



DALAIWAN AUDIT

AUDITOR'S REPORT

“Gobi Oyu Development Support Fund” NGO

Financial statement as of
December 31, 2019





DALAIVAN AUDIT

Audit assurance, property and business
valuation advisory services

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INDEPENDENT AUDITOR'S REPORT

TO: THE FUND BOARD OF GOBI OYU DEVELOPMENT SUPPORT FUND NGO

Opinion

We have audited the financial statements which comprise the statements of financial position as at December 31, 2019, the statements of financial performance, the statements of changes in net assets, the statements of cash flows for the year then ended and the notes to the financial statements including highly significant accounting policies of GOBI OYU DEVELOPMENT SUPPORT FUND NGO.

In our opinion, the statements of financial position, financial performance, changes in net assets and cash flows of GOBI OYU DEVELOPMENT SUPPORT FUND NGO as at December 31, 2019, present fairly and are, in all material respects, under the Guideline on Maintenance of Accounting Records and Reporting of Non-Government Organization issued by order No.: 386 of the Minister of Finance in compliance with the International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit under the International Standards on Auditing (ISAs). According to the standards, our responsibilities are stated in the auditor's responsibility for the financial statement audit section of this financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We operated independently from GOBI OYU DEVELOPMENT SUPPORT FUND NGO and conducted our audit following the other responsibilities under the ethical requirements in connection with the audit of financial statements issued by the International Ethics Standards Board for Accountants.

Other information

The management is responsible for other information. Although other information includes the information reported in the annual financial statement of GOBI OYU DEVELOPMENT SUPPORT FUND NGO, the financial statement and auditor's report may not be included in the other information. The annual statements of 2019 of GOBI OYU DEVELOPMENT SUPPORT FUND NGO was prepared before issuing the auditor's report.

Under the cooperation agreement and the fund's resolution, GOBI OYU DEVELOPMENT SUPPORT FUND NGO operated to fund the locally needed projects and programs that were approved by the Fund Board transparently by complying the rules of the fund and the relevant regulations.

The responsibilities of the executive and governing management for the financial statements

The management is responsible for the preparation and fair presentation of financial statements under the IFRS, whereas these responsibilities include identifying the internal control relevant to the preparation and fair presentation of financial statements that are free from fraud and error incurred from material misstatement.

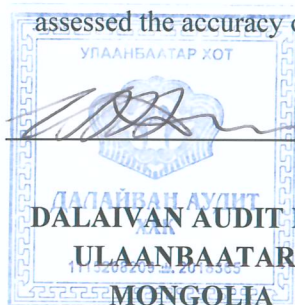
The management is responsible for constantly evaluating GOBI OYU DEVELOPMENT SUPPORT FUND NGO's ability to conduct the operations following the going concern principle of continuous preparation of financial statements, except the cases of insolvency, or ceasing its activities, and disclose issues related to going concern and additional clarification relevant to the continuity of the accounting basis used for accounting. The governing management is responsible for the financial reporting process.

Auditor's responsibilities in the financial statement audit

Our goal is to prepare the auditor's report indicating our opinion with the reasonable assurance that financial statements in the whole that are free from fraud and error incurred from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted under ISAs will always detect a material misstatement when it exists. If it is considered that error or fraud is in a substantial amount, then it may influence the economic decisions of users of financial statements.

As part of an audit under ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. And we have performed the following tasks:

- We have assessed whether the financial statements have material misstatement incurred from fraud or error, undertaken audit procedures to determine its response, obtained sufficient and appropriate audit evidence as to the basis for the opinion. An alleged conspiracy to forging operations, and deliberate neglect, ignorance of internal controls has risks of not detecting material misstatements and misreporting, instead of one error.
- To develop appropriate audit procedures we have gained an understanding of the NGO's internal control system, but we have no intention to evaluate the effectiveness of internal control of GOBI OYU DEVELOPMENT SUPPORT FUND NGO.
- We have assessed the appropriateness of the NGO's accounting policies and accounting estimates and disclosures used.
- If the NGO is going concern has a material uncertainty, then we will focus on the relevant disclosure of financial statements. If this is enough to mention the relevant disclosures, we shall change our opinions. Our audit report related to the audit findings based on evidence until the date of the auditor's report. Therefore, their ability to influence the situation on a going concern basis of GOBI OYU DEVELOPMENT SUPPORT FUND NGO may arise in the future.
- We reviewed the entire structure, content, presentation, and disclosure of financial statements and assessed the accuracy of transactions and events financial statement presentation.



JULY 21, 2020

GOBI OYU DEVELOPMENT SUPPORT FUND NGO

STATEMENT OF FINANCIAL POSITION

as at December 31, 2019

Items		2018.12.31 MNT thousands	2019.12.31 MNT thousands
ASSETS			
Current assets			
Cash and cash equivalents	3.1	6,378,256.6	5,378,787.7
Receivables		-	-
Inventories		-	-
Prepaid expenses		-	-
Short-term investments	3.2	748,433.3	1,130,315.9
Total current assets		7,126,689.9	6,509,103.6
Non-current assets			
Property, plant, and equipment	3.3	74,797.9	79,197.9
Accumulated depreciation – PP&E		(18,060.6)	(32,003)
Intangible assets – net	3.4	1,059.6	463.4
Investments and other assets		-	-
Total non-current assets		57,796.9	47,658.3
TOTAL ASSETS		7,184,486.8	6,556,761.9
LIABILITIES AND NET ASSETS			
Current liabilities			
Account payables	3.5	6,649,007.7	2,973,962.3
Tax payables		-	-
Short-term borrowings from bank		-	-
Unearned revenue		-	-
Other payables		-	-
Total current liabilities		6,649,007.7	2,973,962.3
Net assets			
Unrestricted reserve		-	-
Retained earnings	3.6	535,479.1	3,582,799.6
Total net assets		535,479.1	3,582,799.6
TOTAL LIABILITIES AND NET ASSETS		7,184,486.8	6,556,761.9



Prepared by:

B. Batkhuyag
General accountant

GOBI OYU DEVELOPMENT SUPPORT FUND NGO

STATEMENT OF FINANCIAL PERFORMANCE
as at December 31, 2019


Items		2018.12.31 MNT thousands	2019.12.31 MNT thousands
Operating income			
Revenue for programs and projects	3.7	12,094,300.0	13,162,600.0
Revenue from gifts, donations, and aids		-	-
Other revenue	3.7	208,789.1	517,779.9
Total operating income		12,303,089.1	13,680,379.9
Operating expense			
Expense for programs and projects	3.8	16,878,312.5	9,637,287.4
Donations and aids to entities	3.8	175,412.6	349,088.7
Expense for scholarship programs	3.8	135,471.6	155,557.8
Wages and salaries		171,048.0	201,829.7
Social insurance contribution expense		20,525.7	25,131.9
Repair and maintenance expense		714.6	1,952.8
Stationary expense		13,629.5	13,839.6
Rental expense		16,988.4	17,038.2
Cleaning service expense		4,267.5	1,600.0
Transportation expense		-	-
Depreciation expense		13,566.2	14,538.6
Advertisement expense		151,070.2	106,167.2
Postal and communication expense		3,834.2	4,260.8
Fuel expense		7,097.6	10,883.9
Supply material expense			
Training expense			
Payments for works and services performed by contractors			
Conference and meeting expense			
Other expenses		138,740.3	93,882.8
Total operating expense	3.9	541,482.2	491,125.5
TOTAL OPERATING INCOME (EXPENSE)		(5,427,589.8)	3,047,320.5
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		(5,278,736.9)	(3,047,320.5)

Approved by:



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, 2019

Items	Unrestricted reserve	Restricted reserve	Foreign currency translation reserve	Retained earnings	Total
Balance as at December 31, 2017	-	-	-	5,814,216.0	5,814,216.0
Changes in accounting policy and error adjustments	-	-	-	-	-
Restated balance	-	-	-	5,814,216.0	5,814,216.0
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	-	-	-	(5,278,736.9)	(5,278,736.9)
Balance as at December 31, 2018	-	-	-	535,479.1	535,479.1
Changes in accounting policy and error adjustments	-	-	-	-	-
Restated balance	-	-	-	535,479.1	535,479.1
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	-	-	-	3,047,320.5	3,047,320.5
Balance as at December 31, 2019	-	-	-	3,582,799.6	3,582,799.6

Approved by:

Prepared by:

S. Erdenebat
Executive directorB. Batkhuyag
General accountant

GOBI OYU DEVELOPMENT SUPPORT FUND NGO

STATEMENT OF CASH FLOWS
as at December 31, 2019

Items	2018.12.31 MNT thousands	2019.12.31 MNT thousands
Cash receipts from operating activities	12,256,499.7	14,446,439.8
Receipts from programs and projects	12,244,300.0	13,162,600.0
Receipts from gifts, donations, and aids	-	-
Receipts from other activities	12,199.7	1,283,839.8
Cash payments from operating activities	(13,803,946.2)	(15,576,008.1)
Payments to and on behalf of employees	(142,099.9)	(167,162.1)
Payments of social insurance contributions	(34,087.0)	(42,380.0)
Payments to suppliers for goods and services	(228.8)	0.0
Payments of utility expense	(18,397.8)	0.0
Payments of fuel, transportation and spare parts	(13,991.7)	(12,840.7)
Payments to programs and projects	(13,577,948.1)	(15,335,549.7)
Interest paid	-	-
Taxes paid	(17,096.4)	(17,959.8)
Insurance premiums paid	(96.5)	(115.8)
Cash flows from (used in) operating activities – net	(1,547,446.5)	(1,129,568.3)
Cash receipts (payments) from investing activities		
Proceeds from sales of long-term assets	-	-
Purchase of long-term assets	(14,454.7)	(4,399.9)
Purchase of short-term assets	(748,433.3)	(256,885.0)
Cash flows from (used in) investing activities – net	(762,888.0)	(261,284.9)
Cash receipts (payments) from financing activities		
Proceeds from borrowings from banks	-	-
Repayments of borrowings from banks	-	-
Interest received	208,789.1	391,384.3
Gain (loss) on foreign currency exchange difference	-	-
Cash flows from (used in) financing activities – net	208,789.1	391,384.3
TOTAL CASH FLOWS – NET	(2,101,545.4)	(999,468.9)
Cash and cash equivalents at beginning of the period	8,479,802.0	6,378,256.6
Cash and cash equivalents at end of the period	6,378,256.6	5,378,787.7

Approved by:

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ГОВИЙН ОЮУ
ХӨГЖЛИЙГ ДЭМЖИХ
СЭТ

S.Erdenebat
Executive director

Prepared by:

B.Batkhuuyag
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 2019.

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

Executive team

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

GOBI OYU DEVELOPMENT SUPPORT FUND NGO's official address:
#404, 4F, Golomt Business Center, 3 bag, Dalanzadgad county, Umnugovi Province, Mongolia
Tel/Fax: 976-70533577/976-70533578, website: www.goviinouy.mn

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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 under 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 under 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

Under the going concern principle, the fund takes its business continuation as a going concern in the forecasted near future into account, to prepare its financial statements. The fund shall prepare the general-purpose financial statements on a going concern basis unless the management either intends to liquidate the fund or to cease operation or has no realistic alternative but to do so. If it is thought that going concern assumption is appropriate, the fund reports its assets and liabilities on the basis that assets can be realized and liabilities can be repaid during its normal course of business.

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 differences 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, 2018, and December 31, 2019, respectively.

