112,480
Tsairt mineral	60,120			60,120
Boroo Gold	-9,260			-9,260
Shizhir Alt	-216,062	-104,425		-320,487
Ulzgol	-23,580	1,155		-22,424
Jump	119,643	-213,185		-93,543
Cold Gold	4,651			4,651
ShinShin	-45,590			-45,590
Monroostsvetmet	-703,558			-703,558
Mongolytn Alt Kompany	-32,220			-32,220
Petrochina	-35,925			-35,925
Datsan trade	10,235			10,235
Altan Dornod Mongolia	-1,040,509	1,037,483	1,031,210	1,028,183
Gatsuurt	-180,617		560,558	379,941
Shivee Ovoo	9,081			9,081
Erdenet	-387,324			-387,324
Aduunchuluun	-2,118			-2,118
Shim Technology	58,194	-49,178		9,016
Mongol Gazar	7,306			7,306
MGH	2,583			2,583
Tavantolgoi	79,299			79,299
TOTALS	-2,195,248	632,350	1,591,768	28,870

Individual Company reports

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF ADUUNCHULUUN BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Aduunchuluun. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Aduunchuluun is a Mongolian company that reports to the Dornod aimag taxation department. It holds one license and has operated a coal mine in Dornad aimag, Herlen soum with yearly production of approximately 260,000 tons of coal. Restoration works are needed and it provides a small amount of funding to local activities.

Total company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net discrepancies
263,622	253,810	- 9,812

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (12,690 thousand MNT) would be classified as material.

No individual discrepancies exceeded this precision level and therefore we concluded that no follow up was necessary

Adunchuluun SC		Gov Report	Gov Report	Variation	% Var	Variations	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Dornod							
Material variance based on total paid, per Government report				12,690	0.05		
Paid taxes							
2.a.1	Corporate income tax	37,827	37,827	0	0.00		
2.a.2	Value added tax deducted from paid, back	172,400	172,400	0	0.00		
2.a.3	Customs tax	3,479	1,361	-2,118	-0.83	-2,118	
2.a.5	Real estate tax	2,412	2,412	0	0.00		
2.a.6	Excise tax (on imported fuel and lubricants)		584	584	0.23	584	
2.a.8	Tax on automobile and self-moving vehicle	1,820	1,820	0	0.00		
Total taxes		217,938	216,404	-1,535	-0.60	-1,535	0
Fees							
2.6.1	Fee for exploitation of mineral resources	28,650	28,650	0	0.00		
2.6.2	License fee for exploitation of mineral resources	539		-539	-0.21	-539	
2.6.4	Land rent	8,681	8,681	0	0.00		
2.6.5	Fee for water use	75	75	0	0.00		
Total fees		37,945	37,406	-539	-0.21	-539	0
Charge and service charge							
2.b.1	Stamp and other charges paid to state and local admin org's as req'd b	419		-419	-0.17	-419	
Total charges		419	0	-419	-0.17	-419	0
Donations to Governmental organizations							
2.e.5	Fund disbursed by Company in sustainable development and commun	7,320		-7,320	-2.88	-7,320	
Total donations		7,320	0	-7,320	-2.88	-7,320	0
Total paid		263,622	253,810	-9,812	-3.87	-9,813	0

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF ALTANDORNOD MONGOL BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Altan Dornod Mongol (Altan Dornod). Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation. All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Altan Dornod is a wholly owned Russian company, classified as a foreign entity operating in Mongolia. It reports to the National Taxation Department. The company operates gold mines in Tuv aimag, Zaamar soum and Arhangai aimag, Tsenher soum, and has licences in several other areas. In total it holds 63 licenses, 30 of which are in production.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below.

Total Company payments	Total Government receipts	Net Discrepancy
6,602,335	3,879,604	-2,722,731

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix.

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (193,980) would be classified as material.

Based on this the following significant discrepancies were identified:

Item	Company payments	Government receipts	Discrepancy
Customs tax	1,367,878	327,368	-1,040,510
License fee for exploitation and exploration of mineral resources	266,672	801	-265,871
Fee for recruiting foreign experts and workers	1,121,824	104,241	-1,017,583
Totals	2,756,374	432,410	- 2,323,964

A fax was sent to the company and a letter delivered to the National taxation Administration requesting both of them to supply details of the composition / calculation

of the amounts included in their respective templates for each significant discrepancy item.

FINDINGS

In its response the company made a reduction of 1,037 to the figure it had reported for customs duty and added it to VAT

The General Department of National Taxation Mongolia (“GDNTM”) however in its response amended a number of figures which resulted in the total Government figure increasing by 1,981,077 from those shown in the template

As a result of the above the total discrepancies reduced by 1,982,084 to 741,454.

Customs Tax

Altan Dornot supplied a schedule of payments made during 2006 that totaled 1,366,851 or only 1,027 less than the figure it had included in its template.

The Company paid customs tax on product purchases at the rate of five percent and VAT at the 2006 rate of 15 percent. The amount of 1,366,851 per the company’s schedule represented 329,368 customs taxes and 1,037,483 VAT (see below)

The above 329,368 customs tax is 2,000 more than the figure of 327,368 shown on the Government template. This difference is not significant

Value added tax deducted from paid, back

The company’s template showed VAT of 271,063 whereas the figure included in the Government template was 251,813, a difference of 19,250 which was classified as insignificant.

The VAT of 1,037,483 included in customs tax referred to above however increases the combined VAT variance to 1,056,733, which ranks as a significant discrepancy. The Customs office has indicated it has received 1,031,210

Fee for water use

In its response to queries on significant discrepancies the GDNMT also revised the receipt reported in the government template down from 336,158 to 24,108 thereby increasing the previous discrepancy from 76,708 which was viewed as insignificant to 388,758 which amounted to a significant discrepancy under the precision level set for this company. This discrepancy has not been resolved

License fee for exploitation of mineral resources

The Company provided a schedule detailing almost 80 license fee payments totaling US\$255,935. This when converted to MNT approximates the amount reported by the company on its EITI template.

The GDNTM in response to our queries subsequently confirmed the figure of 801 included in the government templates and therefore this discrepancy has not been resolved

Fee for recruiting foreign experts and workers

The Company subsequently provided a schedule listing 40 payments totaling 1,008,673 and advised that the remaining 113,151 was paid for residential extension fees.

The GDNMT subsequently confirmed the original government template figure of 104,241 and consequently the discrepancy of 1,017,583 has not been resolved

ISSUES

Confusion exists as to whether VAT on imported goods should be included in the templates and if so under what category

SUMMARY

The net discrepancy of 2,722,731 disclosed by the templates was subsequently reduced to 741,505 as a result of changes subsequently made by GDNTM. These changes however increased the significant discrepancies of 2,323,964 identified from the template comparison to 2,712,722. Of these 1,040,510 was resolved leaving significant discrepancies amounting to 1,672,212 unresolved

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report

AltanDornot LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
National Taxation Department							
Material variance based on total paid, per Government report				193,980	0.05		
Paid taxes							
2.a.1	Corporate income tax	94,219	94,219	0	0.00		
2.a.2	Value added tax deducted from paid, back	271,063	251,813	-19,250	-0.50	-19,250	
2.a.3	Customs tax	1,367,878	327,368	-1,040,509	-26.82		-1,040,509
2.a.4	Windfall tax	611,927	611,927	0	0.00		
2.a.5	Real estate tax	9,840	10,171	331	0.01	331	
2.a.8	Tax on automobile and self-moving vehicle	17,512	18,078	565	0.01	565	
Total taxes		2,372,440	1,313,576	-1,058,864	-27.29	-18,354	-1,040,509
Fees							
2.6.1	Fee for exploitation of mineral resources	2,080,909	2,080,909	0	0.00		
2.6.2	License fee for exploitation of mineral resources	266,672	801	-265,870	-6.85		-265,870
2.6.4	Land rent	150,835	43,919	-106,915	-2.76	-106,915	
2.6.5	Fee for water use	412,866	336,158	-76,708	-1.98	-76,708	
2.6.7	Fee for recruiting foreign experts and workers	1,121,824	104,241	-1,017,583	-26.23		-1,017,583
Total fees		4,033,105	2,566,028	-1,467,077	-37.82	-183,623	-1,283,453
Donations to Governmental organizations							
2.e.1	Monetary donation from Company to Ministries and agencies	22,246		-22,246	-0.57	-22,246	
2.e.2	Monetary donation from Company to aimags	70,870		-70,870	-1.83	-70,870	
2.e.3	Monetary donation from Company to soums	63,735		-63,735	-1.64	-63,735	
2.e.4	Monetary donation from Company to local organizations	19,338		-19,338	-0.50	-19,338	
2.e.5	Fund disbursed by Company in sustainable development and commun	20,601		-20,601	-0.53	-20,601	
Total donations		196,790	0	-196,790	-5.07	-196,790	0
Total paid		6,602,335	3,879,604	-2,722,730	-70.18	-398,768	-2,323,963

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF BAGANUUR BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Baganuur. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Baganuur is a Mongolian company, with 75% of its equity held by the state. The company operates a coal mine in Ulaanbaatar city district Baganuur.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net discrepancies
3,461,022	3,558,023	+97,001

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (177,901) would be classified as material.

No individual discrepancies exceeded this precision level and therefore we concluded that no follow up was necessary.

Baganuur JSC		Coy Rep	Gov. Rep	Variation	% Var	Variations	
Reporting in 000's MNT						Insig	Sig
National Taxation Department							
Material variance based on total paid, per Government report				177,901	0.05		
Paid taxes							
2.a.1	Corporate income tax	255,026	269,810	14,783	0.42	14783	
2.a.2	Value added tax deducted from paid, back	2,059,069	2,059,069	0	0.00		
2.a.3	Customs tax		74,923	74,923	2.11	74923	
2.a.5	Real estate tax	51,600	51,600	0	0.00		
2.a.8	Tax on automobile and self-moving vehicle	5,632	5,632	0	0.00		
Total taxes		2,371,327	2,461,033	89,706	2.52	89,706	0
2.6 Fees							
2.6.1	Fee for exploitation of mineral resources	859,450	859,450	0	0.00		
2.6.2	License fee for exploitation of mineral resources		8,453	8,453	0.24	8453	
2.6.4	Land rent	194,522	194,522	0	0.00		
2.6.5	Fee for water use	4,576	4,576	0	0.00		
Total fees		1,058,548	1,067,001	8,453	0.24	8,453	0
2.r Dividends on state and local property							
2.r.1	Dividends on state property	31,147	29,988	-1,159	-0.03	-1159	
Total dividends		31,147	29,988	-1,159	-0.03	-1,159	0
Total paid		3,461,022	3,558,023	97,001	2.73	97,001	0

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF BOROO GOLD BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Boroo Gold. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Boroo Gold is a wholly owned subsidiary of Centerra Gold of Canada. It reports to the National Taxation department of Mongolia.

The company operates in Selenge aimag, Mandal and Bayangol soums rock deposit. It produced 8.8 tons of gold in 2006. The company has tax free status – 100% of corporate income tax for the first 3 years, but this agreement was subsequently amended in 2007 so that the company pays taxes except windfall tax. 18 mineral production licenses are held by the company.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net discrepancy
11,546,790	5,208,579	-6,338,211

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (260,429) would be classified as significant.

Based on this the following significant discrepancies were identified

Item	Company Payments	Government Receipts	Discrepancy
Value added tax deducted from paid, back	4,647,936	0	-4,647,936
Reimbursement of deposit, exploration of which is carried by the budget fund	558,448	0	-558,448
Monetary donation from Company to soums	762,738	0	-762,738
Total	5,969,122	0	-5,969,122

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (“GDNTM”) requesting both of them to supply details of the composition / calculation of the amounts included in their respective templates for each significant discrepancy item. Subsequently a meeting was held with Mr. Ganhuleg, Taxation officer of Boroo Gold and his assistant

FINDINGS

A response to our request on this company was not received from GDNMT.

Value added tax deducted from paid, back

Boroo Gold obtains large credits against VAT when it exports gold. VAT credits (net refunds due to company when it lodges its monthly VAT return) are not physically paid / refunded to the company but rather accumulated in a VAT account that it is able to utilize / offset against future VAT amounts due by the company to the tax department. The credit balance of this account at December 2006 amounted to 8,124,866.

The amount of 4,647,936 that the company included in their template represented the net movement (increase in the credit due to the company) in the above VAT account during the 2006 financial year. The amount included in the company’s template therefore represents an increase in credits accumulated in 2006 against future VAT payables, rather than amounts paid or payable to the Government.

No VAT was physically paid by the company to the government during the year, and the Government template reflected this.

A report received from the Customs office on 11 January 2008 indicated it had received 9,555 in respect of Customs tax and 1,929,310 of VAT. This VAT would have formed part of the calculation of the movement in the balance of accumulated VAT during the year.

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

The 558,448 reported in the company template for this item represented four quarterly payments made to the Ministry of Finance.

No explanation has been obtained as to why these figures do not appear on the government template.

