



DALAIWAN AUDIT

AUDITOR'S REPORT

“Gobi Oyu Development Support Fund” NGO

Financial statement as of
December 31, 2018



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INTERNATIONAL

INDEPENDENT AUDITOR'S REPORT

To: Board of Directors of “Gobi Oyu Development Support Fund” NGO

Opinion

We have audited the financial statements of “Gobi Oyu Development Support Fund” NGO, which comprise the statement of financial position as at December 31, 2018, and the related statements of activities, and cash flows for the year then ended, the related notes to the financial statements, a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements were presented fairly, in all material respects, the financial position of “Gobi Oyu Development Support Fund” NGO as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with the Guideline on Maintenance of Accounting Records and Reporting of Non-Government Organization approved by the resolution No.385 of the Ministry of Finance pursuant to International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for other information. The other information of the “Gobi Oyu Development Support Fund” NGO refers to the operational report which does not include the financial statements and the auditor's opinion and report. The operational report of “Gobi Oyu Development Support Fund” NGO for the year 2018 was issued before the audit report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT
(continued)

In preparing the financial statements, management is responsible for assessing the “Gobi Oyu Development Support Fund” NGO’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization’s financial reporting process.

Auditor’s Responsibility for the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. ‘Reasonable assurance’ is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the “Gobi Oyu Development Support Fund” NGO’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization’s ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report.

However, future events or conditions may cause the “Gobi Oyu Development Support Fund” NGO to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



DALAIVAN AUDIT LLC
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JUNE 17, 2019

GOBI OYU DEVELOPMENT SUPPORT FUND NGO

STATEMENT OF FINANCIAL POSITION

as at December 31, 2018

		2017.12.31 MNT thousands	2018.12.31 MNT thousands
ASSETS			
Current assets			
Cash and cash equivalents	3.1	8,479,802.0	6,378,256.6
Receivables		-	-
Inventories		-	-
Prepaid expenses		-	-
Short-term investments	3.2	-	748,433.3
Total current assets		8,479,802.0	7,126,689.9
Non-current assets			
Property, plant, and equipment	3.3	64,508.3	74,797.9
Accumulated depreciation – PP&E		(8,108.4)	(18,060.6)
Intangible assets – net	3.4	1,655.7	1,059.6
Investments and other assets		-	-
Total non-current assets		58,055.6	57,796.9
TOTAL ASSETS		8,537,857.6	7,184,486.8
LIABILITIES AND NET ASSETS			
Current liabilities			
Account payables	3.5	2,723,135.8	6,649,007.7
Tax payables		505.8	-
Short-term bank loans		-	-
Unearned revenue		-	-
Other payables		-	-
Total current liabilities		2,723,641.6	6,649,007.7
Net assets			
Unrestricted reserve		-	-
Retained earnings	3.6	5,814,216.0	535,479.1
Total net assets		5,814,216.0	535,479.1
TOTAL LIABILITIES AND NET ASSETS		8,537,857.6	7,184,486.8



Prepared by:

B. Batkhuyag
General accountant

GOBI OYU DEVELOPMENT SUPPORT FUND NGO

STATEMENT OF FINANCIAL PERFORMANCE

as at December 31, 2018

		2017.12.31 MNT thousands	2018.12.31 MNT thousands
Operating income			
Revenue for programs and projects	3.7	12,024,650.0	12,094,300.0
Revenue from gifts, donations, and aids		-	-
Other revenue	3.7	33,462.9	208,789.1
Total operating income		12,058,112.9	12,303,089.1
Operating expense			
Expense for programs and projects	3.8	12,100,935.0	16,878,312.5
Donations and aids to entities	3.8	368,125.8	175,412.6
Expense for scholarship programs	3.8	112,982.9	135,471.6
Wages and salaries		142,802.4	171,048.0
Social insurance contribution expense		15,919.5	20,525.7
Repair and maintenance expense		115.0	714.6
Stationary expense		7,197.1	13,629.5
Rental expense		14,850.0	16,988.4
Cleaning service expense		3,122.7	4,267.5
Transportation expense		7,780.4	-
Depreciation expense		5,761.9	13,566.2
Advertisement expense		66,679.6	151,070.2
Postal and communication expense		3,698.4	3,834.2
Fuel expense		-	7,097.6
Supply material expense		2,425.9	
Training expense		430.0	
Payments for works and services performed by contractors		127,622.4	
Conference and meeting expense		37,438.0	
Other expenses		6,615.3	138,740.3
Total operating expense	3.9	442,458.6	541,482.2
TOTAL OPERATING INCOME (EXPENSE)		(966,389.4)	(5,427,589.8)
Non-operating income and expense			
Gain (loss) on foreign currency exchange difference		-	150,000.0
Other income (expense)		-	(1,147.1)
Total non-operating income (expense)	3.10	-	148,852.9
OPERATING INCOME (EXPENSE) FOR THE YEAR – NET		(966,389.4)	(5,278,736.9)