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 is 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 accessories – 3 years
- Furniture and fixtures – 10 years
- Motor 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 under 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.

m) Income and expense

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 bodies who are registered in the state registration and carry out business operations. The clause also states that the corporate income taxpayer is an entity that operates for profit. Thus, the NGO is not obligated to pay corporate income tax.
- By 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

Following the law on social insurance, the employer pays the social insurance contribution of 13.5% and the employee pays the social insurance contribution of 12.5%. 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 a parent of the reporting entity

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

- a. 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).
- b. 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).
- c. Both entities are joint ventures of the same third party.
- d. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- e. 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.
- f. The entity is controlled or jointly controlled by a person identified in (a).
- g. 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).

- h. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or 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 the obligation is probably settled as an 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**

	2018.12.31 MNT thousands	2019.12.31 MNT thousands
Cash on hand:		
MNT	116.7	576.1
Current deposits at banks:		
MNT	6,378,139.9	5,378,211.6
Total	<u>6,378,256.6</u>	<u>5,378,787.7</u>
	2018.12.31 MNT thousands	2019.12.31 MNT thousands
Current deposits at banks:		
Khan bank – 5585698858	5,428,553.9	4,300,576.2
Khan bank – 5585644465	76,998.6	64,712.9
Khan bank – 5585673654	61,619.8	58,732.2
Khan bank – 5585672708	118,683.3	5,021.0
Khan bank – 5585675200	692,284.3	949,169.3
Total	6,378,139.9	5,378,211.6
Khan bank – Savings deposit 5585675222	-	-
Total	-	-
Total cash and cash equivalents	<u>6,378,139.9</u>	<u>5,378,211.6</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 13,162,600,000MNT from OYU TOLGOI LLC was received in this account and reported as an income. The interest revenue of 373,010,800MNT was received.

- The current account No.: 5585644465 is the sub-account only used for the primary operation of the fund. The interest revenue of 11,934,000MNT was received.

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& APPRAISAL

3.1. Cash and cash equivalent (continued)

- The current account No.: 5585673654 at Khan bank is a sub-account used only for the funds of the Gobi Oyu-Student Scholarship program dedicated to the future generation of Umnugovi province. During the reporting period, the additional fund of 121,683,500MNT for student scholarship was deposited in the account, and 135,471,600MNT of scholarship was granted totally. The interest revenue of 3,388,700MNT was received.
- The current account No.: 5585672708 is the sub-account used for the fund to be allocated as donations and aids in the social development and against the natural disaster loss in Umnugovi province and its counties. During the reporting period, the additional fund of 256,885,000MNT was deposited in this account. The interest revenue of 3,050,800MNT 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 256,885,000MNT was deposited.

3.2. Short-term investment

	2018.12.31 MNT thousands	2019.12.31 MNT thousands
Time deposits	748,433.3	1,130,315.9
Total	<u>748,433.3</u>	<u>1,130,315.9</u>

The savings account No.: 5585675222 is the account used for the savings for the youth of Umnugovi province. Under 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 a maturity of 12 months and an annual interest rate of 16%. The parties extended the agreement annually for 10 years.

During the reporting period, the additional fund of 256,885,000MNT was deposited and the outstanding balance of 1,130,315,900MNT was reported at the end of the reporting period.

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3.3. Property, plant and equipment