Monetary donation from Company to soums

The company included substantial donations to social development funds as well as a few sundry other donations to soums in the figure of 762,738 they reported.

Soums receiving these funds did not record them on a template

ISSUES

The company included an amount for VAT in its template that represented an increase in credits accumulated in 2006 against future VAT payables, rather than amounts paid or payable to the Government.

The Government templates did not include the receipt of funds paid by the company for reimbursements of deposits.

Government entities did not prepare comprehensive templates covering all receipts.

SUMMARY

The significant discrepancies on the reconciliation of Boroo Gold occurred as a result of the company miss-interpreting the information required to be disclosed in the template for VAT and information on receipts not being included in Government templates. This resolved the significant VAT discrepancy. The remaining significant discrepancies totaling 1,321,186 were not resolved

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Boroo Gold LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
National Taxation Department							
Material variance based on total paid, per Government report				260,429	0.05		
Paid taxes							
2.a.2	Value added tax deducted from paid, back	4,647,936	0	-4,647,936	-89.24		-4,647,936
2.a.3	Customs tax	9,260		-9,260	-0.18	-9,260	
2.a.5	Real estate tax	146,012	90,089	-55,923	-1.07	-55,923	
2.a.8	Tax on automobile and self-moving vehicle	0	1,868	1,868	0.04	1,868	
Total taxes		4,803,208	91,957	-4,711,251	-90.45	-63,315	-4,647,936
Fees							
2.6.1	Fee for exploitation of mineral resources	5,032,827	5,032,827	0	0.00		
2.6.2	License fee for exploitation of mineral resources	81,661		-81,661	-1.57	-81,661	
2.6.3	Reimbursement of deposit, exploration of which is carried by the budget fund	558,448		-558,448	-10.72		-558,448
2.6.4	Land rent	55,704	25,120	-30,584	-0.59	-30,584	
2.6.5	Fee for water use	100	0	-100	0.00	-100	
2.6.7	Fee for recruiting foreign experts and workers	51,641	58,675	7,034	0.14	7,034	
Total fees		5,780,381	5,116,622	-663,759	-12.74	-105,311	-558,448
Charge and service charge							
2.B.1	Stamp and other charges paid to state and local admin org's as req'd by law	22,401		-22,401	-0.43	-22,401	
2.B.2	Service charges paid to state and local admin org's as required by law	3,243		-3,243	-0.06	-3,243	
Total charges		25,644	0	-25,644	-0.49	-25,644	0
Donations to Governmental organizations							
2.e.1	Monetary donation from Company to Ministries and agencies	2,000		-2,000	-0.04	-2,000	
2.e.2	Monetary donation from Company to aimags	6,500		-6,500	-0.12	-6,500	
2.e.3	Monetary donation from Company to soums	762,738		-762,738	-14.64		-762,738
2.e.4	Monetary donation from Company to local organizations	166,319		-166,319	-3.19	-166,319	
Total donations		937,557	0	-937,557	-18.00	-174,819	-762,738
Total paid		11,546,790	5,208,579	-6,338,211	-121.69	-369,089	-5,969,122

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF CHINHUA MAK NARIIN SUKHAIT BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Chinhua MAK Nariin Suhait. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Chinhua MAK is a Mongolian-Chinese joint venture, 50% owned by Chinese Chinhua group and 50% owned by Mongolian MAK. The company operates a coal mine in Umnugobi aimag.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below:

Total Company payments	Total Government receipts	Net discrepancies
2,610,141	874,639	-1,735,502

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix.

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts, 43,732 would be classified as significant.

Based on this the following significant discrepancies were identified:

Item	Company payments	Government receipts	Discrepancies
Customs tax	110,008	53,010	-56,999
Customs service fee	1,554,886	0	-1,554,886
Monetary donation from company to soums	155,885	11,297	-144,588
TOTAL	1,820,779	64,307	-1,756,473

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (“GDNTM”), requesting both of them to supply details of the composition / calculation of the amounts included in their respective templates for each significant discrepancy item.

FINDINGS

Customs tax

The Company reported Customs Tax of 110,008 on its template and subsequently amended this to 149,508. The GDNTM subsequently advised that the amount of 53,010 shown on the government template was correct. As a result the unresolved significant discrepancy increased by 39,500 to 96,498

Customs service fee

The Company recorded on its template Customs service fees totaling 1,554,886 representing customs service fees for transportation of coal across the border to China where it exports its entire production.

The receipt of this was subsequently confirmed by both the GDNMT and the Customs department which resolved the discrepancy

Monetary donation from Company to soums

The Company reported in its template total donations of 171,618 including 155,885 monetary donations to soums. It then subsequently advised that the total of all donations should be revised down to 31,618. This figure agrees with the government template (which the GDNTM subsequently confirmed) and therefore resolves the significant discrepancy.

ISSUES

Inaccuracies occurred in both the company and government templates.

SUMMARY

The resolution of significant discrepancies has resulted in a reduction in total discrepancies of 1,655,386 to 80,116. 1,659,974 of significant discrepancies have been resolved leaving Company tax of 56,999 as the only remaining significant discrepancy.

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Chinhua MAK Narlin Suhait		Coy report	Gov report	Variation	% Var	Variations	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Umnugobi							
Material variance based on total paid, per Government report				43,732	0.05		
Paid taxes							
2.a.3	Customs tax	110,008	53,010	-56,999	-6.52		-56,999
2.a.5	Real estate tax	4,705	4,705	0	0.00		
2.a.6	Excise tax (on imported fuel and lubricants)		5,884	5,884	0.67	5,884	
2.a.7	Tax on petrol and diesel fuel		920	920	0.11	920	
2.a.8	Tax on automobile and self-moving vehicle	644	644	0	0.00	0	
Total taxes		115,358	65,163	-50,194	-5.74	6,804	-56,999
Fees							
2.6.1	Fee for exploitation of mineral resources	754,397	754,397	0	0.00	0	
2.6.3	Reimbursement of deposit, exploration of which is carried by the budget fund			0	0.00	0	
2.6.4	Land rent	9,888	9,888	0	0.00	0	
2.6.5	Fee for water use	749	749	0	0.00	0	
2.6.7	Fee for recruiting foreign experts and workers	700	12,826	12,126	1.39	12,126	
2.6.8	Fee for use of mineral resources of wide spread	2,547		-2,547	-0.29	-2,547	
Total fees		768,280	777,859	9,579	1.10	9,579	0
Charge and service charge							
2.B.3	Customs service fee	1,554,886	0	-1,554,886	-177.77		-1,554,886
Total charge		1,554,886	0	-1,554,886	-177.77	0	-1,554,886
Donations to Governmental organizations							
2.e.1	Monetary donation from Company to Ministries and agencies	1,000	1,000	0	0.00		
2.e.2	Monetary donation from Company to aimags	10,820	10,820	0	0.00		
2.e.3	Monetary donation from Company to soums	155,885	11,297	-144,588	-16.53		-144,588
2.e.4	Monetary donation from Company to local organizations	3,913	8,500	4,587	0.52	4,587	
Total donations		171,618	31,617	-140,001	-16.01	4,587	-144,588
Total paid		2,610,141	874,639	-1,735,502	-198.42	20,970	-1,756,472

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF COLD GOLD BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Cold Gold. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Cold Gold is a 100% owned New Zealand Company, and operates a gold mine in the Bayanhongor aimag, Bumbergour soum.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net discrepancies
309,511	286,602	-22,909

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (14,330) would be classified as material.

No individual discrepancy exceeded this precision level and therefore we concluded that no follow up was necessary

A report subsequently received from GDNTM on 10 January 2006 however stated that the Government did not receive 99,365 as reported in the original Government template in respect of “Fee for exploitation of Mineral resources”. The original amount of 99,365TMNT approximated the figure reported by the company. This is a significant discrepancy and it has not been resolved

A subsequent report from the Customs office indicated it had received 14,650 in respect of VAT on imported goods. No amounts were reported for VAT on either the company or Government templates

SUMMARY

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report

ColdGold LLC		Coy Rep	Gov Rep	Variation	% Var	Variations	
Reporting in 000's MNT						Insig	Sig
National Taxation Department							
Material variance based on total paid, per Government report				14330	0.05		
Paid taxes							
2.a.1	Corporate income tax	5,640	10,067	4,427	1.54	4,427	
2.a.3	Customs tax	0	4,651	4,651	1.62	4,651	
2.a.4	Windfall tax	170,110	170,110	0	0.00		
2.a.8	Tax on automobile and self-moving vehicle	260	521	261	0.09	261	
Total taxes		176,010	185,349	9,339	3.26	9,339	0
Fees							
2.6.1	Fee for exploitation of mineral resources	99,141	99,365	224	0.08	224	
2.6.2	License fee for exploitation of mineral resources	14,326	1,888	-12,438	-4.34	-12,438	
2.6.4	Land rent	1,297		-1,297	-0.45	-1,297	
2.6.5	Fee for water use	8,037		-8,037	-2.80	-8,037	
2.6.7	Fee for recruiting foreign experts and workers	4,200		-4,200	-1.47	-4,200	
Total fees		127,001	101,253	-25,748	-8.98	-25,748	0
Donations to Governmental organizations							
2.e.3	Monetary donation from Company to soums	2,500		-2,500	-0.87	-2,500	
2.e.4	Monetary donation from Company to local organizations	4,000		-4,000	-1.40	-4,000	
Total donations		6,500	0	-6,500	-2.27	-6,500	0
Total paid		309,511	286,602	-22,909	-7.99	-22,909	0

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF DATSAN TRADE BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Datsan Trade. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Datsan Trade is a 100% Mongolian owned Company. It operates gold mines in Uvs aimag, Umnugobi, Tarialan Khyargas soums, Tuv aimag, Zaamar and Selenge aimags Yuree soum. It holds 32 licenses, 13 of which are in production. Corresponding taxation department is Chingeltei district

Based on this the following significant discrepancies were identified

Total Company payments	Total Government receipts	Net discrepancy
473,738	257,220	-216,518

A detailed analysis of reported receipts and payments and the resulting discrepancy is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that variances between reported government receipts and reported company payments that exceeded 5% of total government receipts (12,861) would be classified as significant.

Based on this the following significant discrepancies were identified.

Item	Company Payments	Government Receipts	Discrepancy
Windfall tax	228,309	0	-228,309
License fee for exploitation and exploration of mineral resources	0	26,121	26,121
Total	228,309	26,121	-202,188

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (“GDNTM”) requesting both of them to supply details of the composition/calculation of the amounts included in their respective templates for each significant discrepancy.

Subsequently a meeting was held with Mrs. Munkhjargal, chief accountant of the company.

FINDINGS

At the above meeting the chief accountant provided an amended template and details of payments made in respect of the items on which significant discrepancies had been noted. The chief accountant also informed us that the person who prepared the original template had left the company.

Windfall Tax

The company revised the amount of Windfall Tax slightly downward from 228,309 per the original template to 223,928. The GDNTM response received on 10 January 2008 to our request to investigate all significant discrepancies indicated 210,462 Windfall tax had been received but that it was omitted from the Government template. This resolved the majority of the discrepancy but the remaining balance of 13,466 is still slightly higher than the precision level established for the company and remains unresolved. This remains as an unresolved discrepancy.

License Fee for Exploitation of mineral resources

The company reported no license fee for exploitation of mineral resources on its template but subsequently advised it had paid 58,826. The Government template disclosed 26,121 for this item. In their aforementioned response GDNTM confirmed this figure. The change by the company results in the company figure now exceeding the government figure by 32,707 whereas previously the Government report had exceeded the company report by 26,121

ISSUES

The company did not complete the original template correctly.

The government template did not include all receipts.

Summary

The amendments made by the company and GDNTM reduced total net discrepancies from 216,528 to 32,755 and resolved 156,014 of the significant discrepancies thereby reducing unresolved significant discrepancies to 46,173

The significant discrepancies occurred as a result of the company not completing the template accurately and receipts not being included in Government template.

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report

Datsan Trade LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Sukhbaatar District							
Material variance based total paid, per Government report				12,861	0.05		
Paid taxes							
2.a.1	Corporate income tax	12,074		-12,074	-4.69	-12,074	
2.a.3	Customs tax		10,235	10,235	3.98	10,235	
2.a.4	Windfall tax	228,309		-228,309	-88.76		-228,309
2.a.5	Real estate tax	1,384		-1,384	-0.54	-1,384	
2.a.8	Tax on automobile and self-moving vehicle	1,839		-1,839	-0.71	-1,839	
Total taxes		243,606	10,235	-233,370	-90.73	-5,062	-228,309
Fees							
2.6.1	Fee for exploitation of mineral resources	214,054	214,054	0	0.00		
2.6.2	License fee for exploitation of mineral resources		26,121	26,121	10.16		26,121
2.6.4	Land rent	4,386		-4,386	-1.71	-4,386	
2.6.5	Fee for water use	10,410	6,810	-3,601	-1.40	-3,601	
2.6.7	Fee for recruiting foreign experts and workers	1,283		-1,283	-0.50	-1,283	
Total fees		230,133	246,985	16,852	6.55	-9,270	26,121
Total paid		473,738	257,220	-216,519	-84.18	-14,331	-202,187

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF ERDES HOLDING BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Erdes Holding. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Background

Erdes Holding is a 100% Mongolian owned Company. It operates gold mines in Selenge aimags, Bayangol and Sharyn Gol soums. It holds 13 licenses, 5 of which are in production. Its corresponding taxation department is Sukhbaatar district taxation office in Ulaanbaatar

Total Company Payments	Total Government receipts	Net Discrepancy MNT 000'S
387,665	317,526	-70,139

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is, we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (15,876 TMNT) would be classified as significant.

