

Agenda Item 3(c)

EP Minerals

MINING OVERSIGHT AND ACCOUNTABILITY COMMISSION
June 28, 2012
Net Proceeds of Minerals Audit
NRS 362.120, 362.140 and NAC 362.010, 362.050, 362.070

NAME: EP Minerals LLC
MINE LOCATION: Clark Mine – Storey County
EP MINERALS IDENTIFICATION NUMBER: 1005565171
TYPE OF BUSINESS: Mining of Diatomaceous Earth
RECORDS LOCATION: Reno, NV

In 2008, as a result of an appeal by the Taxpayer before the State Board of Equalization, the State Board directed a Net Proceeds of Minerals audit of EP Minerals LLC (“EP Minerals”) be completed for mines located in Churchill, Pershing and Storey Counties. EP Minerals is in the business of mining, enhancing and selling diatomaceous earth (“DE”). DE is a fossilized mineral of vegetable origin. At the Clark Mine, once the DE is extracted it is subjected to beneficiation, which is a process that turns the DE into a form that is ready for market.

The audit began on August 4, 2008 for the audit period of August 1, 2006 through December 31, 2007. Although NRS allows for a three year audit period, the taxpayer filed bankruptcy in July 2006, and as a result the Department was prohibited from auditing the prior periods.

The Net Proceeds of Minerals Tax Statement of Gross Yield and Claimed Net Proceeds Returns for 2006 and 2007 were reviewed and supporting documentation was verified.

During the audit it was discovered that the EP Minerals was reporting the Gross Yield, at this mine, at the stockpile value, which is the value of the DE prior to the beneficiation process. EP Minerals valued the DE by using complex methodology/calculation to arrive at a cost per ton. Additionally, EP Minerals claimed deductions on production costs up to the stockpile, leaving out the costs associated with the beneficiation process. EP Minerals should have been reporting the Gross Yield at market value and claimed deductions through the entire process to bring the DE to a marketable product.

The results of this audit are summarized by category as follows:

- **Gross Yield** – EP Minerals reported Gross Yield in the amount of \$5,191,305 for 2006 and \$1,026,543 for 2007 for the Clark Mine site. The Department’s audited Gross Yield amount was \$4,389,586 and \$16,274,871 respectively.
- **Deductions** - EP Minerals reported Deductions totaling \$2,366,888 for 2006 and \$1,282,204 for 2007. The Department’s audited amounts were \$2,052,244 and \$5,778,960 respectively. EP Minerals did not provide records for some of the costs associated with mineral extraction. Since the Department could not verify the costs, the claimed deductions were disallowed.

The audit for the Clark Mine was completed on March 16, 2010 and a deficiency notice was sent to EP Minerals totaling \$602,722.02 which resulted in \$500,441.78 in tax, \$52,479.56 in penalty and \$49,800.68 in interest.

EP Minerals timely filed an appeal on April 20, 2010, disputing the audit findings. Currently, the Attorney General’s office and EP Minerals’ attorneys are attempting to reach a settlement agreement.

Audit Completed By:
Lori Heiner, Auditor II
Melissa Gardner, Auditor III

MINING OVERSIGHT AND ACCOUNTABILITY COMMISSION
June 28, 2012
Net Proceeds of Minerals Audit
NRS 362.120, 362.140 and NAC 362.010, 362.050, 362.070

NAME: EP Minerals LLC
MINE LOCATION: Hazen Mine – Churchill County
TAXPAYER IDENTIFICATION NUMBER: 1005565171
TYPE OF BUSINESS: Mining of Diatomaceous Earth
RECORDS LOCATION: Reno, NV

In 2008, as a result of an appeal by the Taxpayer before the State Board of Equalization, the State Board directed a Net Proceeds of Minerals audit of EP Minerals LLC (“EP Minerals”) be completed for mines located in Churchill, Pershing and Storey Counties. EP Minerals is in the business of mining, enhancing and selling diatomaceous earth (“DE”). DE is a fossilized mineral of vegetable origin. At the Hazen Mine site, the extracted mineral is in a slightly different form than that of the other mines, and is ready for market without further processing. Some of the DE, however, is subjected to further processing known as beneficiation.