Approved by:

 ГОВИЙН ОЮУ
 ХӨГЖЛИЙГ ХАМЖИХ
 САН
 ӨМНӨГӨР АЙМАГ
 S. Erdenebat
 Executive director

Prepared by:



B. Batkhuyag
 General accountant

GOBI OYU DEVELOPMENT SUPPORT FUND NGO

STATEMENT OF CHANGES IN NET ASSETS
as at December 31, 2018

Items	Unrestricted reserve	Restricted reserve	Foreign currency translation reserve	Retained earnings	Total
Balance as at December 31, 2016	-	-	-	6,780,605.4	6,780,605.4
Changes in accounting policy and error adjustments	-	-	-	-	-
Restated balance	-	-	-	-	-
Increase (decrease) in revaluation of property, plant, and equipment	-	-	-	-	-
Increase (decrease) in revaluation of investments	-	-	-	-	-
Foreign currency revaluation reserve	-	-	-	-	-
Unrecognized gain (loss) in statement of income	-	-	-	-	-
Income (expense) for the year – net	-	-	-	(966,389.4)	(966,389.4)
Balance as at December 31, 2016	-	-	-	5,814,216.0	5,814,216.0
Changes in accounting policy and error adjustments	-	-	-	-	-
Restated balance	-	-	-	-	-
Increase (decrease) in revaluation of property, plant, and equipment	-	-	-	5,814,216.0	5,814,216.0
Increase (decrease) in revaluation of investments	-	-	-	-	-
Foreign currency revaluation reserve	-	-	-	-	-
Unrecognized gain (loss) in statement of income	-	-	-	-	-
Income (expense) for the year – net	-	-	-	(5,278,736.9)	(5,278,736.9)
Balance as at December 31, 2016	-	-	-	535,479.1	535,479.1

Prepared by:


B. Batkhuyag
General accountant

Approved by:

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S. Erdenebat

Executive director

GOBI OYU DEVELOPMENT SUPPORT FUND NGO

STATEMENT OF CASH FLOWS
as at December 31, 2018


	2017.12.31 MNT thousands	2018.12.31 MNT thousands
Cash receipts from operating activities	12,029,569.2	12,256,499.7
Receipts from programs and projects	12,006,650.0	12,244,300.0
Receipts from gifts, donations, and aids	-	-
Receipts from other activities	22,919.2	12,199.7
Cash payments from operating activities	(10,284,555.1)	(13,803,946.2)
Payments to and on behalf of employees	(133,104.8)	(142,099.9)
Payments of social insurance contributions	(26,147.5)	(34,087.0)
Payments to suppliers for goods and services	(61,226.5)	(228.8)
Payments of utility expense	(31,380.4)	(18,397.8)
Payments of fuel, transportation and spare parts	(9,496.4)	(13,991.7)
Payment to suppliers	(10,021,295.6)	(13,577,948.1)
Interest paid	-	-
Taxes paid	(1,807.4)	(17,096.4)
Insurance premiums paid	(96.5)	(96.5)
Cash flows from (used in) operating activities – net	1,745,014.1	(1,547,446.5)
Cash receipts (payments) from investing activities		
Proceeds from sales of long-term assets	-	-
Purchase of long-term assets	(33,938.3)	(14,454.7)
Purchase of short-term assets		(748,433.3)
Cash flows from (used in) investing activities – net	(33,938.3)	(762,888.0)
Cash receipts (payments) from financing activities		
Proceeds from borrowings from banks	-	-
Repayments of borrowings from banks	-	-
Interest received	-	208,789.1
Gain (loss) on foreign currency exchange difference	-	-
Cash flows from (used in) financing activities – net	-	208,789.1
TOTAL CASH FLOWS – NET	1,711,075.8	(2,101,545.4)
Cash and cash equivalents at beginning of the period	6,768,726.2	8,479,802.0
Cash and cash equivalents at end of the period	8,479,802.0	6,378,256.6

Approved by:



S. Erdenebat
Executive director

Prepared by:



B. Batkhuyag
General accountant

NOTES TO THE FINANCIAL STATEMENTS**1. REPORTING ENTITY.**

GOBI OYU DEVELOPMENT SUPPORT FUND NGO was established as a non-governmental organization on September 23, 2015, and issued with the State Registration Certificate No.: 64947 with the entity's registration No.: 8186995. GOBI OYU DEVELOPMENT SUPPORT FUND NGO aims to contribute to the sustainable development of Umnugovi province and partner counties, in cooperation with OYU TOLGOI LLC, by financing and managing the projects and programs that support the local social and economic development.

The NGO holds special copyright license No.: 40-0018507 for the name and logo of GOBI OYU DEVELOPMENT SUPPORT FUND NGO by the order No.: A/08 issued by the head of the Intellectual Property Office of Mongolia on July 23, 2018.