Based on this the following significant discrepancies were identified.

Item	Company Payments MNT 000's	Government Receipts MNT 000's	Discrepancy MNT 000's
Corporate income tax	48,000	19,799	-28,201
Fee for water use	17,392	0	-17,392
Total	65,392	19,799	-45,593

A fax was sent to the company and a letter delivered to the National taxation Administration, requesting both of them to supply details of the composition/calculation of the amounts included in their respective templates for each significant discrepancy.

Subsequently the company responded by fax and made some minor amendments. The General Department of National Taxation Mongolia (“GDNTM”) also responded as did the Customs office and we report on that information.

FINDINGS

Corporate Income Tax Paid

The company confirmed the amount of corporate income tax paid as being 48,000 The GDNTM in its subsequent response advised that 48,000 had not been received from the Company.

Fee for water use

The company revised the amount of Fee for water use paid marginally upwards by 61 to 17,453. The GDNMT confirmed that the Government template showing that no moneyT had been received was correct. Consequently the significant difference has increased marginally to 17,453 and remains unresolved.

Fee for exploitation of mineral resources

The Government template included 297,438 which was only 31 different from the figure reported by the company. Subsequently however the GDNMT advised that no such fee had been received. As a result of this change, this item which had previously reconciled to within a minor amount changed to a significant discrepancy which remains unresolved

ISSUES.

The Government template does not appear to reflect all receipts

The fact that a figure in the Government template that substantially agreed with the figure submitted by the Company was subsequently deleted in the GTNTM response raises concerns as to the process adopted to follow up Government template figures.

SUMMARY

The total net discrepancies arrived at from the templates was substantially increased by 314,888 as a consequence of subsequent changes advised by GDNTM.

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report

ErdesHolding LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Sukhbaatar District							
Material variance based on total paid, per Government report				15,876	0.05		
Paid Taxes							
2.a.1	Corporate income tax	48,000	19,799	-28,201	-8.88		-28,201
2.a.8	Tax on automobile and self-moving vehicle	1,378		-1,378	-0.43	-1,378	
Total taxes		49,378	19,799	-29,579	-9.32	-1,378	-28,201
Fees							
2.6.1	Fee for exploitation of mineral resources	297,438	297,469	31	0.01	31	
2.6.2	License fee for exploitation of mineral resources	13,638	258	-13,381	-4.21	-13,381	
2.6.4	Land rent	2,614		-2,614	-0.82	-2,614	
2.6.5	Fee for water use	17,392		-17,392	-5.48		-17,392
Total fees		331,082	297,727	-33,355	-10.50	-15,963	-17,392
Charge and service charge							
2.B.2	Service charges paid to state and local admin org's as req'd by law	2,550		-2,550	-0.80	-2,550	
Total charges		2,550	0	-2,550	-0.80	-2,550	0
Donations to Governmental organizations							
2.e.5	Fund disbursed by Company in sustainable development and commun	4,655		-4,655	-1.47	-4,655	
Total donations		4,655	0	-4,655	-1.47	-4,655	0
Total paid		387,665	317,526	-70,139	-22.09	-24,546	-45,593

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF ERDENET MINING CORPORATION BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Erdenet. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Erdenet is a joint venture with Russia, 51% held by the Government of Mongolia and 49% by the Government of Russia. The company produces copper and molybdenum. The joint venture also holds 5 exploration licenses in Bulgan and Orson aimags

The corresponding taxation department is National Taxation Office of Mongolia.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net Discrepancies
437,677,031	366,311,270	-71,365,761

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix.

The total payments made by Erdenet represented 87% of the total paid by all 25 companies and the total receipts by the Government from Erdenet represented 90% of the total receipts for all companies. As a result of the size of discrepancies that would be classed as insignificant if a 5% precision factor was used, we notionally selected 500,000, as the precision factor for this company. Discrepancies between reported government receipts and reported company payments that exceeded this amount were classified as significant.

The following were identified as significant discrepancies:

Item	Company payments	Government receipts	Discrepancies
Value added tax deducted from paid, back	2,283,567	0	-,2,283,567
Excise tax (on imported fuel and lubricants)	0	596,264	596,264
Tax on petrol and			

diesel fuel	1,074,757	33,276	-1,041,481
Land rent	6,545,000	0	-6,545,000
Fee for recruiting foreign experts and workers	512,217	0	-512,217
Dividends on state property	96,426,932	37,275,291	-59,151,641
Monetary donation from Company to Ministries and agencies	1,168,000	0	-1,168,000
Monetary donation from Company to aimags	700,000	0	- 700,000
TOTAL	108,710,473	37,904,831	70,805,642

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (GDNTM), requesting both of them to supply details of the composition/calculation of the amounts included in their respective templates for each significant discrepancy item.

FINDINGS

Value added tax deducted from paid, back

The company obtains large credits against VAT when it exports copper and molybdenum.

The amount the company included in its template represented VAT paid to local suppliers on the procurement of goods and services. This amount does not represent a payment to the Government and therefore should not have been included

Excise tax on imported fuel and lubricants

The company accountant stated they were too busy to investigate this item and that they would be unable to respond for up to ten days, well outside the report deadline.

The GDNTM subsequently advised that the amount shown in the Government template was correct based on data from the General Customs Authority

The significant discrepancy of 596,264 therefore remains unresolved.

Tax on petrol and diesel fuel

The Company did not respond in time to this request (see comment above).

The GDNTM stated that the templates figure of 33,276 was correct based on data from the General Customs Authority.

The significant discrepancy of 1,041,482 therefore remains unresolved.

Land rent

The Company provided a detailed listing of payments making up the amount shown on its template for this item.

The GDNTM has no record of the payments; however it acknowledges they have been paid to the local government office of land relations. Without further substantiation the significant discrepancy of 6,545,000 is unresolved.

Fee for recruiting foreign experts and workers

The Company provided a detailed listing of the payments making up the amount included on its template for this item.

The GDNTM confirms receipt of 18,656 and refers to a letter from Labour and Welfare Service Office 1/903 August 9, 2007. The significant discrepancy is resolved.

Dividends on State property

The Company confirmed three earlier payments during the period under review and confirmed a payment of 59,151,641 on December 29, 2006

This payment was not credited by the bank to the Government bank account until January 2, 2007 and, because it was received after year end, was not included in the 2006 figures.

The significant discrepancy therefore resulted from a timing difference.

Monetary donation from Company to Ministries and agencies

Monetary donation from Company to Aimags

The Company provided details of the payment making up the figures in its template.

The GDNTM was unable to provide any data or information.

The significant discrepancy therefore remains unresolved.

ISSUES

The Company has provided the detailed information as requested for several areas but failed to respond to two other requests in a timely manner (however it did subsequently confirm these figures on 11 January 2008).

The GDNTM has confirmed some payments but has not been able to substantiate or have any data for others.

SUMMARY

The significant discrepancies of 59,151,641 on the reconciliation of dividends occurred as a consequence of a timing / cut-off problem and the discrepancy on VAT occurred as a result of VAT paid to suppliers being included in the company template. The remaining significant discrepancies were not resolved

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Erdenet Mining Corporation		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
National Taxation Department							
Material variance based on total paid, per Government report				500,000			
Paid taxes							
2.a.1	Corporate income tax	127,650,957	127,650,957	0	0.00		
2.a.2	Value added tax deducted from paid, back	2,283,567		-2,283,567	-0.62		-2,283,567
2.a.3	Customs tax	4,470,715	4,083,391	-387,324	-0.11	-387,324	
2.a.4	Windfall tax	172,601,265	172,601,265	0	0.00		
2.a.5	Real estate tax	1,203,800	1,203,800	0	0.00		
2.a.6	Excise tax (on imported fuel and lubricants)		596,264	596,264	0.16		596,264
2.a.7	Tax on petrol and diesel fuel	1,074,757	33,276	-1,041,482	-0.28		-1,041,482
2.a.8	Tax on automobile and self-moving vehicle	20,249	20,372	124	0.00	124	
Total taxes		309,305,310	306,189,324	-3,115,986	-1	-387,201	-2,728,785
Fees							
2.6.1	Fee for exploitation of mineral resources	21,603,999	21,603,999	0	0.00		
2.6.2	License fee for exploitation of mineral resources	181,958		-181,958	-0.05	-181,958	
2.6.4	Land rent	6,545,000		-6,545,000	-1.79		-6,545,000
2.6.5	Fee for water use	1,224,000	1,224,000	0	0.00		
2.6.7	Fee for recruiting foreign experts and workers	512,217		-512,217	-0.14		-512,217
2.6.8	Fee for use of mineral resources of wide spread		18,656	18,656	0.01	18,656	
Total fees		30,067,174	22,846,655	-7,220,519	-2	-163,302	-7,057,217
Charge and service charge							
2.b.1	Stamp & other reg'n charge paid to state and local admin org's req'd by	9,614		-9,614	0.00	-9,614	
Total charges		9,614	0	-9,614	0	-9,614	0
Dividends on state and local property							
2.r.1	Dividends on state property	96,426,932	37,275,291	-59,151,641	-16.15		-59,151,641
Total dividends		96,426,932	37,275,291	-59,151,641	-16	0	-59,151,641
Donations to Governmental organizations							
2.e.1	Monetary donation from Company to Ministries and agencies	1,168,000		-1,168,000	-0.32		-1,168,000
2.e.2	Monetary donation from Company to aimags	700,000		-700,000	-0.19		-700,000
Total donations		1,868,000	0	-1,868,000	-1	0	-1,868,000
Total paid		437,677,031	366,311,270	-71,365,760	-19.48	-560,117	-70,805,643

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF GATSUURT LLC BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Gatsuurt. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Gatsuurt LLC is a Mongolian Company and operates gold mine in Uvurhangai aimag, Bat-Ulziit soum, Darhan-Uul, aimag, Hongor soum, and Selenge aimag, Yuree soum. The company holds 27 production licences and 17 exploration licences.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below:

Total Company payments	Total Government receipts	Net Discrepancy
2,043,194	2,054,916	11,722

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that variances between reported government receipts and reported company payments that exceeded 5% of total government receipts (102,746) would be classified as material.

Based on this the following significant discrepancies were identified:

Item	Company payments	Government receipts	Discrepancies
Corporate income tax	151,074	320,000	168,926
Customs tax	358,571	177,954	-180,617
Totals	509,645	497,954	-11,691

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia ("GDNTM) requesting both of them to supply details of the composition / calculation of the amounts included in their respective templates for each significant discrepancy item.

FINDINGS

The Company advised no amendments other than a correction of a misallocation.

The GDNTM advised one significant change

Corporate income tax

Gatsuurt advised in their faxed response that they pay corporate income tax to the Taxation Department of Selenge aimag but that because the tax office deducts corporate income tax from reimbursement of VAT they have no documentation on corporate income tax.

The Taxation office confirmed it had received 320,000 from the company for corporate income tax.

Whilst it would appear the difference relates to the offset by the tax department of VAT credits against corporate income tax, we have not been provided with any information to confirm this and therefore the reason for the difference is unresolved

Customs tax

The company advised they pay customs taxes to the customs clearance office-1 of Ulaanbaatar city but did not make any revision to the 358,571 included on their template.

The GDNTM advised, contrary to the amount of 177,954 shown on the Government template that it had received 738,152. The Customs office subsequently advised it had received 178,075 for Customs tax and 560,940 for VAT (a total of 739,015 which approximates the revised figure provided by GDNTM).

The adjustment by GDNTM changes the discrepancy from – 180,617 to + 379,581

This discrepancy remains unexplained

Fee for recruiting foreign Experts and workers

Gatsuurt LLC included 175,089 in their template as Fees for recruiting foreign workers. This differed from the 216,601 shown on the Government template by 41,513, which was less than the precision level and therefore not followed up. In its response to our follow up of material discrepancies however, the company advised they do not employ any foreign workers in their mining business and that they only have a limited number working in their affiliates in construction tourism and farming.

It would appear from the foregoing advises the both the Government and the company have included non mining fees in their templates.

Fee for use of mineral resources of wide spread

The company advised that these fees are directly deducted from their bank account by The Trade and Development Bank and therefore they have no documentation in relation to them.