The audit began on August 4, 2008 for the audit period of August 1, 2006 through December 31, 2007. Although NRS allows for a three year audit period, the taxpayer filed bankruptcy in July 2006, and as a result the Department was prohibited from auditing the prior periods.

The Net Proceeds of Minerals Tax Statement of Gross Yield and Claimed Net Proceeds Returns for 2006 and 2007 were reviewed and supporting documentation was verified. Since some of the DE was sold prior to the beneficiation process, per NRS and NAC the Gross Yield would be calculated based on the average crude price per ton.

The results of this audit are summarized by category as follows:

- **Gross Yield** – EP Minerals reported Gross Yield in the amount of \$168,826 for 2006 and \$507,628 for 2007 for the Hazen Mine site. The Department’s audited Gross Yield amount was \$175,720 and \$668,062 respectively.
- **Deductions** - EP Minerals reported Deductions totaling \$69,333.00 for 2006 and \$326,215.00 for 2007. The Department’s audited amounts were \$12,254.70 and \$466,542.80 respectively. EP Minerals did not provide records for some of the costs associated with mineral extraction. Since the Department could not verify the costs, the claimed deductions were disallowed.

The audit for the Hazen Mine was completed, and on March 16, 2010 a deficiency notice was sent to EP Minerals totaling \$4,008.67, resulting in \$2,995.27 in tax, \$319.86 in penalty and \$693.54 in interest.

EP Minerals timely filed an appeal on April 20, 2010, disputing the audit findings. Currently, the Attorney General’s office and EP Minerals’ attorneys are attempting to reach a settlement agreement.

MINING OVERSIGHT AND ACCOUNTABILITY COMMISSION
June 28, 2012
Net Proceeds of Minerals Audit
NRS 362.120, 362.140 and NAC 362.010, 362.050, 362.070

NAME: EP Minerals LLC
MINE LOCATION: Lovelock Mine – Pershing County
TAXPAYER IDENTIFICATION NUMBER: 1005565171
TYPE OF BUSINESS: Mining of Diatomaceous Earth
RECORDS LOCATION: Reno, NV

In 2008, as a result of an appeal by the Taxpayer before the State Board of Equalization, the State Board directed a Net Proceeds of Minerals audit of EP Minerals LLC (“EP Minerals”) be completed for mines located in Churchill, Pershing and Storey Counties. EP Minerals is in the business of mining, enhancing and selling diatomaceous earth (“DE”). DE is a fossilized mineral of vegetable origin. At the Lovelock Mine, once the DE is mined it is subjected to beneficiation, which is process that turns the DE into a form that is ready for market.

The audit began on August 4, 2008 for the audit period of August 1, 2006 through December 31, 2007. Although NRS allows for a three year audit period, the taxpayer filed bankruptcy in July 2006, and as a result the Department was prohibited from auditing the prior periods.

The Net Proceeds of Minerals Tax Statement of Gross Yield and Claimed Net Proceeds Returns for 2006 and 2007 were reviewed and supporting documentation was verified.

During the audit it was discovered that EP Minerals was reporting the Gross Yield, at this mine, at the stockpile value, which is the value of the DE prior to the beneficiation process. The EP Minerals valued the DE by using complex methodology/calculation to arrive at a cost per ton. Additionally, EP Minerals claimed deductions on production costs up to the stockpile, leaving out the costs associated with the beneficiation process. The EP Minerals should have been reporting the Gross Yield at market value and claimed deductions through the entire process to bring the DE to a marketable product.