GOBI OYU DEVELOPMENT SUPPORT FUND NGO is governed by the Fund Board. The Fund Board has the following members as of 2018.

Members of the Fund Board

<u>Name</u>	<u>Position</u>
Tim Eckersley	Chairman of the Fund Board – Operations Director at OYU TOLGOI LLC
Sugir Khuukhenduu	Member of the Fund Board – Chairman of the Citizens' Representatives Khural of Umnugovi Province
Naranbaatar Nanzad	Member of the Fund Board – Governor of Umnugovi Province
Erdene-Ochir Byambatsogt	Member of the Fund Board – Member of the Citizens' Representatives Khural of Umnugovi Province, a representative of Khanbogd county
Laura Thomas	Member of the Fund Board – General Manager, People, and Organization at OYU TOLGOI LLC
Amarbayasgalan Dashnyam	Member of the Fund Board – Chief Counsel at OYU TOLGOI LLC
Baigalmaa Shurka	Member of the Fund Board – General Manager, Communities at OYU TOLGOI LLC

Management team

<u>Name</u>	<u>Position</u>
S.Erdenebat	Executive director
S.Boldmaa	Project manager
B.Sugarjargal	Project officer
B.Batkhuyag	General accountant

Reporting entity's address:

GOBI OYU DEVELOPMENT SUPPORT FUND, #404, 4F, Golomt Business Center, 3 bag, Dalanzadgad county, Umnugovi province, Mongolia
Tel/Fax: 976-70533577/976-70533578, website: www.goviinoyu.mn

Auditor's address: DALAIVAN AUDIT LLC (an independent member of BAKER TELLY INTERNATIONAL), DALAIVAN AUDIT Building, Amarsanaa Street, Gandan, Ulaanbaatar, 16040, Mongolia

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis for report preparation

The financial statements comprise the statement of financial position, financial performance, cash flows, changes in net assets/equity and the notes to the financial statements and are prepared by accrual basis in accordance with the International Financial Reporting Standards (IFRS).

The financial statements are prepared in compliance with the guidelines for the preparation of financial statements and notes of non-governmental organizations issued by the order No.: 386 of the Minister of Finance in accordance with the International Financial Reporting Standards (IFRS).

b) Financial instruments

The financial assets and liabilities comprise cash and cash equivalents, receivables and long-term payables.

c) Going concern principle

The company takes into consideration the forecasted near future, in order to prepare its financial statements. The financial statements are general purpose and prepared on the basis of the going concern principle, except following conditions that are dissolution, or trying to dissolve the operations of the company, or/else there is no actual possibilities to continue the operations. If it's thought that the going concern principle is applicable, then assets and liabilities are reported on the basis that assets are realized, and debts can be repaid.

d) Foreign currency transactions

The financial statements are reported using the presentation currency Mongolian tugriks of GOBI OYU DEVELOPMENT SUPPORT FUND NGO. The transactions in foreign currency are translated into the presentation currency using the closing rate of the Central Bank of Mongolia on the date the transactions are made. Gains or losses on foreign currency exchange difference arising from the transactions are reported in the statement of financial performance or changes in net assets.

e) Report presentation

The report is presented comparing the balances of the financial statements as at December 31, 2017, and December 31, 2018.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash deposits in banks and call deposits with maturities with 3 months or less.

g) Receivables

The receivables are initially measured at fair value plus directly attributable costs of transactions and subsequently measured at amortized cost using the effective interest method. Any gain or loss arising from de-recognition, impairment, and amortization are recognized as profit or loss.

h) Prepaid expense

Expenses paid in advance before recognizing as an expense during the reporting period are classified as assets and reported as prepaid expenses. When the goods are received and the services are rendered, prepaid expenses are recognized as either assets or expenses during the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Inventories

Inventories include assets in the form of materials or supplies to be consumed internally in the ordinary course of business.

The costs incurred in bringing the inventories to their present location and conditions are included in the cost of inventories. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities) and transport, handling and other costs directly attributable to the acquisition of finished goods, materials, and services. Trade discounts, rebates, and other similar items are deducted in determining the costs of purchase. At the end of the reporting period, the inventories are measured at the lower of cost and net realizable value. The inventories that are consumed are reported using the first-in and first-out method.

j) Property, plant, and equipment and intangible assets

All items of property, plant, and equipment are measured at historical cost less accumulated depreciation. The items of property, plant, and equipment are depreciated using the straight-line method over their estimated useful life and recognized as expenses in the statement of financial performance during the reporting period.