ISSUES

Confusion exists regarding the treatment of other tax obligations offset against VAT

Confusion exists as to what charges need to be classified as Customs tax

SUMMARY

The change made to Customs tax by GDNTM increased net discrepancies to 592,983

The significant discrepancies, which have not been resolved, result from confusion at both Government and company level as to how to deal with tax offsets and as to what should be classified as customs tax

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Gatsuurt LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Selenge							
Material variance based on total paid, per Government report				102,746	0.05		
Paid taxes							
2.a.1	Corporate income tax	151,074	320,000	168,926	8.22		168,926
2.a.3	Customs tax	358,571	177,954	-180,617	-8.79		-180,617
2.a.4	Windfall tax		30,000	30,000	1.46	30,000	
2.a.5	Real estate tax	2,205		-2,205	-0.11	-2,205	
2.a.7	Tax on petrol and diesel fuel	11,475		-11,475	-0.56	-11,475	
2.a.8	Tax on automobile and self-moving vehicle		5,904	5,904	0.29	5,904	
	Total taxes	523,325	533,858	10,533	0.51	22,224	-11,691
	Fees						
2.6.1	Fee for exploitation of mineral resources	1,295,847	1,295,847	0	0.00		
2.6.2	License fee for exploitation of mineral resources		9	9	0.00	9	
2.6.4	Land rent	1,373	7,109	5,736	0.28	5,736	
2.6.5	Fee for water use	9,760	1,491	-8,268	-0.40	-8,268	
2.6.6	Fee for forestry use and firewood			0	0.00	0	
2.6.7	Fee for recruiting foreign experts and workers	175,089	216,601	41,513	2.02	41,513	
2.6.8	Fee for use of mineral resources of wide spread			0	0.00		0
	Total fees	1,482,069	1,521,058	38,989	1.90	38,989	0
	Donations to Governmental organizations						
2.e.1	Monetary donation from Company to Ministries and agencies	1,000		-1,000	-0.05	-1,000	
2.e.2	Monetary donation from Company to aimags	10,000		-10,000	-0.49	-10,000	
2.e.3	Monetary donation from Company to soums	1,800		-1,800	-0.09	-1,800	
2.e.4	Monetary donation from Company to local organizations	25,000		-25,000	-1.22	-25,000	
	Total donations	37,800	0	-37,800	-1.84	-37,800	0
	Total paid	2,043,194	2,054,916	11,722	0.57	23,413	-11,691

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF IVANHOE MINES MONGOLIA INC BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Ivanhoe Mines Mongolia Inc. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Ivanhoe Mines Mongolia Inc is a 100% owned Canadian company that reports to the National Taxation department of Mongolia.

The company has carried out exploration for copper and gold in Umnugobi aimag, Hanbogd soum, which is believed to contain extremely large deposits. It holds 100 licenses of which 5 are related to its proposed copper project. The investment agreement with the Government of Mongolia for the development of the deposits is still being negotiated.

Total company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net Discrepancy
9,433,535	1,558,946	-7,874,589

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that variances between reported government receipts and reported company payments that exceeded 5% of total government receipts (77,947) would be classified as significant.

Based on this the following significant discrepancies were identified

Item	Company Payments	Government Receipts	Discrepancy
Customs tax	1,176,011	1,288,491	112,480
License fee for exploitation and exploration of mineral resources	7,011,934	0	-7,011,934
Land Rent	240,264	0	-240,264
Monetary donation from Company to aimags	97,860	0	-97,860
Monetary donation from Company to local organizations	171,565	0	-171,565

Fund disbursed by Company in sustainable development and community relations	323,242	0	-323,242
Total	9,020,876	1,288,491	-7,732,386

A fax was sent to the company and a letter delivered to the National taxation Administration requesting both of them to supply details of the composition / calculation of the amounts included in their respective templates for each significant discrepancy item. Subsequently a meeting was held with Ms. Sodkhuu. Ts, Deputy Director Government & Industry Relations from the company at which she provided detailed reconciliation's and explanations regarding the above significant variances.

The General Department of National Taxation Mongolia ("GDNTM") also subsequently responded with some minor adjustments which were not significant

FINDINGS

Customs tax

The Company provided a schedule detailing all customs payments it had made during 2006, the total of which corresponded with the amount it had included in its template.

The GDNTM did not advise of any changes required to the Government template and therefore the significant discrepancy remains unresolved

License fee for exploration of mineral resources

The company provided a detailed schedule of the license fee payments it had made during the 2006 financial year to the treasury fund administered by MOF. The list reconciled to the amount they had included in their template.

The GDNTM did not advise of any changes required to the Government template and therefore the significant discrepancy remains unresolved

Monetary donation from company to aimags

The company advised the amount of 97,860 included on their template for this item represented payments to an aimag in respect of building doctors housing. The company advised this is a three year project and that the figure they provided may include a small amount of 2005 expenditure.

The GDNTM advised it did not have any information on donations and therefore the significant discrepancy remains unresolved

Monetary donation from company to local organizations

Fund disbursed by company in sustainable development and community relations

The amounts included by the company for these items represent the cost of procurement of material, labour, equipment etc provided as donations to local soums

Whilst the amounts included on the company template reflect the amount of funds disbursed by the company, such funds are not paid to the soum but rather paid to other parties to acquire goods and services for the soum. Because the soum receives the donation “in kind” rather than in cash, it would not necessarily be able to accurately quantify the value of the donation in monetary terms and may not reflect it in its records.

ISSUES

The Company and the Taxation office indicated that no VAT had been paid and received. The Customs office indicated that it had received 4,034,753 TMNT

The Ministry of Finance did not prepare a comprehensive template covering all receipts

Soums did not prepare a comprehensive template covering all receipts.

Aimags and soums did not prepare comprehensive templates covering all receipts.

Soums may not

- maintain records of “in kind” donations, or
- may record them in descriptive terms and not ascribe a monetary value to them, or
- even if they ascribed a monetary value, such value may differ from the actual cost incurred by the company

SUMMARY

The significant discrepancies on the reconciliation of Ivanhoe Mines occurred as a result of information on receipts not being included in Government templates and procedural issues in respect of the basis to be used for recording in the templates “in kind” payments and receipts. None of these discrepancies were resolved.

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Ivanhoe Mines Mongolia Inc.		Coy report	Gov report	Variation	% Var	Variations	
Reporting in 000's MNT						Insig	Sig
National Taxation Department							
Material variance based on total paid, per Government report				77,947	0.05		
Paid taxes							
2.a.3	Customs tax	1,176,011	1,288,491	112,480	7.22		112,480
2.a.5	Real estate tax	19,736		-19,736	-1.27	-19,736	
2.a.8	Tax on automobile and self-moving vehicle	10,296		-10,296	-0.66	-10,296	
Total taxes		1,206,043	1,288,491	82,448	5.29	-30,032	112,480
Fees							
2.6.2	License fee for exploitation of mineral resources	7,011,934		-7,011,934	-449.79		-7,011,934
2.6.3	Reimbursement of deposit, exploration of which is carried by the budget fund						
2.6.4	Land rent	240,264		-240,264	-15.41		-240,264
2.6.5	Fee for water use	7,771		-7,771	-0.50	-7,771	
2.6.7	Fee for recruiting foreign experts and workers	290,600	270,455	-20,145	-1.29	-20,145	
2.6.8	Fee for use of mineral resources of wide spread	2,697		-2,697	-0.17	-2,697	
Total fees		7,553,267	270,455	-7,282,812	-467.16	-30,614	-7,252,199
Charge and service charge							
2.b.1	Stamp and other reg'n charge paid to state and local admin org's as re	1,500		-1,500	-0.10	-1,500	
2.b.2	Service charges paid to state and local admin. organizations as req'd b	16,367		-16,367	-1.05	-16,367	
Total charges		17,867	0	-17,867	-1.15	-17,867	0
Donations to Governmental organizations							
2.e.2	Monetary donation from Company to aimags	97,860		-97,860	-6.28		-97,860
2.e.3	Monetary donation from Company to soums	63,691		-63,691	-4.09	-63,691	
2.e.4	Monetary donation from Company to local organizations	171,565		-171,565	-11.01		-171,565
2.e.5	Fund disbursed by Company in sustainable development and commun	323,242		-323,242	-20.73		-323,242
Total donations		656,358	0	-656,358	-42.10	-63,691	-592,667
Total paid		9,433,535	1,558,946	-7,874,590	-505.12	-142,204	-7,732,386

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF JUMP LLC BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Jump. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

The company operates gold mines in Dornod aimag, Bayandun soum; Hentii aimag, Umnudelger soum; Selenge aimag, Bayangol, Yuree soums; Bayanhongor aimag, Zhargalant, Bumbugur and Galuut soums. The company holds 27 licenses of which 17 are in production. Jump is a Mongolian company and reports to Sukhbaatar district taxation office in Ulaanbaatar.

Total company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below:

Total Company payments	Total Government receipts	Net Discrepancy
696,604	618,069	-78,535

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix.

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts, 30,903 would be classified as significant.

Based on this the following significant discrepancies were identified:

Item	Company Payments	Government Receipts	Discrepancies
Customs tax	13,863	133,505	119,642
Excise tax (on imported fuel and lubricants)	0	185,460	185,460
Tax on petrol and diesel fuel	601,259	8,987	-592,272
Fee for exploitation of mineral resources	0	233,705	233,705
Total	615,122	561,657	-53,465

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (GDNTM) requesting both of them to supply details of the composition/calculation of the amounts included in their respective templates for each significant discrepancy item.

FINDINGS

The Company submitted a new template on 9 January 2008 in response to the request for information, containing information that is completely different from its original template.

Value added tax deducted from paid back

The companies new template include VAT of 509,267

No VAT is included in the Government template or the detailed response received from the GDNTM

This figure creates a new significant unresolved discrepancy.

Customs Tax

The Company revised the figure of 13,863 included on its original template by 199,322 to 213,185

The GDNTM confirms the amount of 133,505 included on the Government template.

A reconciliation received from the Customs office also agrees with this amount.

The initial significant discrepancy of 119,632 was amended to - 93,543 as a result of this change.

Windfall Tax

The company's revised template included 117,565 that was not included in the original template.

The Government template did not include any amount for this item and the GDNTM detailed response to our request for explanations on the Government template did not include any amount for this item.

This revised company figure creates a previously unidentified significant discrepancy of 117,565.

Real Estate Tax

The Company reported 2,948 that was not recorded in the original template. The Government template included no amount for this item. This discrepancy is not significant.

Excise Tax on imported fuel and lubricants

The company's new template included 312,563 whereas the original template had not included a figure for this item.

The GDNTM confirmed that the amount of 185,460 shown on Government template agrees with information provided by the General Customs authority.

The change by the company alters the significant discrepancy from +185,460 to - 127,103.

Tax on petrol and diesel fuel

The company revised the figure of 601,259 shown on its original template down to 12,095, which is only marginally different from the figure of 8,987 reported on the Government template

This revision of the company figure therefore resolved the original significant discrepancy.

Tax on Automobile and self moving Vehicles

The company marginally increased the figure of 1740 shown on its original template to 2,373. The previous amount of 1740 reconciled with the revised government figure provided by GDNTM

Fee for exploitation of Mineral Resources

The company template contained no amount but the new template included 522,601 for these fees.

The Government template included 233,705 for this item, however the GDNTM in its detailed response to our queries revised this to Nil.

As a result of these changes the original significant discrepancy of +233,705 has been changed to -522,601.

Service charges paid to State and local organizations

The company's amended template reported a new item of 17,822

The government template does not include any amount for this item.

The discrepancy resulting from the change is not significant.

ISSUES

The Company failed to produce a comprehensive and accurate template

SUMMARY

The numerous changes advised as detailed above resolved one significant discrepancy of 592,272 but created several new ones. The changes necessitated a complete recheck and revision of the information on this company during the finalization stage of the project.

Overall the changes increased net discrepancies by 1,340,235 from 78,535 to 1,418,770.

The deletion of the amount previously shown as received for licence fee for exploitation of mineral resources is unexplained.

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Jump LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Sukhbaatar District							
Material variance based on total paid, per Government report				30,903	0.05		
Paid taxes							
2.a.3	Customs tax	13,863	133,505	119,643	19.36		119,643
2.a.6	Excise tax (on imported fuel and lubricants)	0	185,460	185,460	30.01		185,460
2.a.7	Tax on petrol and diesel fuel	601,259	8,987	-592,271	-95.83		-592,271
2.a.8	Tax on automobile and self-moving vehicle	1,740	0	-1,740	-0.28	-1,740	
Total taxes		616,861	327,953	-288,908	-46.74	-1,740	-287,168
Fees							
2.6.1	Fee for exploitation of mineral resources	0	233,705	233,705	37.81		233,705
2.6.2	License fee for exploitation of mineral resources	50,187	36,672	-13,514	-2.19	-13,514	
2.6.4	Land rent	16,054	2,980	-13,074	-2.12	-13,074	
2.6.5	Fee for water use	11,659	14,237	2,578	0.42	2,578	
2.6.6	Fee for forestry use and firewood	0	200	200	0.03	200	
2.6.7	Fee for recruiting foreign experts and workers	1,368	2,322	954	0.15	954	
Total fees		79,268	290,116	210,849	34.11	-22,856	233,705
Charge and service charge							
2.B.1	Stamp and other reg'n charge paid to state and local admin org's as re	475		-475	-0.08	-475	
Total charges		475	0	-475	-0.08	-475	0
Total paid		696,604	618,069	-78,534	-12.71	-25,071	-53,463

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF MAK BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of MAK. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

MAK is a 100% owned Mongolian company. It operates gold mines in Bumbat Zaamar Soum, Tuv aimag. It holds 39 licenses, 16 of which are in production. Its corresponding taxation department is Bayanzurkh district taxation office in Ulaanbaatar city.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company Payment	Total Government Receipts	Net Discrepancy
1,063,208	767,504	-295,704

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that variances between reported government receipts and reported company payments that exceeded 5% of total government receipts (38,375) would be classified as material.

