**Mongolia EITI Reconciliation Report 2011**

The extractive industries in Mongolia represents one of greater economic and social sectors of Mongolia. Mongolia exported 3 tons of gold, 573.000 tons of copper concentrate, 21 million tons coal, 5.7 million tons of iron ore and 2.5 million barrel of crude oil in 2011, all which accounts about 90% of overall export. More than 20% of GDP is produced by the sector. Therefore, there is absolutely no doubt that extractive industries are important and should be transparent.

One of core transparency tools is transparency of payments and revenues of this sector, which is annual reconciliation report. So, since 2007 Mongolia is producing annual Reconciliations, and 6th report is now available.

The Report is carried out by auditor consortium Hart Nurse, UK and Ulaanbaatar audit corporation LLC, Mongolia. The work started in August, 2012 and completed in November 2012.

The Reconciliation is covering 200 leading extractive companies, their paid tax, fee, charges, advances, dividends, fines to central and local budgets in 2011 fiscal year, donations to state organizations which equaled to 2.1 trillion MNT, reached almost all level state administrative bodies.

Out of these 200 companies, if rank by most paid revenues, copper mine Erdenet paid 546 billion MNT (392 million USD), Oyu tolgoi- 406.5 (292), Tavantolgoi 168.9 (121), MAK- 149 (107), Energy Resources 83 (59), Southgobi sands 66 (47), Petro China Daqin Tamsag 56 (40) amd Bold tumor Yeroo gol 40 billion MNT or 28 million USD.

The initial reconciliation revealed there was 1.8 trillion MNT (1.29 billion USD) as Government revenue, and 1.3 trillion MNT (1.0 billion USD) as Company’s payments, the discrepancies were 477 billion MNT (343 million USD). The reasons were 433 billion MNT (311 million USD) of 58 companies have not reported but reported by Government, advance payment of 125 billion MNT (89 million USD) from Oyu tolgoi under Contract, which have not been reported.

The final adjustment demonstrated the total reconciled amount is 2.1 trillion MNT (1.5 billion USD), 2 trillion MNT (1.4 billion USD) is belonging to state budget, 1,3 trillion MNT (1 million USD) out of which is taxes, 539 billion MNT (387 million USD) is other revenues of Government, 65 billion MNT (46 million USD) is health and social insurance, 45 billion MNT (32 million USD) is dividend, 36 billion MNT(25 million USD) is payment, 33 billion MNT (23 million USD) fees and service charge, and 2 billion MNT (1.4 million USD) was fines.

The final adjustment demonstrated the reconciled amount at local level was for local revenues and payments were 66 billion MNT (46 million USD), and 34 billion MNT (24 million USD) out of which local dividends, 26 billion MNT (18 million USD), taxes 4,8 billion MNT (3.4 million USD), 447 million MNT (321 thousand USD) were service charges, but fines were 175 million MNT (125 thousand USD).

The total reconciled donation was 26 billion MNT, and deposits for natural rehabilitation work were 1.2 billion MNT.

The final unexplained discrepancies were in health and social insurance 169 million MNT (121 million USD), donations 137 million MNT (98 thousand USD), payment 124 million MNT(89 thousand USD), local payment 46 million MNT (33 thousand), and fees and charges 44 million MNT (31 thousand USD), and total unexplained discrepancies 622 million MNT (447 thousand USD). The reconciler finding revealed that 273 million MNT are belong to Companies, and 348 million MNT to Government.

The Report shows how much donations are received by state administrative bodies, and in which aimags. The total received donations by bodies were 14.8 billion MNT and out of which Arhangai- 50 million, Bayan- Ulgii 8,2 million, Bayanhongor 419 million, Bulgan 492 million, Gobi- Altai 161 million, Darhan uul 36,6 million Dornogobi 1,2 billion, Dornod 479 million, Dundgobi 108 million, Zavhan 3 million, Orhon 33,2 million, Uvurhangai 172 million, Umnugobi 4,5 billion, Sukhbaatar 627 million, Selenge 2,4 billion, Tuv 567 million, Uvs 101 million, Hovd 282 million, Huvsgul 108 million, Hentii 128 million MNT..

Within the scope of this report the compliance of Financial ministerial order No. 45 of 2010 was reviewed amongst state administrative bodies and revealed the most of bodies have not complied with it, which requires to register any donation, report on disbursement received from companies engaged in extractive industries.