The results of this audit are summarized by category as follows:

- **Gross Yield** – EP Minerals reported Gross Yield in the amount of \$4,011,854 for 2006 and \$2,418,350 for 2007 for the Lovelock Mine site. The Department’s audited Gross Yield amount was \$16,773,161 and \$58,351,976 respectively.
- **Deductions** - EP Minerals reported Deductions totaling \$3,029,115 for 2006 and \$1,706,848 for 2007. The Department’s audited amounts were \$5,780,832 and \$12,979,167 respectively. EP Minerals did not provide records for some of the costs associated with mineral extraction. Since the Department could not verify the costs, the claimed deductions were disallowed.

The audit for the Lovelock Mine completed on March 16, 2010 and a deficiency notice was sent to EP Minerals totaling \$3,372,576.64 which resulted in \$2,758,958.47 in tax, \$275,895.85 in penalty and \$337,722.32 in interest.

EP Minerals timely filed an appeal on April 20, 2010, disputing the audit findings. Currently, the Attorney General’s office and EP Minerals’ attorneys are attempting to reach a settlement agreement.

Agenda Item 3(c)

**Barrick Gold Corporation
Barrick Goldstrike
Homestake Mining Company
Barrick North America
Barrick Gold Exploration of Delaware**

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 & NAC 362.040 362.352, 362.368)

MINE: Bald Mountain Mine

OWNER: Barrick Gold Corporation, Barrick Gold U.S. of Calif.

LOCATION: White Pine County, NV

Audit Periods: 2008, 2009 & 2010

Audit Start Date: June 20, 2011

Audit Location: Barrick North America, Nevada Operations Center, Elko, NV

Audit Billing Date: March 21, 2012

Overview:

The Bald Mountain Mine is a smaller sized open pit mine located in the northwest corner of White Pine County, NV.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Gross Yield Reported	\$ 89,865,233.75	\$ 76,610,485.37	\$ 70,353,027.00
Cost of Production	78,657,113.65	68,622,379.00	90,553,964.00
Net Proceeds	11,208,120.10	7,988,106.37	-21,550,688.00
Disallowed Deductions	1,271,090.52	185,982.90	-707,511.14
Audit Results - Tax	63,554.53	9,299.15	-35,375.56

Audit Procedures & Results:

Gross Yield: Reviewed audited financial statements, production reports and settlement invoices from processor, and sampled daily shipment and preliminary settlement logs to verify gross yield totals reported.

Expenses: Reviewed reconciliation reports from processor, booked income ledgers net of processing costs, extraction cost journals, personnel/payroll records and a sample of outside sub-contracts and A/P invoices.

Results: Disallowed portions of G/L accounts titled "Employee Severance Redundancies," "Fringe Benefits," "Consulting/Professional Services," "RBU Management Fees," "Executive Travel," and some adjustments to Royalties (accrued vs. actual).

Current Status: The total amount billed for the audit period was \$62,033.47; which was \$34,478.12 in tax, \$3,747.81 in penalty and \$20,807.55 in interest. All taxes due were remitted by Barrick as of 5/5/2012, but a petition for redetermination was attached questioning some of the disallowed employee fringe benefits. Penalty relief was also requested. The interpretation of related NRS and NAC statutes is the basis for the petition. Both issues are currently under review.

Mining Audit Completed by:

Bill Spelts, Auditor II

Luis Bada, Auditor II

Reynaldo Magayon

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 & NAC 362.040 362.352, 362.368)

MINE: Cortez Venture II Mine

OWNER: Barrick Gold Corporation, Barrick Cortez, Inc., Barrick Gold Finance

LOCATION: Lander County, NV

Audit Periods: 2008, 2009 & 2010

Audit Start Date: June 20, 2011

Audit Location: Barrick North America, Nevada Operations Center, Elko, NV

Audit Billing Date: March 21, 2012

Overview:

The Cortez Venture II Mine is the largest of the Barrick NV mine sites. It is an open pit mine that is one of the largest producing gold mines in the world.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Gross Yield Reported	\$ 398,867,564.92	\$ 518,542,762.97	\$ 1,408,640,571.00
Cost of Production	383,378,610.00	390,749,416.00	505,224,478.00
Net Proceeds	15,488,954.92	127,793,346.97	903,416,093.00
Disallowed Deductions	3,992,843.82	3,913,683.88	1,769,587.65
Audit Results - Tax	199,642.19	195,684.19	88,479.38

Audit Procedures & Results:

Gross Yield: Reviewed audited financial statements, production reports and settlement invoices from processor, and sampled daily shipment and preliminary settlement logs to verify gross yield totals reported.