The estimated useful life of property, plant, and equipment:

- Computers and office equipment – 3 years
- Fixtures and fittings – 10 years
- Vehicles – 10 years

The estimated useful life of intangible assets:

- Financial software – 3 years
- Budget software - 3 years

k) Payables

The payables are initially recognized at fair value. The payables are classified as either short or long-term payables depending on the maturities and contractual obligations. The payables are derecognized when the contractual obligations are fully met and completed.

l) Restricted and unrestricted reserve

A restricted contribution is a contribution that comes with a specific condition or restriction imposed by the donor or by the law. Unrestricted funds are spent or applied at the discretion of the trustees to further any of the charity's purposes.

Restricted and unrestricted reserves are recognized in the following ways:

- When an objective or time constraint is made in accordance with a donor or law, revenue is recognized when the goal or time is satisfied.
- Unrestricted contributions are recognized as revenue of the general fund in the year received if there is no restriction by the donor or laws.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Income and expense

In order to fulfill the purpose of a non-governmental organization, the financing, and donations received from both foreign and domestic entities, members and individuals are recognized as income.

The non-governmental organization recognizes the expenses on the accrual basis of accounting only for the expenses related to the fulfillment of the goals stated in the resolution of the entity. On the accrual basis, when the transactions are made and the amounts of the transactions can be reliably measured, the expenses that are attributable to the reporting period are recognized. The expenses are recognized based on the approved budget, the decision of the board fund, contracts, and primary accounting documents. The expenses are recognized as they accrue in the statement of performance.

n) Taxes

Non-governmental organization:

- The clause 4.1.5. of the law on Corporate income tax states the entity is a company, cooperative, partnership, state, and locally owned enterprises and equivalent legal body who are registered in the state registration and carry out business operations. The clause also states that the corporate income taxpayer is an entity who operates for profit. Thus, the NGO is not obligated to pay corporate income tax.
- In accordance with the law on personal income tax, the NGO withheld the personal income tax of 10% from the salaries of the employees in the project implementation unit.

o) Social insurance contribution

In accordance with the law on social insurance, the employer pays the social insurance contribution of 12% and the employee pays the social insurance contribution of 11%. The report is prepared and submitted to the social insurance organization.

p) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity')

A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

An entity is related to a reporting entity if any of the following conditions apply:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which another entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

q) Contingency

The NGO recognizes litigation claims, product warranty, and contractual obligations when the organization carries the liability incurred from a legal obligation or a constructive obligation as a result of past events and it is probable that the obligation is settled as outflow of resources embodying economic benefits or else, the amount of the obligation is reliably measured. Any potential liabilities for future operating losses are not recognized.

The contingency is measured at the present value of management's best estimate of the required expenditure to settle the present obligation at the end of the reporting period and disclosed only until the settlement is realized.

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3. FINANCIAL ITEMS**3.1. Cash and cash equivalents**

	2017.12.31 MNT thousands	2018.12.31 MNT thousands
Cash on hand:		
MNT	534.2	116.7
Current accounts at banks:		
MNT	8,479,267.8	6,378,139.9
Total	<u>8,479,802.0</u>	<u>6,378,256.6</u>
	2017.12.31 MNT thousands	2018.12.31 MNT thousands
Current accounts at banks		
Khan bank – 5585698858	7,164,084.3	5,428,553.9
Khan bank – 5585644465	14,057.3	76,998.6
Khan bank – 5585673654	73,398.4	61,619.8
Khan bank – 5585672708	297,783.5	118,683.3
Khan bank – 5585675200	448,919.3	692,284.3
Total	7,998,242.8	6,378,139.9
Khan bank – Savings deposit 5585675222	481,025.0	-
Total	481,025.0	-
Total accounts	<u>8,479,267.8</u>	<u>6,378,139.9</u>

- The current account No.: 5585698858 at Khan bank is used for receiving the funds from OYU TOLGOI LLC and designated as a special account from which the financing of projects and programs, and operations of the fund that are approved by the fund board, and the fund allocation to other sub-accounts are made.

The project financing and other transactions are made from this account using the special form “Transaction approval”. The remittances to project implementers and the fund sub-accounts are made under the authorization from the management team of the fund based on the contracts and other financial documents.

During the reporting period, the financing of 12,244,300,000MNT from OYU TOLGOI LLC was received in this account and reported as an income. The interest revenue of 175,749,600MNT was received.

- The current account No.: 5585644465 is the sub-account only used for primary operation of the fund. The interest revenue of 3,983,100MNT was received.

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3.1. Cash and cash equivalents (continued)

- The current account No.: 5585673654 at Khan bank is a sub-account used for the funds of the Gobi Oyu-Student Scholarship program dedicated for the future generation of Umnugovi province. During the reporting period, the additional fund of 121,683,500MNT was deposited in the account and 135,471,600MNT of scholarship was granted. The interest revenue of 2,034,100MNT was received.
- The current account No.: 5585672708 is the sub-account used for funds to be donated in the social development and natural disaster loss. The additional fund of 243,367,000MNT was deposited in the account. The interest revenue of 2,976,900MNT was received.
- The current account No.: 5585675200 is the sub-account used for funds to support SME business loans of target groups. During the reporting period, the additional fund of 243,367,000MNT was deposited.