Items	Furniture and fixtures	Computers and accessories	Motor vehicles	Other PP&Es	Total
Initial cost:					
Balance as at 2018.12.31	<u>11,360.4</u>	<u>33,943.6</u>	<u>18,000.0</u>	<u>11,493.9</u>	<u>74,797.9</u>
Increased by purchase:	1,950.0	2,450.0			4,400.0
Decreased:					
Balance as at 2019.12.31	<u>13,310.4</u>	<u>36,393.6</u>	<u>18,000.0</u>	<u>11,493.9</u>	<u>79,197.9</u>
Accumulated depreciation:					
Balance as at 2018.12.31	<u>1,261.6</u>	<u>13,272.0</u>	<u>1,799.0</u>	<u>1,728.0</u>	<u>18,060.6</u>
Increased by depreciation:	1,075.7	9,918.9	1,799.0	1,148.8	13,942.4
Decreased:					
Balance as at 2019.12.31	<u>2,337.3</u>	<u>23,190.9</u>	<u>3,598.0</u>	<u>2,876.8</u>	<u>32,003.0</u>
Carrying value:					
Balance as at 2018.12.31	<u>10,098.7</u>	<u>20,671.6</u>	<u>16,200.9</u>	<u>9,765.9</u>	<u>56,737.1</u>
Balance as at 2019.12.31	<u>10,973.0</u>	<u>13,202.7</u>	<u>14,401.9</u>	<u>8,617.1</u>	<u>47,194.7</u>

Under the order No.: 34 of Executive director of GOBI OYU DEVELOPMENT SUPPORT FUND NGO dated December 20, 2019, the physical counting committee comprised of 2 personals was appointed and the physical counting was conducted from December 20, 2019, to December 24, 2019.

As a result of the counting, no misplaced asset was found.

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3.4. Intangible assets – net

	2018.12.31	2019.12.31
	MNT	MNT
	thousands	thousands
Financial software	990.0	990.0
Budget software	800.0	800.0
Accumulated amortization	(730.4)	(1,326.5)
Total intangible assets	<u>1,059.6</u>	<u>463.4</u>

3.5. Payables

	2018.12.31	2019.12.31
	MNT	MNT
	thousands	thousands
Account payables	6,649,007.7	2,973,962.3
Total payables	<u>6,649,007.7</u>	<u>2,973,962.3</u>

The payables are shown by customers:

Name of customer	2018.12.31	2019.12.31
	MNT	MNT
	thousands	thousands
GOVIIN UGUUJ ХБ ЦҮК	304,084.1	0.0
NARNII TSAG	46,457.5	0.0
ECOLOG BUS LLC	17,500.0	17,500.0
OCHIR-ENERGY LLC	18,286.5	18,286.4
BILEGT BAGANA – veterinary instruments	6,894.4	0.0
GUMUDA DEVELOP LLC	8,000.0	8,000.0
KHOLIMOG SURGALT INSTITUTION NGO	20,027.8	20,027.8
Elderly association of Khanbogd county	0.0	3,840.0
Department of Labor and Care Service	5,000.0	0.0
BILEGT BAGANA – outdoor electricity installment	10.0	0.0
GOVIIN UGUUJ GES – toilet	1,982.5	1,982.5
KHAIRKHAN BAYAN BOR LLC	1,050.8	1,511.1
AGLUT LLC	3,477,000.0	1,208,675.8
GOOD ROAD INTERTRADING LLC	975,000.0	48,750.0
MUNKH-URGUU LLC	591,422.4	591,422.4
KHOS BOR MORI LLC	479,650.8	59,956.3
SHINE ERIN LABORATORY SCHOOL	145,000.0	7,250.0
ZAGIIN KHUDAG LLC	136,410.0	11,367.5
SUVARGAN GOVI LLC	72,428.7	0.0
B M GREEN PALACE LLC	68,123.2	0.0
ENKHBODIES LLC	48,522.6	0.0
Өм. БОӨТ	42,028.4	42,028.5