The following were identified as material differences

ITEM	Company payments	Government receipts	Discrepancies
Value added tax deducted from paid, back	0	159,782	159,782
Fee for exploitation of mineral resources	287,314	68,412	-218902
License fee for exploitation and exploration of mineral resources.	206,213	92,082	-114131
Reimbursement of deposit, exploration of which is carried by the budget fund	53,346	0	-53436
TOTAL	546,963	320,276	-226,687

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (“GDNTM”) requesting both of them to supply details of the composition / calculation of the amounts included in their respective templates for each significant discrepancy

Subsequently we received a faxed response from the company which included some major revisions and a response from the GDNTM which also substantially amended the original Government template.

FINDINGS

Value added tax deducted from paid, back

The company in its initial template indicated they had not paid any VAT but subsequently advised in their fax that they had paid VAT of 321,600. The GDNTM confirmed the figure of 159,782 shown in the Government template. These changes alter the discrepancy from 159,782 to minus 161,818

Fee for exploitation of mineral resources

The fax from the company revised the amount paid downwards from 287,314 to 234,598 and the GDNTM advised the Government figure should be increased from 68,412 to 221,353. These adjustments reduced the discrepancy to an insignificant level of 13,245

License fee for exploitation of mineral resources.

The company’s fax indicated this amount should be 197,220 and not the 206,213 included in their template. The GDNTM confirmed the figure of 92,082 included in the original template. The discrepancy reduced marginally from 114,131 to 105,138.

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

The company revised the amount paid upwards from 53,436 to 741,000. The GDNTM did not advise of any changes to the Government figures. As a consequence of the change by the company the discrepancy was increased significantly

ISSUES

The company did not complete its template accurately

It appears that the Government template does not include a number of significant receipts.

SUMMARY

The adjustments to the template figures by both the company and the government resulted in net discrepancies increasing by 792,474 from 295,704 to - 1,088,178. The significant discrepancy relating to Fee for exploitation of mineral resources was resolved apart from a remaining difference of an insignificant amount

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

MAK LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
National Taxation Department							
Material variance based on total paid, per government report				38,375	0.05		
Paid taxes							
2.a.1	Corporate income tax	256,449	255,989	-460	-0.06	-460	
2.a.2	Value added tax deducted from paid, back	0	159,782	159,782	20.82		159,782
2.a.3	Customs tax	62,285	30,065	-32,220	-4.20	-32,220	
2.a.4	Windfall tax	139,470	139,471	1	0.00	1	
2.a.5	Real estate tax	9,100	9,100	0	0.00		
2.a.8	Tax on automobile and self-moving vehicle	4,585	5,099	514	0.07	514	
Total taxes		471,889	599,506	127,617	16.63	-32,166	159,782
Fees							
2.6.1	Fee for exploitation of mineral resources	287,314	68,412	-218,902	-28.52		-218,902
2.6.2	License fee for exploitation of mineral resources	206,213	92,082	-114,131	-14.87		-114,131
2.6.3	Reimbursement of deposit, exploration of which is carried by the budg	53,436		-53,436	-6.96		-53,436
2.6.4	Land rent	12,048	0	-12,048	-1.57	-12,048	
2.6.5	Fee for water use		7,505	7,505	0.98	7,505	
Total fees		559,011	167,999	-391,013	-50.95	-4,543	-386,470
Donations to Governmental organizations							
2.e.1	Monetary donation from Company to Ministries and agencies	5,000		-5,000	-0.65	-5,000	
2.e.2	Monetary donation from Company to aimags	14,000		-14,000	-1.82	-14,000	
2.e.3	Monetary donation from Company to soums	13,308		-13,308	-1.73	-13,308	
Total donations		32,308	0	-32,308	-4.21	-32,308	0
Total paid		1,063,208	767,504	-295,704	-38.53	-69,017	-226,687

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF MGH BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of MGH. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

MGH is a subsidiary of Mongol Gazar. The company operates a gold mine in Arhangai aimag, Tsenher soum, Umnugobi aimag Mandal-Ovoo soum. It possesses 11 licenses of which 3 are in production.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below:

Total Company payments	Total Government receipts	Net Discrepancies
842,884	686,811	-156,073

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (34,341) would be classified as significant.

The following were identified as significant discrepancies:

Item	Company payments	Government receipts	Discrepancies
Fee for exploitation of mineral resources	809,371	546,568	-262,803
Monetary donation from Company to local organizations	0	74,284	74,284
TOTAL	809,371	620,852	-188,519

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (“GDNTM”) requesting both of them to supply details of the composition / calculation of the amounts included in their respective templates for each significant discrepancy item.

Subsequently we received a faxed response from the company and a response from the GDNTM

FINDINGS

Fee for exploitation of mineral resources

The company revised downwards the amount paid from 809,371 TMNT to 555,058. The discrepancy remaining after this adjustment of 8,490 is less than our precision and therefore no further investigation was undertaken

Monetary donation from Company to local organizations

The company confirmed no monetary donations were paid and the taxation office confirmed it had no information to verify the information included on the Government template

ISSUES

The company did not complete an accurate template.

SUMMARY

As a result of amendments made to the Government and companies figures the net discrepancy of -156,073 reversed to +137,919.

The significant discrepancies on the reconciliation of MGH were resolved as a result of the Company amending its information and procedural issues in respect of the basis to be used for recording in the templates “in kind” payments and receipts.

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

MGH LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Umnugobi							
Material variance based on total paid, per government report				34,341	0.05		
Paid taxes							
2.a.3	Customs tax		2,583	2,583	0.38	2,583	
2.a.5	Real estate tax		6,512	6,512	0.95	6,512	
Total taxes		0	9,095	9,095	1.32	9,095	0
Fees							
2.6.1	Fee for exploitation of mineral resources	809,371	546,568	-262,803	-38.26		-262,803
2.6.2	License fee for exploitation of mineral resources	3,080	35,810	32,730	4.77	32,730	
2.6.4	Land rent	30,434	978	-29,456	-4.29	-29,456	
2.6.5	Fee for water use		6,867	6,867	1.00	6,867	
2.6.8	Fee for use of mineral resources of wide spread		585	585	0.09	585	
Total fees		842,884	590,807	-252,077	-36.70	10,725	-262,803
Donations to Governmental organizations							
2.e.3	Monetary donation from Company to soums		1,600	1,600	0.23	1,600	
2.e.4	Monetary donation from Company to local organizations		74,284	74,284	10.82		74,284
2.e.5	Fund disbursed by Company in sustainable development and community relations		11,025	11,025	1.61	11,025	
Total donations		0	86,909	86,909	12.65	12,625	74,284
Total paid		842,884	686,811	-156,073	-22.72	32,445	-188,519

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF MONGOL GAZAR BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Mongol Gazar. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Mongol Gazar is a Mongolian company that operates several gold mines in Arhangai aimag, Tsenher soum, Umnugobi aimag, Mandal-Ovoid soum, Bayanhongor aimag Gurvanbulag soum. They hold 5 production licences as well as several other exploration and production licences. Corresponding taxation department is Ulaanbaatar city taxation office.

Total Company receipts and total Government payments reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net Discrepancy
77,889	275,364	197,475

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (13,768) would be classified as material.

Based on this the following significant discrepancies were identified:

Item	Company payments	Government receipts	Discrepancies
Fee for exploitation of mineral resources	75,134	91,850	16,716
License fee for exploitation and exploration of mineral resources	0	110,009	110,009
Fee for forestry use and firewood	0	24,000	24,000
Monetary donation from company to local organizations	0	15,000	15,000
Total	75,134	240,859	165,725

A fax was sent to the company and a letter delivered to the National General Department of National Taxation Mongolia (“GDNTM”) requesting both of them to supply details of the composition/calculation of the amounts included in their respective templates for each significant discrepancy.

Subsequently we received a faxed response from the company. The fax response contained amounts for template items not previously reported, as well as revised amounts for previously reported items. This necessitated further follow up faxes and phone calls. The following summarizes the results obtained.

FINDINGS

Fee for exploitation of mineral resources

The company revised upwards the amount paid by 16,623 from 75,134 to 91,757. This reduced the discrepancy to an insignificant amount of 93 that is not significant.

License fee for exploration and exploitation of mineral resources

The company advised they had omitted 110,809 from their template for this item.

This agrees with the amount received by the government and resolves the discrepancy.

Fee for water use

The company advised they had omitted 24,000 from their template for this item

This agrees with the government template and resolves the discrepancy.

Monetary donation from Company to local organizations

The company confirmed no amount was paid.

Additional items

The company has subsequently reported that they have also paid the following amounts that were not included in their original template

Corporate income tax 474,043

Windfall tax 210,196

Neither of these amounts was reported by the Government and therefore these adjustments give rise to new significant discrepancies

ISSUES

The company did not complete an accurate template.

SUMMARY

The adjustments made by the company altered the net discrepancy by 852,195 from +197,475 to -654,719

The significant discrepancies on the reconciliation of Mongol Gazar occurred as a result of payments not being included in the Company templates

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Mongol Gazar LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation department - Ulaanbaatar							
Material variance based on total paid, per government report				13,768	0.05		
Paid taxes							
2.a.3	Customs tax		7,306	7,306	2.65	7,306	
2.a.4	Windfall tax		6,482	6,482	2.35	6,482	
2.a.6	Excise tax (on imported fuel and lubricants)		6,468	6,468	2.35	6,468	
2.a.8	Tax on automobile and self-moving vehicle		8,643	8,643	3.14	8,643	
Total taxes		0	28,898	28,898	10.49	28,898	0
Fees							
2.6.1	Fee for exploitation of mineral resources	75,134	91,850	16,716	6.07		16,716
2.6.2	License fee for exploitation of mineral resources		110,009	110,009	39.95		110,009
2.6.4	Land rent	2,755	5,608	2,853	1.04	2,853	
2.6.5	Fee for water use		24,000	24,000	8.72		24,000
2.6.6	Fee for forestry use and firewood			0	0.00		0
Total fees		77,889	231,466	153,578	55.77	2,853	150,725
Donations to Governmental organizations							
2.e.4	Monetary donation from Company to local organizations		15,000	15,000	5.45		15,000
Total donations		0	15,000	15,000	5.45	0	15,000
Total paid		77,889	275,364	197,476	71.71	31,751	165,725

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF MONGOLROSTSVETMENT JV BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Mongolrostsvetment. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Mongolrostsvetment is a joint venture with Russia, 51% owned by the Government of Mongolia and 49% Government of Russia. The company operates 5 fluor spar, two gold and one coal mine, in Hentii, Dornogobi and Dundgobi aimags. The joint venture holds 54 licenses of which 32 are in production.

The taxation department is National Taxation Office of Mongolia.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below:

Total Company payments	Total Government receipts	Discrepancies
1,883,080	902,599	-980,481

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix.

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts, 45,130 would be classified as significant.

The following were identified as significant discrepancies:

Item	Company payments	Government receipts	Discrepancies
Customs tax	885,200	181,642	-703,558
Excise tax (on imported fuel and lubricants)	0	46,004	46,004
Fee for water use	64,100	20	-64,080
Service charges paid to state and local administrative			

organizations in accordance with law	224,872	0	-224,872
Total	1,174,172	227,666	-946,506

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (“GDNTM”), requesting both of them to supply details of the composition/calculation of the amounts included in their respective templates for each significant discrepancy item.

FINDINGS

Customs Tax

The company reported 885,200 in its EITI template as customs tax but subsequently revised the figure to show 226,500 as customs tax with 658,700 as VAT. The 226,500 customs tax exceeds the amount reported on the government template by 44,858 which is less than the precision level of 45,130 established for the company

Value Added Tax

The company did not report VAT in its EITI template but has subsequently done so. The Government recorded no VAT in its template and GDNTM has subsequently confirmed this.

This creates a new significant discrepancy.

Excise Tax (on imported fuel and lubricants)

The company confirmed that it did not pay any excise tax.

The amount of 46,004 recorded on the Government template was subsequently confirmed by the GDNTM based on data supplied by the General Customs Authority. The discrepancy is unresolved.