3.2. Short-term investment

	2017.12.31 MNT thousands	2018.12.31 MNT thousands
Term deposit	-	748,433.3
Total	=	<u>748,433.3</u>

The savings account No.: 5585675222 is the account used for the savings for the youth of Umnugovi province. In accordance with the clause 4.1 of the “funding guideline on financing the projects and programs” approved by the order No.: 03 of the Fund Board in 2016 and the regulation on the fund for the future generation of Umnugovi province approved by the order No.: 05 of the Fund Board on September 19, 2016, the savings agreement with the Umnugovi branch of Khan bank was made on December 20, 2016, for the savings amount of 100,000USD (200,498,000MNT) with maturity of 12 months and an annual interest rate of 16%. The parties extended the agreement annually for the duration of 10 years.

During the reporting period, the additional fund of 243,367,000MNT was deposited and the balance of 748,437,300MNT was reported at the end of the reporting period. The interest revenue of 21,057,100MNT on savings and 2,987,900MNT on current account were received.

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3.3. Property, plant, and equipment

Items	Fixtures and fittings	Computers and office equipment	Vehicles	Other PP&E	Total
Initial cost:					
Balance as at 2017.12.31	<u>7,672.40</u>	<u>27,341.96</u>	<u>18,000.00</u>	<u>11,493.90</u>	<u>64,508.26</u>
Increased by:					
Acquisition	3,688.00	10,766.70			14,454.70
Decreased:					
Balance as at 2018.12.31	<u>11,360.40</u>	<u>33,943.67</u>	<u>18,000.00</u>	<u>11,493.90</u>	<u>74,797.97</u>
Accumulated depreciation:					
Balance as at 2017.12.31	<u>494.8</u>	<u>7,034.50</u>		<u>579.10</u>	<u>8,108.40</u>
Increased by depreciation	766.82	9,255.46	1,799.01		12,970.05
Decreased					
Balance as at 2018.12.31	<u>1,261.62</u>	<u>13,272.09</u>	<u>1,799.01</u>	<u>1,727.86</u>	<u>18,060.58</u>
Carrying value:					
Balance as at 2017.12.31	<u>7,177.60</u>	<u>20,307.46</u>	<u>18,000.00</u>	<u>10,914.80</u>	<u>56,399.86</u>
Balance as at 2018.12.31	<u>10,098.78</u>	<u>20,671.58</u>	<u>16,200.99</u>	<u>9,766.04</u>	<u>56,737.39</u>

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3.4. Intangible assets – net

	2017.12.31 MNT thousands	2018.12.31 MNT thousands
Financial software	990.0	990.0
Budget software	800.0	800.0
Accumulated depreciation	(134.3)	(730.4)
Total intangible assets	<u>1,655.7</u>	<u>1,059.5</u>

3.5. Payables

	2017.12.31 MNT thousands	2018.12.31 MNT thousands
Account payables	2,723,135.6	6,649,007.7
Salary payables	0.2	-
Personal income tax payables	505.8	-
Total payables	<u>2,723,641.6</u>	<u>6,649,007.7</u>

The payables are shown by customers:

Name of customer	2017.12.31 MNT thousands	2018.12.31 MNT thousands
GOVIIN UGUUJ XБ CIJK	1,824,133.7	304,084.1
NARNII TSAG	185,830.0	46,457.5
ECOLOG BUS LLC	175,000.0	17,500.0
Department of Food and Agriculture	100,000.0	
OCHIR-ENERGY LLC	98,673.0	18,286.5
BILEGT BAGANA – veterinary instruments	96,521.3	6,894.4
BILEGT BAGANA veterinary health center	54,230.9	
GUMUDA DEVELOP LLC	47,000.0	8,000.0
ULAANBAATAR TELEVISION LLC	40,000.0	
GOVIIN GAZAR SHOROO NGO	27,097.6	
KHOLIMOG SURGALT INSTITUTION NGO	20,027.8	20,027.8
BAT TSAIZ COOPERATIVE	15,662.2	
ELSNII KHUCH	12,394.5	
Elderly association of Khanbogd county	7,540.0	
BILEGT BAGANA – outdoor electricity installment	7,433.8	
Department of Labor and Care Service	5,000.0	5,000.0
BILEGT BAGAN – outdoor communication installment	2,342.5	10.0
GOVIIN UGUUJ GES – toilet	1,982.5	1,982.5
TUSHIG MANDAL LLC	1,215.0	
KHAIRKHAN BAYAN BOR LLC	1,050.7	1,050.8
Personal income tax payables	505.8	
Salary payables	0.2	
AGLUT LLC	-	3,477,000.0
GOOD ROAD INTERTRADING LLC	-	975,000.0
MUNKH-URGUU LLC	-	591,422.4