Expenses: Reviewed reconciliation reports from processor, booked income ledgers net of processing costs, extraction cost journals, personnel/payroll records and a sample of outside sub-contracts and A/P invoices.

Results: Disallowed portions of G/L accounts titled "Employee Severance Redundancies," "Fringe Benefits," "RBU Management Fees," and Executive Travel."

Current Status: The total amount billed for the audit period was \$660,865.17; which was \$483,805.76 in tax, \$48,380.50 in penalty and \$128,678.83 in interest. All taxes due were remitted by Barrick as of 5/5/2012, but a petition for redetermination was attached questioning some of the disallowed employee fringe benefits. Penalty relief was also requested. The interpretation of related NRS and NAC statutes is the basis for the petition. Both issues are currently under review.

Mining Audit Completed by:

Bill Spelts, Auditor II

Luis Bada, Auditor II

Reynaldo Magayon

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 & NAC 362.040 362.352, 362.368)

MINE: Goldstrike/Betze-Post/Rodeo Mine
OWNER: Barrick Gold Corporation, Barrick Goldstrike Mines Inc
LOCATION: Eureka County, NV

Audit Periods: 2008, 2009 & 2010
Audit Start Date: June 20, 2011
Audit Location: Barrick North America, Nevada Operations Center, Elko, NV
Audit Billing Date: March 21, 2012

Overview:

The Goldstrike Mine complex is actually three separate open pit mines that have absorbed each other over time and are now consolidated and reported as one mine. In addition, the nearby Meike underground mine's entrance is at the bottom of the Goldstrike pit. It is currently the second largest mining operation for Barrick. .

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Gross Yield Reported	\$1,252,237,217.10	\$1,170,614,537.08	\$ 1,313,714,679.00
Cost of Production	784,354,797.00	659,362,517.00	674,096,686.00
Net Proceeds	467,882,420.10	511,252,020.08	639,617,993.00
Disallowed Deductions	8,693,398.88	8,060,885.80	2,726,186.41
Audit Results - Tax	434,669.94	403,044.29	136,309.32

Audit Procedures & Results:

Gross Yield: Reviewed audited financial statements, production reports and settlement invoices from processor, and sampled daily shipment and preliminary settlement logs to verify gross yield totals reported.

Expenses: Reviewed reconciliation reports from processor, booked income ledgers net of processing costs, extraction cost journals, personnel/payroll records and a sample of outside sub-contracts and A/P invoices.

Results: Disallowed portions of G/L accounts titled "Employee Severance Redundancies," "Fringe Benefits," "RBU Management Fees," and Consulting/Professional Services.

Current Status: The total amount billed for the audit period was \$1,339,411.26; which was \$974,023.55 in tax, \$97,402.36 in penalty and \$267,985.35 in interest. All taxes due were remitted by Barrick as of 5/5/2012, but a petition for redetermination was attached questioning some of the disallowed employee fringe benefits. Penalty relief was also requested. The interpretation of related NRS and NAC statutes is the basis for the petition. Both issues are currently under review.