Fee for water use

The company confirmed the payment of 64,100 included on its template and the GDNTM confirmed the receipt of 20 shown on the Government template

Therefore the significant discrepancy remains unresolved.

Service charges paid to state and local administrative organizations in accordance with law

The company confirmed the amount of 224,872 shown on their template.

The GDNTM states they have no data in respect of the these payments

The significant discrepancy therefore remains unresolved.

ISSUES

The company originally included VAT as part of customs tax in its template and then subsequently corrected it.

Significant payments from the company are not included as receipts on the Government template.

SUMMARY

As a result of minor adjustments to the government figures the amount of unresolved discrepancies increase to 983,410.

A number of significant discrepancies remain unresolved on this company

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Monrosvetmet JV		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
National Taxation Department							
Material variance based on total paid, per Government report				45,130	0.05		
Paid taxes							
2.a.1	Corporate income tax	245,000	245,000	0	0.00		
2.a.3	Customs tax	885,200	181,642	-703,558	-77.95		-703,558
2.a.4	Windfall tax	245,500	245,462	-38	0.00	-38	
2.a.6	Excise tax (on imported fuel and lubricants)		46,004	46,004	5.10		46,004
2.a.7	Tax on petrol and diesel fuel		1,755	1,755	0.19	1,755	
2.a.8	Tax on automobile and self-moving vehicle	9,500	8,700	-800	-0.09	-800	
Total taxes		1,385,200	728,563	-656,637	-72.75	917	-657,554
Fees							
2.6.1	Fee for exploitation of mineral resources	174,600	173,188	-1,412	-0.16	-1,412	
2.6.4	Land rent	9,000	828	-8,172	-0.91	-8,172	
2.6.5	Fee for water use	64,100	20	-64,080	-7.10		-64,080
Total fees		247,700	174,036	-73,664	-8.16	-9,584	-64,080
Charge and service charge							
2.b.2	Service charges paid to state and local admin organizations as require	224,872		-224,872	-24.91		-224,872
Total charges		224,872	0	-224,872	-24.91	0	-224,872
Donations to Governmental organizations							
2.e.1	Monetary donation from Company to Ministries and agencies	1,168		-1,168	-0.13	-1,168	
2.e.3	Monetary donation from Company to soums	6,710		-6,710	-0.74	-6,710	
2.e.4	Monetary donation from Company to local organizations	16,776		-16,776	-1.86	-16,776	
2.e.5	Fund disbursed by Company in sustainable develop't and community r	655		-655	-0.07	-655	
Total donations		25,308	0	-25,308	-2.80	-25,308	0
Total paid		1,883,080	902,599	-980,481	-108.63	-33,976	-946,506

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF PETRO CHINA DAQING TAMSAG (MONGOL) LLC BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Petro China Daqing Tamsag (Mongol). Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Petro China is the daughter company of Chinese Daqing Oil Fields Limited
The Company operates in the Tamsag basin, Dornod aimag for exploration. They have licences in blocks Toson-uul XIX, Tamsag XXI and Buir XXII.
Corresponding taxation department is the Ulaanbaatar city taxation department.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below:

Total Company payments	Total Government receipts	Net Discrepancy
3,958, 905	46,444	3,912,461

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix.

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts, 2,322 would be classified as material.

Based on this the following significant discrepancies were identified:

Item	Company payments	Government receipts	Discrepancies
Customs Tax	43,571	7,646	-35,925
Excise tax on imported fuel & lubricants	0	30,619	30,619
Tax on petrol & diesel fuel	9,323	0	-9,323
Fee for exploration and exploitation of mineral resources	262,125	0	-262,125
Land rent	230,472	0	-230,472

Fee for water use	16,049	0	-16,049
Fee for recruiting foreign experts and workers	111,293	0	-111,293
Service charges paid to state & local administrative organizations as required by law	214,514	0	-214,514
Entitlement under production sharing contract to Government	3,010,951	2,671	-3,008,280
Monetary donation from company to Ministries and agencies	17,730	0	-17,730
Monetary donation from company to aimags	18,465	0	-18,465
Monetary donation from company to local organizations	13,818	0	-13,818
Totals	3,948,311	40,936	-3,907,375

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (GDNTM), requesting both of them to supply details of the composition/calculation of the amounts included in their respective templates for each significant discrepancy item.

FINDINGS

Customs Tax

The company confirmed amount of 43,571 shown on their template and the GDNTM confirmed the 7646 reported on the Government template on the basis of data received from the General Customs Authority

The discrepancy of 35,925 remains unresolved.

Excise Tax on Imported Fuel and Lubricants

The company reports no change to the nil figures returned on the EITI template and the GDNTM confirms the amount of 30,619 shown on the Government template based on data received from the General Customs Authority.

The discrepancy of 30,619 remains unresolved.

Tax on Petrol and Diesel Fuel

The company confirmed the payment of 9,323 shown on its template.

The GDNTM advised that it relied on the General Customs Authority's advice that no tax was received.

The discrepancy of 9,323 remains unresolved.

Fee for exploration and exploitation of Mineral Resources

The company reported payments of 262,125 in their EITI template but the Government template reported no receipts. The company subsequently advised that they cannot provide further information or substantiation for this item due to the substantial workload to undertake the task.

The discrepancy remains unresolved.

Land Rent

The company confirmed the 230.472 included in its template and the GDNTM confirmed the nil shown in the government template.

The discrepancy remains unresolved.

Fee for Water Use

The company reported 16,049 for this item and the Government EITI template reported a nil figure.

The GDNTM has subsequently revised this figure to 16,049 which resolved the discrepancy.

Fee for Recruiting Foreign Experts and Workers

The company reported payments of 111,293 for this item but in their reply to our request for details stated they are unable to substantiate the payment as their accountant is absent on a business trip.

The GDNTM subsequently advised that Labour and Welfare did not include any receipts for this item.

The discrepancy has not been resolved.

Service Charges paid to State and Local Administrative Organizations as required by law

The company reported 214,514 for this item but no amount was recorded on the Government template.

The GDNTM subsequently advised it has no data or information on this charge.

The discrepancy remains unresolved.

Entitlement under production sharing contract to Government

The company reported 3,010,951 on its template and the Government template reported 2,671

The Company subsequently revised the reported number down to 3,011 which left an insignificant discrepancy of 340 remaining

Monetary donation from company to Ministries and Agencies

Monetary donation from Company to Aimags

Monetary donation from Company to local organizations

In response to our request the GDNTM advised that no data or information is held in respect of these items

ISSUES

There were 12 significant discrepancies between the EITI templates supplied by the Company and the Government. Of these only two were resolved in the follow up exercise; one where the GDNTM confirmed that the Government had received the amount of 16,049 for water use and the other where the Company stated on their EITI template an amount paid under entitlement under production sharing contract to government of 3,010,951 but subsequently revised that figure down to 3,011.

SUMMARY

The largest discrepancy which resulted from a simple clerical error involving the decimal point being in the wrong place was resolved. No other errors were resolved or explained.

The company's response to our request for further details advised they could not include the supporting documentation that was requested and some data because of heavy workload and the accountant being away.

The GDNTM advised that data was not available in respect of a significant number of differences.

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

		Coy report	Gov report	Variation	% Var	Variation	
						Insig	Sig
Petrochina LLC							
Reporting in 000's MNT							
Taxation Department - Ulaanbaatar							
Material variance based on total paid, per Government report				2,322	0.05		
Paid taxes							
2.a.3	Customs tax	43,571	7,646	-35,925	-77.35		-35,925
2.a.5	Real estate tax	4,011	4,012	1	0.00	1	
2.a.6	Excise tax (on imported fuel and lubricants)		30,619	30,619	65.93		30,619
2.a.7	Tax on petrol and diesel fuel	9,323		-9,323	-20.07		-9,323
2.a.8	Tax on automobile and self-moving vehicle	1,496	1,496	0	0.00		
Total taxes		58,402	43,773	-14,629	-31.50	1	-14,630
Fees							
2.6.1	Fee for exploitation of mineral resources	262,125		-262,125	-564.39		-262,125
2.6.2	License fee for exploitation of mineral resources	1,805		-1,805	-3.89	-1,805	
2.6.4	Land rent	230,472		-230,472	-496.23		-230,472
2.6.5	Fee for water use	16,049		-16,049	-34.55		-16,049
2.6.7	Fee for recruiting foreign experts and workers	111,293		-111,293	-239.63		-111,293
Total fees		621,743	0	-621,743	-1,338.69	-1,805	-619,938
Charge and service charge							
2.B.1	Stamp and other reg'n charge paid to state and local admin org's as re	1,455		-1,455	-3.13	-1,455	
2.B.2	Service charges paid to state and local admin organizations as req'd b	214,514		-214,514	-461.88		-214,514
Total charges		215,969	0	-215,969	-465.01	-1,455	-214,514
Other payments to recipient Government							
2.D.1	Entitlement under Production sharing Contract to Government	3,010,951	2,671	-3,008,280	-6,477.20		-3,008,280
Total payments		3,010,951	2,671	-3,008,280	-6,477.20	0	-3,008,280
Donations to Governmental organizations							
2.e.1	Monetary donation from Company to Ministries and agencies	17,730		-17,730	-38.17		-17,730
2.e.2	Monetary donation from Company to aimags	18,465		-18,465	-39.76		-18,465
2.e.3	Monetary donation from Company to soums	1,827		-1,827	-3.93	-1,827	
2.e.4	Monetary donation from Company to local organizations	13,818		-13,818	-29.75		-13,818
Total donations		51,840	0	-51,840	-111.62	-1,827	-50,013
Total paid		3,958,905	46,444	-3,912,461	-8,424.01	-5,086	-3,907,375

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF SHARYN GOL BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Sharyn Gol. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Sharyn Gol is a privately owned Mongolian company that reports to the Darhan-Uul aimag, Sharyn Gol soum. It holds two coal production licenses. Its corresponding taxation department is Darhan aimag. .

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net Discrepancy
1,221,763	608,111	-613,652

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total Government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (30,406) would be classified as significant.

Based on this the following significant discrepancies were identified

Item	Company Payments	Government Receipts	Discrepancies
Value added tax deducted from paid, back	882,476	284,567	-597,909
Fee for exploration and exploitation of mineral resources	226,753	301,814	75,061
Land rent	43,915	0	-43,915
Total	1,153,144	586,381	-566,763

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (“GDNTM”) requesting both of them to supply details of the composition / calculation of the amounts included in their respective templates for each significant discrepancy.

Subsequently we received a faxed response from the company and a response from the GDNTM

FINDINGS

Value added tax deducted from paid, back

The company revised the amount shown on its original template downwards by 598,132 from 882,476 to 284,344. This resolved the significant discrepancy.

Fee for exploitation of mineral resources

The company confirmed the the amount shown in its template of 226,753 and the Government confirmed its figure so the difference remains unresolved

Land Rent.

The company confirmed the amount paid as 43,915 and the Government confirmed its figure so the difference remains unresolved

ISSUES

The company did not complete an accurate template in respect of VAT in respect of VAT.

The government template did include all receipts from companies.

SUMMARY

A revision of VAT figures by the company resolved the significant VAT discrepancy which reduced the total net discrepancy to 15,520 and unresolved significant discrepancies to 31,146

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Sharyn Gol LLC		Coy report	Gov report	Variation	% Var	Variations	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Darhan-Uul							
Material variance based on total paid, per Government report				30,406	0.05		
Paid taxes							
2.a.1	Corporate income tax	738	738	0	0.00		
2.a.2	Value added tax deducted from paid, back	882,476	284,567	-597,909	-98.32		-597,909
2.a.5	Real estate tax	8,518		-8,518	-1.40	-8,518	
2.a.8	Tax on automobile and self-moving vehicle	1,617		-1,617	-0.27	-1,617	
Total taxes		893,349	285,305	-608,044	-99.99	-10,135	-597,909
Fees							
2.6.1	Fee for exploitation of mineral resources	226,753	301,814	75,062	12.34		75,062
2.6.2	License fee for exploitation of mineral resources	23,929	992	-22,937	-3.77	-22,937	
2.6.4	Land rent	43,915		-43,915	-7.22		-43,915
2.6.5	Fee for water use	2,230		-2,230	-0.37	-2,230	
Total fees		296,826	302,806	5,981	0.98	-25,167	31,147
Donations to Governmental organizations							
2.e.1	Monetary donation from Company to Ministries and agencies	2,082		-2,082	-0.34	-2,082	
2.e.2	Monetary donation from Company to aimags	20,000	20,000	0	0.00		
2.e.3	Monetary donation from Company to soums	8,483		-8,483	-1.39	-8,483	
2.e.4	Monetary donation from Company to local organizations	1,025		-1,025	-0.17	-1,025	
Total donations		31,589	20,000	-11,589	-1.91	-11,589	0
Total paid		1,221,763	608,111	-613,652	-100.91	-46,891	-566,762

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF SHIM TECHNOLOGY LLC BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Shim Technology LLC. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT000's unless otherwise stated.