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		<i>continued</i>
KHOS BOR MORI LLC	-	479,650.8
SHINE ERIN LABORATORY SCHOOL	-	145,000.0
ZAGIIN KHUDAG LLC	-	136,410.0
SUVARGAN GOVI LLC	-	72,428.7
B M GREEN PALACE LLC	-	68,123.2
ENKHBODIES LLC	-	48,522.6
Өм. БОӨТ	-	42,028.4
BOLOR US LLC	-	31,908.2
NEMEKHT SUURI LLC	-	30,000.0
NOMGON KHUGJLIIN GARTS NGO	-	16,800.0
KHANBOGD KHUGJLIIN TULUU NGO	-	11,470.0
MEDJEI LLC	-	10,472.5
BTGT LLC	-	10,000.0
BADRANGUI-ORSHIKH LLC	-	9,195.0
MEGATRONIC LLC	-	7,699.5
B.Tumurbaatar	-	7,500.0
SHUUDER GRAND LLC	-	5,496.6
ORGILYN KHUR LLC	-	5,469.7
SODON-ERCHIS LLC	-	5,226.4
OYUNY URGUU KHANBOGD NGO	-	5,223.0
SETUNARI LLC	-	2,450.0
ULZIIT GOVI CONSTRUCTION LLC	-	2,440.8
VISION MAGIC LLC	-	2,434.0
ELBEG TUULAI LLC	-	2,433.9
ERUUL NASJILT NGO	-	2,122.6
NUGAN LLC	-	2,100.0
TANGAD ARAA LLC	-	1,997.0
NOGOON TUGUL PARTNERSHIP	-	1,770.0
Khanbogd Kindergarten No.: 21	-	1,448.8
O.Tsendjargal	-	1,400.0
BILGUUN-OD CONSTRUCTION LLC	-	1,387.2
School No.: 5	-	1,120.0
LEADERDENT LLC	-	769.7
NEWSKY STAR LLC	-	710.0
G.Battur	-	583.4
OCHIR-ENERGY – cabinet refurbishing	-	549.9
Sh.Lhagvasuren	-	498.7
N.Battulga	-	498.1
TENGERIIN MELMII LLC	-	453.0
DIVAAJINGIIN ZAM COOPERATIVE	-	300.0
Department of Education, Culture, and Art	-	200.0
Total	2,723,641.6	6,649,007.7

3.6 Net assets

	2017.12.31	2018.12.31
	MNT	MNT
	thousands	thousands
Unrestricted reserve	-	-
Restricted reserve	-	-
Retained earnings	5,814,216.0	535,479.1
Total net assets	<u>5,814,216.0</u>	<u>535,479.1</u>

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3.7 Revenue from donations and aids

	2017.12.31 MNT thousands	2018.12.31 MNT thousands
Revenue from aid	12,006,650.0	12,094,300.0
Revenue from donation assets	18,000.0	-
Interest revenue	32,079.7	208,789.1
Reversal of student tuition fee	1,383.2	-
Total	<u>12,058,112.9</u>	<u>12,303,089.1</u>

- Revenue from aid:

OYU TOLGOI LLC and Khanbogd county of Umnugovi province entered into the cooperation agreement on April 22, 2015. In accordance with the clause 8.1 and 8.3 of the cooperation agreement, GOVI OYU DEVELOPMENT SUPPORT FUND NGO was established and OYU TOLGOI LLC is agreed to provide 5,000,000USD annually. The aid was received according to the agreement and recognized as revenue.

- Interest revenue:

Interest revenue of 187,743,800MNT on the balances of current accounts No.: 5585698858, 5585644465, 5585673654, and 5585672708 at Khan bank was received and reported.

Deposit in savings account No.: 5585675222 at Khan bank has a monthly interest rate of 1.3% (annually 16%).

During the reporting period, interest revenue of 21,057,100MNT on savings and interest revenue of 2,987,900 on balances of account were each received.

3.8 Expenses on projects and programs

	2017.12.31 MNT thousands	2018.12.31 MNT thousands
Projects and programs expenses	12,100,935.0	16,878,312.5
Donations and aids expenses	368,125.8	175,412.5
Student scholarships	112,982.9	135,471.6
Total expense	<u>12,582,043.7</u>	<u>17,189,196.6</u>

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The expensing of the financing from OYU TOLGOI LLC in accordance with the cooperation agreement is classified as follows:

Projects	Expenditures: MNT thousands	
	2017.12.30	2018.12.31
Social infrastructure	9,501,073.8	9,681,773.3
Environmental management	145,944.3	986,690.2
Basic social services	1,426,432.5	5,013,046.7
Animal husbandry and pastureland management	461,283.8	42,336.5
National history, culture and tourism	566,200.6	66,642.9
Local enterprise development	-	570,800.0
Water management	-	517,022.9
Donations and aids	368,125.8	175,412.5
Scholarship programs	112,982.9	135,471.6
Total	12,582,043.7	17,189,196.6