Mining Audit Completed by:
Bill Spelts, Auditor II
Luis Bada, Auditor II
Reynaldo Magayon

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 & NAC 362.040 362.352, 362.368)

MINE: Meikle Mine

OWNER: Barrick Gold Corporation, Barrick Goldstrike Mines

LOCATION: Elko County, NV

Audit Periods: 2008, 2009 & 2010

Audit Start Date: June 20, 2011

Audit Location: Barrick North America, Nevada Operations Center, Elko, NV

Audit Billing Date: March 21, 2012

Overview:

The Meikle Mine is a large underground mine located in Elko County, NV. It is part of the major Goldstrike mine complex. It's main entrance is located at the bottom of the Goldstrike pit mine.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Gross Yield Reported	\$ 179,004,306.48	\$ 174,190,285.59	\$ 113,056,782.00
Cost of Production	115,932,348.00	95,257,866.00	80,232,672.00
Net Proceeds	63,071,958.48	78,932,420.59	32,824,110.00
Disallowed Deductions	391,256.86	423,897.66	397,635.79
Audit Results - Tax	19,562.84	21,194.88	9,881.79

Audit Procedures & Results:

Gross Yield: Reviewed audited financial statements, production reports and settlement invoices from processor, and sampled daily shipment and preliminary settlement logs to verify gross yield totals reported.

Expenses: Reviewed reconciliation reports from processor, booked income ledgers net of processing costs, extraction cost journals, personnel/payroll records and a sample of outside sub-contracts and A/P invoices.

Results: Disallowed portions of G/L accounts titled "Employee Severance Redundancies," "Fringe Benefits," and "Consulting/Professional Services."

Current Status: The total amount billed for the audit period was \$81,122.43; which was \$60,639.51 in tax, \$6,063.95 in penalty and \$14,418.97 in interest. All taxes due were remitted by Barrick as of 5/5/2012, but a petition for redetermination was attached questioning some of the disallowed employee fringe benefits. Penalty relief was also requested. The interpretation of related NRS and NAC statutes is the basis for the petition. Both issues are currently under review.

Mining Audit Completed by:

Bill Spelts, Auditor II

Luis Bada, Auditor II

Reynaldo Magayon

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 & NAC 362.040 362.352, 362.368)

MINE: Ruby Hill Mine

OWNER: Barrick Gold Corporation, Homestake Mining Co., Barrick Mining Co.

LOCATION: Eureka County, NV

Audit Periods: 2008, 2009 & 2010

Audit Start Date: June 20, 2011

Audit Location: Barrick North America, Nevada Operations Center, Elko, NV

Audit Billing Date: March 21, 2012

Overview:

The Ruby Hill Mine is a smaller open pit mine located in the northern part of Eureka County, NV. Its original owner, Homestake Mining Co. is now a wholly owned subsidiary of Barrick Gold.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Gross Yield Reported	\$ 88,309,721.36	\$ 101,233,873.40	\$ 100,076,928.00
Cost of Production	53,220,306.00	52,621,680.00	59,405,888.00
Net Proceeds	35,089,416.36	48,612,193.40	40,671,040.00
Disallowed Deductions	1,156,180.82	-548,395.61	170,892.41
Audit Results - Tax	57,809.04	- 27,419.78	8,544.62

Audit Procedures & Results:

Gross Yield: Reviewed audited financial statements, production reports and settlement invoices from processor, and sampled daily shipment and preliminary settlement logs to verify gross yield totals reported.

Expenses: Reviewed reconciliation reports from processor, booked income ledgers net of processing costs, extraction cost journals, personnel/payroll records and a sample of outside sub-contracts and A/P invoices.

Results: Disallowed portions of G/L accounts titled "Employee Severance Redundancies," "Fringe Benefits," "RBU Management Fees," "Executive Travel," and some adjustments to Royalties (accrued vs. actual).

Current Status: The total amount billed for the audit period was \$58,088.79; which was \$38,933.88 in tax, \$3,893.39 in penalty and \$15,261.52 in interest. All taxes due were remitted by Barrick as of 5/5/2012, but a petition for redetermination was attached questioning some of the disallowed employee fringe benefits. Penalty relief was also requested. The interpretation of related NRS and NAC statutes is the basis for the petition. Both issues are currently under review.

Mining Audit Completed by:

Bill Spelts, Auditor II

Luis Bada, Auditor II

Reynaldo Magayon

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 & NAC 362.040 362.352, 362.368)

MINE: Storm Mine

OWNER: Barrick Gold Corporation, Barrick Gold Exploration of Del.