Shim Technology LLC is a joint venture with Israel, 30% belongs to Erdenet copper mine and 70% belongs to Israel Company Metal Tech. Operates in Erdenet molybdenum material and concentrates. and produces molybdenum acids.

The taxation department is National Taxation department of Mongolia.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below:

Total Company payments	Total Government receipts	Discrepancies
324,267	305,197	-19,070

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix.

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that variances between reported government receipts and reported company payments that exceeded 5% of total government receipts (15,260) would be classified as significant.

The following were identified as significant discrepancies:

Item	Company payments	Government receipts	Discrepancies
Customs tax	58,115	116,309	58,194
Monetary donation from Company to local organizations	61,163	0	-61,163
TOTAL	119,278	116,309	-2,969

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (GDNTM) requesting both of them to supply details of the

composition / calculation of the amounts included in their respective templates for each significant discrepancy item.

The Company subsequently responded to our request by e-mail and the GDNTM provided a response.

FINDINGS

Customs tax

The Company revised its figure upwards by 49,178 to 107,293 which resolved the discrepancy.

Monetary Donations

The Government template did not include a receipt. GDNTM advised that it has no information on donations

ISSUES

The company template was incorrect

No receipts of donations were included in the government template

SUMMARY

The adjustment of the company's customs tax figure increased net discrepancies to 68,247 and left the only significant discrepancy as donations

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

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Shim Technology LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation Department - National Taxation office							
Material variance based on total paid, per Government report				15,260	0.05		
Paid taxes							
2.a.1	Corporate income tax	187,585	187,585	0	0.00		
2.a.3	Customs tax	58,115	116,309	58,194	19.07		58,194
2.a.5	Real estate tax	3,150	1,121	-2,029	-0.66	-2,029	
2.a.8	Tax on automobile and self-moving vehicle	182	183	1	0.00	1	
Total taxes		249,032	305,197	56,165	18.40	-2,028	58,194
Fees							
2.6.4	Land rent	1,224		-1,224	-0.40	-1,224	
2.6.7	Fee for recruiting foreign experts and workers	2,848		-2,848	-0.93	-2,848	
Total fees		4,072	0	-4,072	-1.33	-4,072	0
Donations to Governmental organizations							
2.e.2	Monetary donation from Company to aimags	10,000		-10,000	-3.28	-10,000	
2.e.4	Monetary donation from Company to local organizations	61,163		-61,163	-20.04		-61,163
Total donations		71,163	0	-71,163	-23.32	-10,000	-61,163
Total paid		324,267	305,197	-19,069	-6.25	-16,101	-2,969

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF SHIN SHIN LLC BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Shin Shin. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Shin Shin is a Chinese company currently constructing a processing mill for the company's zinc output and the company operates in Dornod aimag, Dashbalbar soum. Shin Shin, in co operation with Emeelt Mines, a Canadian company, is in the process of installing approximately 130 kilometers of high voltage power lines. The company holds 7 licenses of which 6 will be put into production.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net Discrepancy
744,270	15,370	-728,900

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix.

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts, 768 would be classified as significant.

Based on this the following significant discrepancies were identified:

Item	Company Payments	Government Receipts	Discrepancies
Customs tax	59,831	14,241	-45,590
Reimbursement of deposit, exploration of which is carried by the budget fund	458,252	0	-458,252
Fee for recruiting foreign experts and workers	66,039	0	-66,039
Service charges paid to state and local administrative			

organizations in accordance with law	148,626	0	-148,626
Monetary donation from Company	9,434	0	-9,434
Total	742,182	14,241	-727,941

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (GDNTM), requesting both of them to supply details of the composition/calculation of the amounts included in their respective templates for each significant discrepancy item.

FINDINGS

Customs Tax

The Company slightly reduced the template amount paid for customs tax by 813 to 59,018.

The GDNTM confirmed the receipt of 14,241 based on advice from the General Customs Authority letter. The significant discrepancy is therefore slightly reduced but unresolved.

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

The company revised its template figure slightly downward by 788 to 457,464

The GDNTM advised that based on a letter from the MPRAM no payment was made. The significant discrepancy is therefore slightly reduced but unresolved.

Fee for recruiting foreign experts and workers

The company revised the figure of 66,039 shown in its template to 115,184.

The GDNTM reports that the Labour and Welfare Office have no data or information regarding this payment.

The significant discrepancy increased by the adjustment to the company figure is unresolved.

Service charges paid to state and local administrative organizations in accordance with law

The company has not replied to our request for further information with respect to this item of expenditure and the GDNTM has no data or information.

The significant discrepancy is unresolved.

Monetary donations

The company has reported that the EITI template was correct.

The GDNTM has replied that it has no data or information and the significant discrepancy is unresolved.

Additional items reported or changed subsequent to the EITI template

Land fee

The company has increased land fees by 464 to 1,929

The GDNTM confirmed the 1,000 in the Government template.

Fee for use of mineral resources of wide spread

The company has reported fees for use of common minerals such as sand and gravel in the amount of 2,875 that was not reported earlier.

The GDNTM has no data.

This creates a further unresolved significant discrepancy.

ISSUES

The company template contained a number of inaccuracies

Summary

As a result of the findings summarized above net variances increased by 50,883 to 779,783.

The company has reported additional items of expenditure that should have been included in the original template and made changes to the original figures.

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Shin Shin LLC		Coy report	Gov report	Variation	%Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Bayanzurkh							
Material variance based on total paid, per Government report				768	0.05		
2.a	Paid taxes						
2.a.1	Corporate income tax		45	45	0.29	45	
2.a.3	Customs tax	59,831	14,241	-45,590	-296.62		-45,590
2.a.8	Tax on automobile and self-moving vehicle	83	83	0	0.00		
	Total taxes	59,915	14,369	-45,545	-296.33	45	-45,590
2.6	Fees						
2.6.3	Reimbursement of deposit, exploration of which is carried by the budget	458,252		-458,252	-2,981.51		-458,252
2.6.4	Land rent	1,465	1,000	-465	-3.02	-465	
2.6.5	Fee for water use	540		-540	-3.51	-540	
2.6.7	Fee for recruiting foreign experts and workers	66,039		-66,039	-429.66		-66,039
	Total fees	526,296	1,000	-525,295	-3,417.71	-1,005	-524,291
2.b	Charge and service charge						
2.b.2	Service charges paid to state and local admin org's as req'd by law	148,626		-148,626	-967.00		-148,626
2.b.5							
	Total charges	148,626	0	-148,626	-967.00	0	-148,626
2.e	Donations to Governmental organizations						
2.e.2	Monetary donation from Company to aimags	1,000		-1,000	-6.51		-1,000
2.e.3	Monetary donation from Company to soums	8,434		-8,434	-54.87		-8,434
	Total donations	9,434	0	-9,434	-61.38	0	-9,434
	Total paid	744,270	15,370	-728,900	-4,742.42	-960	-727,940

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF SHIVEE OVOO SC BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Shivee-Ovoo. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

ShiveeOvoo is a Mongolian owned Company, 90% owned by the State. It operates a coal mine in Gobi-Sumber aimag, Shivee-Ovoo soum and the corresponding taxation department is Gobi Sumber aimag

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below:

Total company payments	Total Government receipts	Net discrepancies
1,076,349	1,039,224	-37,125

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix.

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts, 51,935 would be classified as significant.

The following was identified as a significant discrepancy:

Item	Company payments	Government receipts	Discrepancies
Value added tax deducted from paid, back	740,052	667,354	-72,698

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (GDNTM), requesting both of them to supply details of the composition/calculation of the amounts included in their respective templates for each significant discrepancy item.

FINDINGS

Value added tax deducted from paid, back

The company confirmed the figure included in their template for VAT but also indicated that their liability was an additional 740,000 and that this liability was reduced to zero following the transfer of an excess payment relating to the overpayment of a fee paid for the exploitation of mineral resources.

The GDNTM confirmed the 667,354 shown in the Government template.

The significant discrepancy remains unresolved.

ISSUES

The company indicated that it had overpaid fees for exploitation of mineral resources by 740,000 but this payment was not reflected in either the company or Government templates. No instructions exist as to how the offsetting of tax liabilities against credit balances should be dealt with in the templates.

SUMMARY

The ability to transfer overpaid/underpaid taxes between different taxing authorities is an issue that makes reconciliation of payments a very difficult area to resolve.

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Shivee Ovoo SC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Gobi Sumber							
Material variance based on total paid, per Government report				51,961	0.05		
Paid taxes							
2.a.2	Value added tax deducted from paid, back	740,052	667,354	-72,699	-7.00		-72,699
2.a.3	Customs tax		9,081	9,081	0.87	9,081	
2.a.5	Real estate tax	57,283	84,566	27,283	2.63	27,283	
2.a.8	Tax on automobile and self-moving vehicle	883	882	0	0.00		
Total taxes		798,218	761,882	-36,336	-3.50	36,363	-72,699
Fees							
2.6.1	Fee for exploitation of mineral resources	275,540	275,540	0	0.00		
2.6.2	License fee for exploitation of mineral resources	530	530	0	0.00	0	
2.6.4	Land rent	823		-823	-0.08	-823	
2.6.7	Fee for recruiting foreign experts and workers		1,272	1,272	0.12	1,272	
Total fees		276,894	277,342	449	0.04	449	0
Charge and service charge							
2.b.1	Stamp and other reg'n charge paid to state and local admin org's as re	18		-18	0.00	-18	
Total charges		18	0	-18	0.00	-18	0
Donations to Governmental organizations							
2.e.1	Monetary donation from Company to Ministries and agencies	1,120		-1,120	-0.11	-1,120	
2.e.2	Monetary donation from Company to aimags	100		-100	-0.01	-100	
Total donations		1,220	0	-1,220	-0.12	-1,220	0
Total paid		1,076,349	1,039,224	-37,125	-3.57	35,574	-72,699

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF SHIZHIR ALT LLC BY CRANE WHITE & ASSOCIATES

Shizhir Alt is a Mongolian company with state property participation. Company operates gold mine in Tuv aimag, Zaamar soum, Bulgan aimag, Bureghangai soum. Corresponding taxation department is National Taxation Department

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net discrepancy
6,296,953	4,658,998	-1,637,955

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (232,950) would be classified as significant.

Based on this the following significant discrepancies were identified

Item	Company Payments	Government Receipts	Discrepancy
Corporate income tax	1,630,000	1,300,000	-330,000
Dividends on state property	950,000	0	-950,000
Total	2,580,000	1,300,000	-1,280,000

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (“GDNTM”) requesting both of them to supply details of the composition / calculation of the amounts included in their respective templates for each significant discrepancy item.

Responses were received from both of them. In addition, the Customs office provided details of Customs tax and VAT collected.

FINDINGS

Corporate income tax

Both the company and GDNTM advised the figures in the respective templates were correct

The significant discrepancy was unresolved.

Customs Tax

When responding to our request for details on the above significant discrepancies identified on the original templates the Company revised its Customs tax figure from the 315,669 shown on its template to 420,094. This increased the discrepancy from 216,062 which was less than the precision factor we set for this company, to 320,487 which exceeded the precision level. The company advised that their revised figure represented 112,020 paid to the customs office of Altanbulag and 308,074 paid as Custom warehouse fees. These details are however marginally different (3,705) from the figure quoted in their template.

The Customs office advised they had collected 99,607 in Customs tax and 314,163 in VAT

The customs tax advised by the company of 112,020 only differs from the Government figure of 99,607 by 12,423 and appears to materially explain this item. The customs warehouse fee has been included by the company as Customs tax but is not included in Government figures

Dividends on state property

The dividend of 950,000 included on the company's template as dividends on state property represented a dividend payment to Mongolrostvetmet Company rather than to the Government.

The Government report correctly did not include any dividend receipts

ISSUES

The Corporate income tax figure remains unresolved

The company included customs warehouse fees in Customs tax but such fees were not included in the Government template

The company incorrectly recorded a dividend paid to another company rather than to a government department on its template

SUMMARY

Net discrepancies reduced by 958,061 to 679,894 as a result of changes by the company and the Government and the exclusion of the dividend that should not have been included in the Government figures.