BOLOR US LLC	31,908.2	7,977.0
NEMEKHT SUURI LLC	30,000.0	1,500.0
NOMGON KHUGJLIIN GARTS NGO	16,800.0	0.0
KHANBOGD KHUGJLIIN TULUU NGO	11,470.0	0.0
MEDJEI LLC	10,472.5	10,472.5
BTGT LLC	10,000.0	1,250.0
BADRANGUI-ORSHIKH LLC	9,195.0	0.0
MEGATRONIC LLC	7,699.5	0.0
B.Tumurbaatar	7,500.0	0.0
SHUUDER GRAND LLC	5,496.6	0.0
ORGILYN KHUR LLC	5,469.7	0.0
SODON-ERCHIS LLC	5,226.4	5,226.4
OYUNY URGUU KHANBOGD NGO	5,223.0	870.5
SETUNARI LLC	2,450.0	2,450.0
ULZIIT GOVI CONSTRUCTION LLC	2,440.8	2,440.9
VISION MAGIC LLC	2,434.0	275.0
ELBEG TUULAI LLC	2,433.9	8,252.8
ERUUL NASJILT NGO	2,122.6	2,869.2
NUGAN LLC	2,100.0	0.0
TANGAD ARAA LLC	1,997.0	0.0
NOGOON TUGUL PARTNERSHIP	1,770.0	0.0
Khanbogd Kindergarten No.: 21	1,448.8	0.0
O.Tsendjargal	1,400.0	0.0
BILGUUN-OD CONSTRUCTION LLC	1,387.2	0.0
School No.: 5	1,120.0	0.0
LEADERDENT LLC	769.7	0.0
NEWSKY STAR LLC	710.0	710.0
G.Battur	583.4	0.0
OCHIR-ENERGY – cabinet refurbishing	549.9	549.9
Sh.Lhagvasuren	498.7	498.7
N.Battulga	498.1	498.1
TENGERIIN MELMII LLC	453.0	453.0
DIVAAJINGIIN ZAM COOPERATIVE	300.0	0.0
Department of Education, Culture, and Art	200.0	0.0
REHTUS LLC	0.0	2,000.0
BAYANZAG DINOSAUR LLC	0.0	12,789.2
KOKS ZAG Local State-Owned Enterprise	0.0	1,883.5
University of Agriculture, School of Animal	0.0	19,500.0
Husbandry	0.0	1,170.0
UDMYN URLAN LLC	0.0	310,746.3
VENTANA CONSTRUCTION LLC	0.0	14,000.0
PYRAMID CAPITAL LLC	0.0	479.2
Ts.Enkhtor	0.0	1,172.1
SOUTHGOBI CAPITAL LLC	0.0	3,500.0
TRAFFIC DEVELOPMENT SOLUTION	0.0	943.9
NGO	0.0	498.7
B.Munk-Undram	0.0	2,649.9
A.Gantumur	0.0	1,245.0
SGM LLC	0.0	7,630.0
J.Baatar	0.0	251,542.3
GOVIIN YARUU EGSHIGLEN LLC	0.0	45,091.9
ARTS SUVARGA	0.0	10,500.0
SHUTEEN-ERDEN LLC	0.0	1,000.0
KHISHIG UNIVERSE LLC	0.0	4,620.0
GALBYN UGUUJ LLC	0.0	12,647.4
Kh.Ambaa	0.0	4,000.0

D.Ganbat	0.0	1,393.7
D.Khuderbat	0.0	499.0
KHALBAS KHAIRKHANY KHISHIG LLC	0.0	750.0
MANDAL STYLE LL	0.0	625.0
D.Ganbold	0.0	1,000.0
B.Dalaikhuu	0.0	3,500.0
B.Bujin	0.0	1,698.0
GOVYN GURVAN BAG Cooperative	0.0	3,000.0
DARKHAN TUGULDUR GOVI LLC	0.0	3,163.0
TERGUUN SUVARGA LLC	0.0	492.3
Ts.Byambajav	0.0	2,000.0
B.Ichinkhorol	0.0	1,614.0
MUNKH NOGOOL GALBA NGO	0.0	1,500.0
N.Urtnasan	0.0	14,538.8
Ch.Amartuvshin	0.0	490.5
MUNKH NOGOON TAL LLC	0.0	900.0
AZ BILEGTEI LLC	0.0	1,500.0
GOVI KHANGAIN ANDUUD LLC	0.0	1,702.1
A.Uganbayar	0.0	74,025.2
NATURAL MOURNING LLC	0.0	43,069.0
LOGMON LLC	0.0	20,000.0
DUJII KHAIRKHAN LLC		
BAYANGOVI US LLC		
Total	6,649,007.7	2,973,962.3