LOCATION: Elko County, NV

Audit Periods: 2008, 2009 & 2010

Audit Start Date: June 20, 2011

Audit Location: Barrick North America, Nevada Operations Center, Elko, NV

Audit Billing Date: March 21, 2012

Overview:

The Storm Mine is a small underground mine located in western Elko County, NV. It is unique, in that it is operated by a contract mining company.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Gross Yield Reported	\$ 24,656,473.92	\$ 65,942,691.68	\$ 90,831,967.00
Cost of Production	21,473,663.33	51,744,005.51	61,612,999.00
Net Proceeds	3,182,810.59	14,198,686.17	29,218,968.00
Disallowed Deductions	7,310.87	267,577.06	10,650.89
Audit Results - Tax	182.77	13,378.85	532.54

Audit Procedures & Results:

Gross Yield: Reviewed audited financial statements, production reports and settlement invoices from processor, and sampled daily shipment and preliminary settlement logs to verify gross yield totals reported.

Expenses: Reviewed reconciliation reports from processor, booked income ledgers net of processing costs, extraction cost journals, personnel/payroll records and a sample of outside sub-contracts and A/P invoices.

Results: Disallowed portions of G/L accounts titled "Fringe Benefits," "Consulting/Professional Services," "RBU Management Fees," and "Executive Travel."

Current Status: The total amount billed for the audit period was \$18,821.66; which was \$14,094.16 in tax, \$1,409.42 in penalty and \$3,318.08 in interest. All taxes due were remitted by Barrick as of 5/5/2012, but a petition for redetermination was attached questioning some of the disallowed employee fringe benefits. Penalty relief was also requested. The interpretation of related NRS and NAC statutes is the basis for the petition. Both issues are currently under review.

Mining Audit Completed by:

Bill Spelts, Auditor II

Luis Bada, Auditor II

Reynaldo Magayon

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 & NAC 362.040 362.352, 362.368)

MINE: Turquoise Ridge Mine

OWNER: Barrick Gold Corporation, Barrick Gold Exploration of Del.

LOCATION: Humboldt County, NV

Audit Periods: 2008, 2009 & 2010

Audit Start Date: June 20, 2011

Audit Location: Barrick North America, Nevada Operations Center, Elko, NV

Audit Billing Date: March 21, 2012

Overview:

The Turquoise Ridge Mine is a joint venture between Barrick Gold and Newmont Mining. It is medium sized underground mine located in Humboldt County, NV. It is unique, in that it is 75% owned by Barrick and 25% by Newmont. Extraction is handled by Barrick while processing is handled by Newmont at their nearby Twin Creeks processing unit which is more geographically convenient. Bookkeeping is handled by Barrick, but processing must be reconciled to Newmont Records.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Gross Yield Reported	\$ 147,393,077.32	\$ 169,268,209.77	\$ 197,244,419.00
Cost of Production	116,514,502.00	134,615,296.00	159,108,535.00
Net Proceeds	30,882,575.32	34,652,914.77	38,135,884.00
Disallowed Deductions	1,630,580.32	1,366,780.05	1,055,244.66
Audit Results - Tax	81,529.02	68,339.00	52,762.23

Audit Procedures & Results:

Gross Yield: Reviewed audited financial statements, production reports and settlement invoices from processor, and sampled daily shipment and preliminary settlement logs to verify gross yield totals reported.

Expenses: Reviewed reconciliation reports from processor, booked income ledgers net of processing costs, extraction cost journals, personnel/payroll records and a sample of outside sub-contracts and A/P invoices.

Results: Disallowed portions of G/L accounts titled "Employee Severance Redundancies," "Fringe Benefits," "Electric Power," "RBU Management Fees," and "Executive Travel."