Major projects financed and implemented by the cooperation agreement during the reporting period:

(i) **Social infrastructure project:**

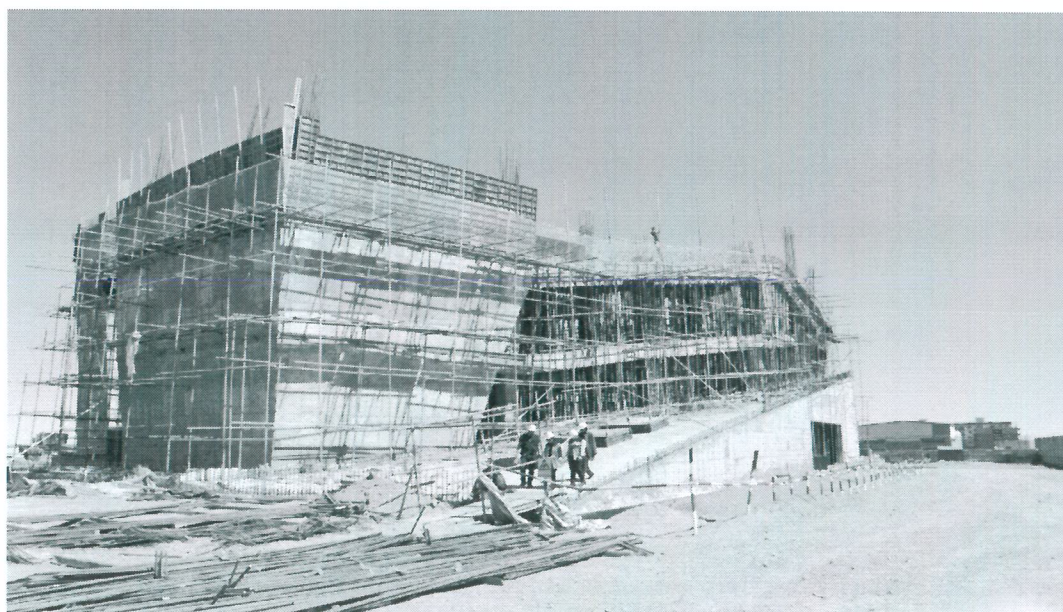
Museum building construction project, Dalanzadgad county, Umnugovi province:

Owner	Funding entity	Contractor
Governor's office of Umnugovi province	GOBI OYU DEVELOPMENT SUPPORT FUND NGO	Aglut LLC

Contract budget: 5,795,000,000 MNT

Provided budget: 2,318,000,000 MNT

Project implementation: In progress



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100-child kindergarten construction project, Dalanzadgad county, Umnugovi province:

Owner	Funding entity	Contractor
Governor's office of Umnugovi province	GOBI OYU DEVELOPMENT SUPPORT FUND NGO	SUVARGAN GOVI LLC

Contract budget: MNT 1,448,573,645

Provided budget: MNT 1,376,144,962

Project implementation: completed



10-bed health center building project, Mandal-Ovoo county, Umnugovi province:

Owner	Funding entity	Contractor
Governor's office of Umnugovi province	GOBI OYU DEVELOPMENT SUPPORT FUND NGO	KHOS BOR MORI LLC

Contract budget: MNT 1,199,126,939

Provided budget: MNT 719,476,161

Project implementation: In progress



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(ii) Environmental management:

On September 27, 2018, GOBI OYU DEVELOPMENT SUPPORT FUND NGO and MUNKH-URGUU LLC entered into the Khanbogd county's landfill disposal of a waste construction contract. The contract budget is 591,422,413MNT and the changes are being made in the construction blueprint and thus the financing has not made during the reporting period.

Within the framework of "Soil is a treasure" project, GOVI OYU DEVELOPMENT SUPPORT FUND NGO and SODON ERCHIS LLC entered into the construction agreement of power line in the cropland on September 28, 2018. Total contract budget is 104,528,163MNT and provided budget is 99,301,755MNT. By this contract, 3.2km long power line from Bayan-Ovoo County to cropland and 10/04 kWt substation were built.

(iii) Basic social services:

GOBI OYU DEVELOPMENT SUPPORT FUND NGO and BM GREEN PALACE LLC entered into the construction contract of water drainage for roads in the central part of Dalanzadgad county on January 29, 2018. Total contract budget is 2,588,524,214MNT. GOBI OYU DEVELOPMENT SUPPORT FUND NGO funds a total of 1,362,463,752MNT and the Governor's office of Umnugovi province funds 1,226,060,462MNT. During the reporting period, the NGO provided a total of 1,294,340,565MNT for the project.