The significant discrepancies that occurred resulted from the company including payments that were not made to Government and including Customs warehouse fees that were not included in the Government template

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Shizhir Alt LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation Department - National Taxation Administration							
Material variance based on total paid, per Government report				232,950	0.05		
Paid Taxes							
2.a.1	Corporate income tax	1,630,000	1,300,000	-330,000	-7.08		-330,000
2.a.3	Customs tax	315,669	99,607	-216,062	-4.64	-216,062	
2.a.4	Windfall tax	1,911,247	1,911,247	0	0.00		
2.a.5	Real estate tax	10,219	10,159	-60	0.00	-60	
2.a.8	Tax on automobile and self-moving vehicle	1,720	1,720	0	0.00		
Total taxes		3,868,855	3,322,734	-546,121	-11.72	-216,121	-330,000
Fees							
2.6.1	Fee for exploitation of mineral resources	1,196,465	1,196,465	0	0.00		
2.6.2	License fee for exploitation of mineral resources	8,592	199	-8,393	-0.18	-8,393	
2.6.4	Land rent	21,166	0	-21,166	-0.45	-21,166	
2.6.5	Fee for water use	204,592	98,864	-105,728	-2.27	-105,728	
2.6.7	Fee for recruiting foreign experts and workers	41,282	40,736	-546	-0.01	-546	
Total fees		1,472,097	1,336,265	-135,833	-2.92	-135,833	0
Dividends on state and local property							
2.r.1	Dividends on state property	950,000		-950,000	-20.39		-950,000
Total dividends		950,000	0	-950,000	-20.39	0	-950,000
Donations to Governmental organizations							
2.e.3	Monetary donation from Company to soums	6,000		-6,000	-0.13	-6,000	
Total donations		6,000	0	-6,000	-0.13	-6,000	0
Total paid		6,296,953	4,658,998	-1,637,954	-35.16	-357,954	-1,280,000

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF TAVANTOLGOI BY CRANE WHITE & ASSOCIATES

This is a separate report on the reconciliation of the EITI Templates submitted in respect of Tavantolgoi. Full details of the background of the project carried out by us are included in our report on the aggregated results of the reconciliation.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Tavantolgoi is a Mongolian owned company, 51% owned by Umnugobi aimag property, and 49% owned by outside shareholders. The company is engaged in coal mining and its mine is located in Tsogt-Tsetsii soum. The company holds 2 coal production licences. Corresponding taxation department is National taxation department.

Total Company receipts and total Government payments reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net discrepancies
4,266,361	4,451,988	185,627

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (222,599) would be classified as material.

The following were identified as material differences

Item	Company Payments	Government Receipts	Discrepancy
Dividends on state property	0	1,032,357	1,032,357
Dividends on local property	1,032,357	0	-1,032,357
Total	1,032,357	1,032,357	0

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

A fax was sent to the company and a letter delivered to the National taxation Administration requesting both of them to check that they had properly classified dividends between state and local.

FINDINGS

The Taxation office advised that the dividends should have been included on the Government template as dividends on local property.

ISSUES

The significant discrepancy arose as a result of a clerical error in the Government template

SUMMARY

The only significant variance arose from a clerical error on the Government template.

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Tavantolgoi SC		Coy report	Gov report	Variation	%Var	Variations	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Umnugobi							
Material variance based on total paid, per Government report				222,599	0.05		
2.a	Paid taxes						
2.a.1	Corporate income tax	1,518,267	1,582,855	64,588	1.45	64,588	
2.a.2	Value added tax deducted from paid, back	669,000	669,000	0	0.00		
2.a.3	Customs tax		79,299	79,299	1.78	79,299	
2.a.5	Real estate tax	670	670	0	0.00		
2.a.6	Excise tax (on imported fuel and lubricants)	2,007	2,007	0	0.00	0	
2.a.7	Tax on petrol and diesel fuel		40	40	0.00	40	
2.a.8	Tax on automobile and self-moving vehicle	1,425	1,425	0	0.00		
Total taxes		2,191,369	2,335,296	143,927	3.23	143,927	0
2.6	Fee						
2.6.1	Fee for exploitation of mineral resources	1,040,887	1,053,627	12,740	0.29	12,740	
2.6.2	License fee for exploitation of mineral resources		986	986	0.02	986	
2.6.4	Land rent	392	392	0	0.00		
2.6.5	Fee for water use	40	40	0	0.00		
Total fees		1,041,319	1,055,045	13,726	0.31	13,726	0
2.в	Charge and service charge						
2.в.1	Stamp and other charges paid to state and local admin org's as req'd b	1,316		-1,316	-0.03	-1,316	
Total charges		1,316	0	-1,316	-0.03	-1,316	0
2.r	Dividends on state and local property						
2.r.1	Dividends on state property		1,032,357	1,032,357	23.19		1,032,357
2.r.2	Dividends on local property	1,032,357		-1,032,357	-23.19		-1,032,357
Total dividends		1,032,357	1,032,357	0	0.00	0	0
2.d	Other payments to recipient Government						
2.d.2							
Total payments			0	0	0.00	0	0
2.e	Donations to Governmental organizations						
2.e.1	Monetary donation from Company to Ministries and agencies		923	923	0.02	923	
2.e.2	Monetary donation from Company to aimags		4,852	4,852	0.11	4,852	
2.e.3	Monetary donation from Company to soums		9,115	9,115	0.20	9,115	
2.e.4	Monetary donation from Company to local organizations		2,400	2,400	0.05	2,400	
2.e.5	Fund disbursed by Company in sustainable development and community relations		12,000	12,000	0.27	12,000	
Total donations		0	29,290	29,290	0.66	29,290	0
Total paid		4,266,361	4,451,988	185,628	4.17	185,628	0

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF TSAIRT MINERALS LLC BY CRANE WHITE & ASSOCIATES

Tsairt Minerals is a joint venture between Mongolian Metallimpex 49% and Chinese NFC.51% The Company operates a zinc ore dressing factory with an annual capacity of 300 thousand tons. The factory operates at Tumurt Hill, approximately 16 kilometers from the Suhkbaatar aimag center, Baruun-Urt town. The company holds 2 licenses.

All figures shown in this report are expressed in MNT000's unless otherwise stated.

Total company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company payments	Total Government receipts	Net discrepancies
4,197,473	5,831,067	1,633,594

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (291,553) would be classified as significant.

Based on this the following significant discrepancies were identified

Item	Company Payments	Government Receipts	Variance
Corporate income tax	0	2,640,686	2,640,686
Value added tax deducted from paid, back	983,105	0	-983,105
Total	983,105	2,640,686	1,657,581

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (“GDNTM”) requesting both of them to supply details of the composition / calculation of the amounts included in their respective templates for each significant discrepancy item.

Tsairt Minerals subsequently responded to our request by fax and the GDNTM provided a response. Both the company and GDNTM advised their template figures were correct.

FINDINGS

Corporate income tax

Tsairt Minerals advised that according to their 2006 financial statements they paid no Corporate Income Tax. They stated that in accordance with the Sustainability Agreement that was signed with the Government of Mongolia in 1998 the company is exempt from Corporate Income Tax for a five year period effective from the date of commencement of production, which they indicated was on 28th August 2005.

The GDNTM confirmed that it had received the amount included on the Government template..

The significant discrepancy has not been resolved although it appears likely that the tax office has offset some form of charge against accumulated credit VAT balances.

Value added tax deducted from paid, back

The company advised that under Mongolian legislation, any export products attract zero VAT. They further advised that they procure various goods and services that are subject to VAT and that in 2006 they have paid 983,105 on such procurements which have still to be reimbursed to them by the Government.

The GDNTM confirmed that the amount the company had included on its template represented VAT included in amount paid for procurement in Mongolia”.

The sum paid by the company represents payments to local suppliers of goods and services rather than the Government and therefore should not have been included in their template.

ISSUES

The company included VAT paid on the procurement of local goods and services which does not represent a payment to the Government

Whilst the discrepancy on corporate income tax was not resolved it appears to relate to the offsetting of taxes against accumulated VAT credits

SUMMARY

The resolution of the difference in VAT increased net variances to 2,616,699 and left the variance on corporate income tax as the only significant unresolved discrepancy

Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Tsairt Mineral LLC		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Sukhbaatar aimag							
Material variance based on Government report				291,553	0.05		
2.a	Paid taxes						
2.a.1	Corporate income tax	0	2,640,686	2,640,686	45.29		2,640,686
2.a.2	Value added tax deducted from paid, back	983,105	0	-983,105	-16.86		-983,105
2.a.3	Customs tax	93,361	153,481	60,120	1.03	60,120	
2.a.5	Real estate tax	144,565	144,565	0	0.00		
2.a.8	Tax on automobile and self-moving vehicle	871	871	0	0.00		
Total taxes		1,221,902	2,939,602	1,717,701	29.46	60,120	1,657,581
Fees							
2.6.1	Fee for exploitation of mineral resources	2,618,509	2,620,622	2,113	0.04	2,113	
2.6.2	License fee for exploitation of mineral resources	2,786		-2,786	-0.05	-2,786	
2.6.3	Reimbursement of deposit, exploration of which is carried by the budget fund	137,040		-137,040	-2.35	-137,040	
2.6.4	Land rent	1,377	1,377	0	0.00		
2.6.5	Fee for water use	41,803	42,169	367	0.01	367	
2.6.7	Fee for recruiting foreign experts and workers	43,801	106,644	62,843	1.08	62,843	
Total fees		2,845,316	2,770,812	-74,504	-1.28	-74,504	0
2.b	Charge and service charge						
2.b.1	Stamp and other charges paid to state and local admin org's as req'd by law	6,816		-6,816	-0.12	-6,816	
2.b.2	Service charges paid to state and local administrative org's as req'd by law	2,786		-2,786	-0.05	-2,786	
Total charges		9,602	0	-9,602	-0.16	-9,602	0
2.e	Donations to Governmental organizations						
2.e.2	Monetary donation from Company to aimags	7,500	7,500	0	0.00		
2.e.3	Monetary donation from Company to soums	4,164	4,164	0	0.00		
2.e.4	Monetary donation from Company to local organizations	24,651	24,650	0	0.00		
2.e.5	Fund disbursed by Coy in sustainable development and community relations	84,338	84,338	0	0.00		
Total donations		120,653	120,653	0	0.00	0	0
Total paid		4,197,473	5,831,067	1,633,594	28.02	-23,986	1,657,581

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE REPORT ON THE FIRST MONGOLIAN RECONCILIATION OF ULZ GOL COOPERATIVE BY CRANE WHITE & ASSOCIATES

Ulz gol Cooperative is a 100% Mongolian owned Cooperative, and operates a goal mine in Dormod aimag Bayandum soum. It holds one license. Corresponding taxation department is Dormod aimag taxation office.

All figures shown in this report are expressed in MNT 000's unless otherwise stated.

Total Company payments and total Government receipts reported on the EITI Mongolia templates for this company are summarized below

Total Company receipts	Total Government payments	Net Discrepancy
634,622	498,465	-136,157

A detailed analysis of reported receipts and payments and the resulting discrepancies is attached as an Appendix

We decided to apply a precision level of 5% of total government receipts to this company – that is we determined that discrepancies between reported government receipts and reported company payments that exceeded 5% of total government receipts (24,923 thousand MNT) would be classified as significant.

The following was identified as a significant discrepancy

ITEM	Company Payments	Government Receipts	Discrepancies
Windfall tax	327,274	228,979	-98295

A fax was sent to the company and a letter delivered to the General Department of National Taxation Mongolia (GDNTM) requesting both of them to supply details of the composition/calculation of the amounts included in their respective templates for each significant discrepancy.

Subsequently we received a faxed response from the company and the GDNTM provided a response.

FINDINGS

The company revised downwards the amount reported on its template for windfall tax from 327,274 to 228,980. This agrees with the amount recorded on the Government template and resolves the discrepancy

ISSUES

The company did not complete an accurate template

SUMMARY

The significant discrepancy on the reconciliation of Ulz Gol Cooperative was resolved. Our recommendations in respect of these and other issues are summarized on a global basis in our aggregated report.

Ulz Gol Cooperative		Coy report	Gov report	Variation	% Var	Variation	
Reporting in 000's MNT						Insig	Sig
Taxation Department - Dornod							
Material variance based on total paid, per Government report				24,923	0.05		
Paid taxes							
2.a.1	Corporate income tax	29,982	20,000	-9,982	-2.00	-9,982	
2.a.3	Customs tax	28,355	4,776	-23,580	-4.73	-23,580	
2.a.4	Windfall tax	327,275	228,980	-98,295	-19.72	-98,295	
2.a.5	Real estate tax	373	745	373	0.07	373	
2.a.6	Excise tax (on imported fuel and lubricants)	0	1,278	1,278	0.26	1,278	
2.a.7	Tax on petrol and diesel fuel	0	123	123	0.02	123	
2.a.8	Tax on automobile and self-moving vehicle	445	403	-41	-0.01	-41	
Total taxes		386,429	256,305	-130,125	-26.11	-31,830	-98,295
Fees							
2.6.1	Fee for exploitation of mineral resources	219,240	219,240	0	0.00		
2.6.2	License fee for exploitation of mineral resources	3,692		-3,692	-0.74	-3,692	
2.6.4	Land rent	2,293	548	-1,745	-0.35	-1,745	
2.6.5	Fee for water use	21,768	22,373	604	0.12	604	
2.6.6	Fee for forestry use and firewood	100	0	-100	-0.02	-100	
2.6.8	Fee for use of mineral resources of wide spread	350		-350	-0.07	-350	
Total fees		247,443	242,160	-5,282	-1.06	-5,282	0
Donations to Governmental organizations							
2.e.2	Monetary donation from Company to aimags	750		-750	-0.15	-750	
Total donations		750	0	-750	-0.15	-750	0
Total paid		634,622	498,465	-136,157	-27.32	-37,863	-98,295