Current Status: The total amount billed for the audit period was \$274,647.11; which was \$202,630.25 in tax, \$20,263.03 in penalty and \$51,753.84 in interest. All taxes due were remitted by Barrick as of 5/5/2012, but a petition for redetermination was attached questioning some of the disallowed employee fringe benefits. Penalty relief was also requested. The interpretation of related NRS and NAC statutes is the basis for the petition. Both issues are currently under review.

Mining Audit Completed by:

Bill Spelts, Auditor II

Luis Bada, Auditor II

Reynaldo Magayon

Agenda Item 3(c)

Ormat Technologies, Inc.

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 and NAC 362.040, 362.352, 362.368)

NAME: Ormat Technologies Inc.

MINE SITE/LOCATION: Brady Hot Springs, Churchill County

TYPE OF BUSINESS: Geothermal Plant Operations

RECORDS LOCATION: Reno, Nevada

On June 6, 2011, the Department of Taxation ("Department") commenced the field work related to the Net Proceeds of Minerals audit for Ormat Technologies Inc ("Ormat"). Ormat is in the business of mining geothermal resources. The taxpayer mines the geothermal resource using a binary system to convert the resource to energy for sale to a contracted Power Company.

The Department auditors have reviewed and verified the supporting documentation for each category listed above and traced them to the Net Proceeds of Mineral Tax Returns.

The results of this audit are summarized below by category:

Gross Yield – Ormat reported Gross Yield in the amount of \$6,055,234.00 for 2008, \$5,834,399.00 for 2009 and \$5,826,710.00 for 2010 for the Brady Hot Springs Mine Site. It was determined the taxpayer was correctly reporting gross yield.

Deductions – Ormat reported Deductions in the amount of \$4,755,678.00 for 2008, \$4,928,300.00 for 2009 and \$6,097,235.00 for 2010. The Department's audited Deductions amounts were \$3,147,846.13 for 2008, \$3,000,442.13 for 2009 and \$2,703,303.49 for 2010 for the Brady Hot Springs Mine Site. It was determined Ormat was incorrectly reporting their return on investment by including additions to the plant. Pursuant to NAC 362.368 return on investment is calculated by multiplying the cost of acquiring the plant and transmission line not for additions. It was also determined Ormat was overstating their allowable deductions by not reducing their expenses by the portion that was for self-use.

Total Tax Due – Ormat reported Total Tax Due in the amount of \$ \$36,035.39 for 2008, \$25,125.22 for 2009 and \$0.00 for 2010. The Department's audited Total Tax Due amounts were \$66,379.43 for 2008, \$71,757.21 for 2009 and \$61,656.21 for 2010 for the Brady Hot Springs Mine Site.

The audit results have been mailed to the taxpayer, dated May 31, 2012 for the audited reporting years of 2008-2010. Ormat has until July 15, 2012 to petition the Department's findings. The total amount billed for the audit period was \$188,637.91; which was \$138,632.24 in tax, \$13,863.22 in penalty and \$36,142.45 in interest.

Mining Audit Update completed by:
Samantha Turner, Auditor II
Jennifer Lewis, Auditor II

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 and NAC 362.040, 362.352, 362.368)

NAME: Ormat Technologies Inc.
MINE SITE/LOCATION: Lower Steamboat, Washoe County
TYPE OF BUSINESS: Geothermal Plant Operations
RECORDS LOCATION: Reno, Nevada

On June 6, 2011, the Department of Taxation ("Department") commenced the field work related to the Net Proceeds of Minerals audit for Ormat Technologies Inc ("Ormat"). Ormat is in the business of mining geothermal resources. The taxpayer mines the geothermal resource using a binary system to convert the resource to energy for sale to a contracted Power Company.

The Department auditors have reviewed the supporting documentation for each category listed above and traced them to the Net Proceeds of Mineral Tax Returns

The results of this audit are detailed below by category:

Gross Yield – Ormat reported Gross Yield in the amount of \$26,928,597.00 for 2008, \$22,771,465.00 for 2009 and \$33,052,637.00 for 2010 for the Lower Steamboat Mine Site. It was determined the taxpayer was correctly reporting gross yield.