3.6 Net assets

	2018.12.31	2019.12.31
	MNT	MNT
	thousands	thousands
Unrestricted reserve	-	-
Restricted reserve	-	-
Retained earnings	535,479.1	3,582,799.6
Total net assets	535,479.1	3,582,799.6

3.7 Revenue from donations and aids

	2018.12.31	2019.12.31
	MNT	MNT
	thousands	thousands
Revenue from aid	12,094,300.0	13,162,600.0
Revenue from donation assets	-	-
Interest revenue	208,789.1	517,779.9
Returns of student tuition fees	-	-
Total	12,303,089.1	13,680,379.9

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- Revenue from aid:

OYU TOLGOI LLC and Khanbogd county of Umnugovi province entered into the cooperation agreement on April 22, 2015. Under the clause 8.1 and 8.3 of the cooperation agreement, GOBI 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 391,384,300MNT 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 124,997,600MNT was received.

3.8 Expenses on projects and programs

	2018.12.31 MNT thousands	2019.12.31 MNT thousands
Projects and programs expenses	16,878,312.5	9,637,287.4
Donations and aids expenses	175,412.5	349,088.7
Student scholarships	135,471.6	155,557.7
Total expense	<u>17,189,196.6</u>	<u>10,141,933.8</u>

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

Projects	Expenditures: MNT thousands	
	2018.12.31	2019.12.31
Social infrastructure	9,681,773.3	4,832,223.1
Environmental management	986,690.2	41,717.0
Socially oriented training and services	5,013,046.7	1,822,437.3
Animal husbandry and pastureland management	42,336.5	843,536.9
National history, culture and tourism	66,642.9	248,446.3
Local enterprise development	570,800.0	1,400,025.3
Water management	517,022.9	448,901.5
Donations and aids	175,412.5	349,088.7
Scholarship programs	135,471.6	155,557.8
Total	<u>17,189,196.6</u>	<u>10,141,933.9</u>

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: 5,215,500,000 MNT

Project implementation: In progress



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

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

Contract budget: 1,553,731,260 MNT

Provided budget: 1,476,044,697 MNT

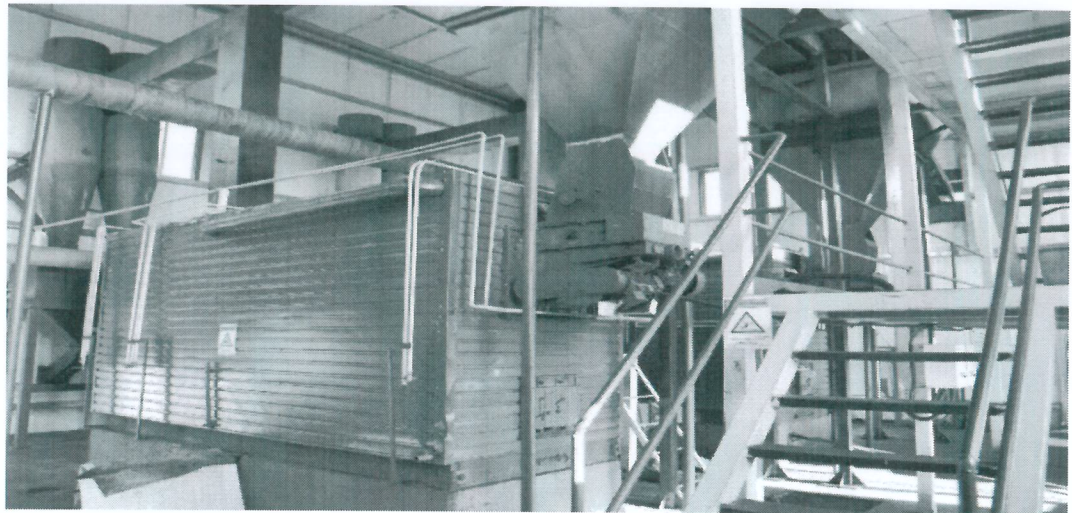
Project implementation: Completed



Construction of steam boiler plant, Bayan-Ovoo county, Umnugovi Province:

Owner	Funding entity	Contractor
Governer's office of Umnugovi province	GOBI OYU DEVELOPMENT SUPPORT FUND NGO	SHUTEEN ERDEN LLC

Contract budget: 901,836,561 MNT
Provided budget: 856,744,732 MNT
Project implementation: Completed



Construction of grass and feed storage building, Khanbogd county, Umnugovi province:

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

Project budget: 370,125,833 MNT
Provided budget: 351,619,541 MNT
Project implementation: Completed



(i) 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.

(ii) Socially oriented training and services:

On October 25, 2019, GOBI OYU DEVELOPMENT SUPPORT FUND NGO and ELBEG TUULAI LLC entered into project agreement for supply of Manlai county kindergarten equipment. The total contract budget is 165,056,900MNT. During the reporting period, the NGO provided a total of 156,804,055MNT.

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". Within the scope of the project, the NGO provided a total of 1,180,310,700MNT during the reporting period.

(ii) 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". Under the program, the NGO provided 1,055,250,000MNT.

(iii) Water management:

Within the scope of the Chandmani Erdene Program, GOBI OYU DEVELOPMENT SUPPORT FUND NGO entered into the construction agreement of repairing and building of water wells with KHISHIG UNIVERSE LLC, KHALBAS KHAIRKHANY KHISHIG LLC, and BAYANGOVI US LLC and provided a total of 260,901,500MNT.

(iii) Donations and aids

GOBI OYU DEVELOPMENT SUPPORT FUND NGO provided 349,088,700MNT 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.

(iv) Scholarship:

Within the scope of the Gobi Oyu-Student Scholarship program for the future generation of Umnugovi province, the NGO granted a total scholarship of 126,149,800MNT to 55 students who study in the state universities and accredited colleges.

3.9 Project unit's operating expense

	2018.12.31	2019.12.31
	MNT	MNT
	thousands	thousands
Main and additional salaries	171,048.0	201,829.6
Social insurance contribution expense	20,525.7	25,131.9
Meeting expense for fund board	17,422.5	28,435.0
Advertisement expense	151,070.3	107,160.8
Office lease expense	16,988.4	17,038.2
Training expense	-	5,007.9
Stationary expense	8,987.1	8,683.8
Cleaning service expense	1,130.6	511.8
Depreciation expense	13,566.2	14,538.5
Postal and communication expense	3,834.2	4,260.8
Supply material expense	3,511.8	4,644.0
Repair service expense	714.6	1,952.7
Consulting service expense	106,265.7	27,600.0
Monitoring expense	-	3,867.9
Travel and per diem expense	4,267.5	1,600.0
Fuel expense	7,097.6	10,883.9
Repair, spare parts, and equipment	-	6,488.7
Other expenses	15,052.0	21,490.0
Total	<u>541,482.2</u>	<u>491,125.5</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, under Order No.: 01 of the Fund Board.

The expenses concerning 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

	2018.12.31	2019.12.31
	MNT	MNT
	thousands	thousands
Gains on foreign currency exchange difference	150,000.0	0.0
Losses on disposal of property, plant, and equipment	1,147.1	0.0
Total	<u>148,852.9</u>	<u>0.0</u>

Three laptops were written off under the order No.: 11 of the executive director of the NGO issued on June 15, 2018.

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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 Contingent liabilities

There is neither a legal obligation nor a constructive obligation as a result of past events as at the end of 2019.

3.13 Subsequent events

There are no subsequent events that may affect the financial statements incurred after the end of the reporting period until July 21, 2020.

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.



JULY 21, 2020