The report shows which companies have donated much, share of Oyu tolgoi in total donations was 46%, Boroo Gold 15%, Energy resources 6.5%, MAK 4.7%, Bold tumor Yeroo gol 4.7%, but Erdenet share was 2.4%.

The Reconciliation covered 31 ministries and agencies, 33 budget organizations, 21 aimags, 198 soums, 8 districts, ranked the participation of them in the reconciliation and 2 Governmental, 8 local bodies and 28 companies have got a marking of not sufficient.

Insufficient marking was given to State professional inspectorate, Department of labor and care service, to aimags Bayan-Ulgii, Dornogobi, Zavhan, Selenge, Uvs, Hovd, Dundgobi and Umnugobi, as for companies, to companies Altan Dornod, Batu mining, Gatsuurt, GBNB,ZeYuE, Ih Khan uul, Tavantolgoi, Hanshijir, Big Mogol coal and energy, Bold tumor Yeroo gol, Broad, Buman-Olz, Bumbat, Geomin, Gunbileg trade, Gunbileg gold, Delger Orchlon, Jinhua Ord, Mongol Altai resources, Mongol Metal mining, Olon ovoot gold, COAL, CCM, Hotgor shanaga, Huden, MRCMJL, Erdene jus and Erdenestavantolgoi.

Also, the reconciliation reviewed status of application of international accounting standard and international standard of financial reporting.

176 companies out of 200 companies participated in this survey and 24 did not. Survey made finding that 54% of companies do apply the standards most probably.

The reconciliation once again reviewed report on natural rehabilitation work and could cover only 83 companies.

Execution of annual mining plans by companies have been one of topics of this reconciliation and only data of 128 companies was provided by Minerals authorities for this work. The data covers soil removal, ore production, ore processing, production of commercial product and sale of product, by broken down by type of minerals, reconciled companies.

The plan for soil removal had been achieved by companies like GBNB, Gurvan tuhum, Iltgold, Monpolimet, Urmun uul, Sonor trade, Tsevdeg, Erdenet, Tsairt mineral, Mongolrostsvetmet, Nordwind, Altai huder, Lut chuluu, Erel, Aduunchuluu, Bayanteeg, Berh uul8 Gobi and coal energy, MAK8 Southgobi sands, Tavantolgoi, Hotgor, Chinhua MAK Nariin suhait.

Plan for ore production was successfully performed by companies like Bulgangangat, GBNB, Markopolo, Berhuul, Mondulaantrade, Monpolimet, Ulzgol, Hurai, Tsevdeg, Erdenet, Tsairt mineral, Mongolrostsvetmet, Nordwind, Herlen energo, Lut chuluu, Monlaa and Erel.

Plan for product sale was achieved by companies such as Boroo gold, Gurvan tuhum, Iltgold, Markopolo, Mondulaan trade, Mongolbolgargeo, Urmun uul, Sonor trade, Ulzgol, Hurai, Tsevdeg, Erdenet, Mongoltchehmetal, Nordwind, Herlen Energo, Bayanteeg, Big Mogul coal and energy, Mogoingol, Monazhnai, MAK, Tavantolgoi, Har Tarvagatai, Hotgor and Chinhua MAK Nariin sukhait.

One of biggest work carried out by this reconciliation is review of data on licenses of reconciled companies. The number of valid licenses for production of reconciled 200 companies was 382 and at the end of year it was 398, and number of their exploration licenses was at beginning of year was 578 and at the end of year it declined and reach 545.

At the end of 2011, 1841 companies do have 1200 production and 2576 exploration licenses. The survey shows how many of licenses were held by companies, so Tethis mining 63 exploration, Altan dornod 35, 29 out of which is production, Mongolrostsvetmet 36, 33 out of which production, Pebodywinsway resources 30, 3 out of which is production, Centerra gold 27, 7 out of which is production, Gobi coal energy 32, 4 out of which is production, MAK 31, 22 out of which is production and Gatsuurt 21, 18 out of which is production.

The reconciliation also covered agreements concluded between companies and local authorities, 21 companies out of 200 companies provided data about existence of agreements, and it was 39. But local authorities have not provided data on that aspect.

The Reconciliation at the end made findings about recommendations given by previous reports and most recommendations were to remedy reporting quality, improve application of accounting standard, improve quality data created at the Mineral authorities.

Mongolia EITI Secretariat

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