GOBI OYU DEVELOPMENT SUPPORT FUND NGO in cooperation with the Government of Mongolia, the Government of Australia, World Health Organization and UN Child Fund and Population Fund implement the project of "Integrated support program on youth and women health". By implementing the project, the NGO provided a total of 987,741,208MNT during the reporting period.

(iv) Local business development program:

GOBI OYU DEVELOPMENT SUPPORT FUND NGO in cooperation with German Agency for International Cooperation and International Financial Corporation implement the 3-year program of "Development of small and medium enterprises in Umnugovi province". Within the scope of the program, the NGO provided 570,800,000MNT during the reporting period.

(v) Water management:

GOBI OYU DEVELOPMENT SUPPORT FUND NGO entered into the construction agreement of repairing and building of wells with BOLOR US LLC and ZAGYN KHUDAG LLC. Total contract budget is 386,890,968MNT. The NGO provided 218,572,774MNT to the companies. By implementing this project, the existing engineering wells are repaired and new wells were built in the eastern counties of Umnugovi province.

(vi) Donations and aids

GOBI OYU DEVELOPMENT SUPPORT FUND NGO provided 175,412,560MNT as a donation and aid to the counties of Umnugovi province under the authorization from the donation committee in compliance with the guidelines on financing the projects and programs and donations and aids.

(vii) Scholarship:

Within the scope of Gobi Oyu-Student Scholarship program for the future generation of Umnugovi province, the NGO granted total scholarship of 135,471,605MNT to 55 students who study in the state universities and accredited schools.

3.9 Project unit's operating expense

	2017.12.31 MNT thousands	2018.12.31 MNT thousands
Main and additional salaries	142,802.40	171,047.98
Social insurance contribution expense	15,919.50	20,525.76
Meeting expense for fund board	37,438.00	17,422.54
Advertisement expense	66,679.60	151,070.26
Office lease expense	14,850.00	16,988.40
Training expense	430	-
Stationary expense	7,197.10	8,987.04
Cleaning service expense	3,122.70	1,130.65
Depreciation expense	5,761.90	13,566.18
Postal and communication expense	3,698.40	3,834.20
Supply material expense	2,425.90	3,511.82
Repair service expense	115	714.60
Transportation expense	7,780.40	-
Advisory service expense	127,622.40	106,265.72
Auditing expense	4,424.00	-
Travel and per diem expense	-	4,267.49
Fuel expense	-	7,097.60
Other expenses	2,191.30	15,052.02
Total	<u>442,458.60</u>	<u>541,482.26</u>

On January 19, 2018, the annual budget for operating expenses of GOBI OYU DEVELOPMENT SUPPORT FUND NGO set to 5% of the total annual budget of the fund, in accordance with Order No.: 01 of the Fund Board.

The expenses in relation to the appropriate and transparent implementation of the cooperation agreement by the management and the employees of the NGO are included in the operating expenses.

3.10 Non-operating income and expense

	2017.12.31 MNT thousands	2018.12.31 MNT thousands
Gain on foreign currency exchange difference	-	150,000.0
Loss on disposal of property, plant, and equipment	-	1,147.1
Total	=	<u>148,852.9</u>

Three laptops were disposed of in accordance with the order No.: 11 of the executive director of the NGO issued on June 15, 2018.

3.11 Related parties

Names of related parties	Nationality	Relation	Transactions
OYU TOLGOI LLC	Entity of Mongolia	Founder	Funder of projects and programs
Umnugovi province, Khanbogd county, and other partner counties	Entity of Mongolia	Partners	Funder and supporter of projects and programs
Tim Eckersley	Citizen of Australia	Chairman of the board	Meeting
Kh.Sugir	Citizen of Mongolia	Member of the board	Meeting
N.Naranbaatar	Citizen of Mongolia	Member of the board	Meeting
B.Erdene-Ochir	Citizen of Mongolia	Member of the board	Meeting
Laura Thomas	Citizen of Australia	Member of the board	Meeting
D.Amarbayasgalan	Citizen of Mongolia	Member of the board	Meeting
Sh.Baigalmaa	Citizen of Mongolia	Member of the board	Meeting
S.Erdenbat	Citizen of Mongolia	Executive director	Salary

3.12 Contingencies


There is not a legal obligation or a constructive obligation as a result of past events as at the end of 2018.

3.13 Subsequent events

This financial report as at December 31, 2018, was prepared on June 17, 2019, and there are no subsequent events that may affect the financial statements incurred after the end of the reporting date.

3.14 Report translation

The auditor's report and the notes to the financial statements are prepared in both Mongolian and English languages and printed in 2 copies for each language. In the event of discrepancies and contradictions between the versions in two languages, the Mongolian version shall prevail.



DALAIWAN AUDIT LLC
ULAANBAATAR
MONGOLIA

JUNE 17, 2019