Deductions – Ormat reported Deductions in the amount of \$25,320,061.00 for 2008, \$23,639,832.00 for 2009 and \$33,151,141.00 for 2010. The Department's audited Deductions amounts were \$14,382,043.16 for 2008, \$12,433,978.73 for 2009 and \$13,800,120.98 for 2010 for the Lower Steamboat Mine Site. It was determined Ormat was incorrectly reporting their return on investment by including additions to the plant. Pursuant to NAC 362.368 return on investment is calculated by multiplying the cost of acquiring the plant and transmission line not for additions. It was also determined Ormat was overstating their allowable deductions by not reducing their expenses by the portion that was for self-use.

Total Tax Due – Ormat reported Total Tax Due in the amount of \$51,022.76 for 2008, \$0.00 for 2009 and \$0.00 for 2010. The Department's audited Total Tax Due amounts were \$368,933.75 for 2008, \$324,105.83 for 2009 and \$577,756.08 for 2010 for the Lower Steamboat Mine Site.

The audit results have been mailed to the taxpayer, dated May 31, 2012 for the audited reporting years 2009-2011. The audit is currently in the petition period which ends July 15, 2012. The total amount billed for the audit period was \$1,661,123.80; which was \$1,219,772.89 in tax, \$121,977.29 in penalty and \$319,373.62 in interest.

Mining Audit Update completed by:
Samantha Turner, Auditor II
Jennifer Lewis, Auditor II

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 & NAC 362.040 362.352, 362.368)

NAME: Ormat Technologies Inc
MINE SITE/ LOCATION: Desert Peak, Churchill County
TYPE OF BUSINESS: Geothermal Plant Operation
RECORDS LOCATION: Reno, Nevada

On June 6, 2011, the Department of Taxation ("Department") commenced the field work related to the Net Proceeds of Minerals Audit for Ormat Technologies ("Ormat"). Ormat is in the business of mining geothermal resources. The taxpayer mines the geothermal resource using a binary system to convert the resource to energy for sale to a contracted Power Company.

The Department auditors have reviewed the supporting documentation for each category listed above and traced to the Net Proceeds of Minerals Tax Returns.

The results of this audit are summarized below by category:

Gross Yield – Ormat reported Gross Yield in the amount of \$4,086,317.00 for 2008, \$4,749,168.00 for 2009 and \$5,302,303.00 for 2010 for the Desert Peak Mine Site. It was determined the taxpayer was correctly reporting gross yield.

Deductions – Ormat reported Deductions in the amount of \$6,531,025.00 for 2008, \$7,632,017.00 for 2009 and \$9,111,079.00 for 2010. The Department's audited Deductions amounts were \$3,114,728.71 for 2008, \$3,798,368.95 for 2009 and \$5,030,571.30 for 2010 for the Desert Peak Mine Site. It was determined Ormat was incorrectly reporting their return on investment by including additions to the plant. Pursuant to NAC 362.368 return on investment is calculated by multiplying the cost of acquiring the plant and transmission line not for additions. It was also determined Ormat was overstating their allowable deductions by not reducing their expenses by the portion that was for self-use.

Total Tax Due – Ormat reported Total Tax Due in the amount of \$0.00 for 2008, \$0.00 for 2009 and \$0.00 for 2010. The Department's audited Total Tax Due amounts were \$11,560.93 for 2008, \$9,343.65 for 2009 and \$0.00 for 2010 for the Desert Peak Mine Site.

The audit results have been mailed to the taxpayer dated May 31, 2012 for the audited reporting years of 2008 to 2010. Ormat has until July 15, 2012 to petition the Department's findings. The total amount billed for the audit period was \$30,329.07; which was \$20,904.58 in tax, \$2,090.46 in penalty and \$7,334.03 in interest.

Mining Audit Update completed by:
Samantha Turner, Auditor II
Jennifer Lewis, Auditor II

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 & NAC 362.040 362.352, 362.368)

NAME: Ormat Technologies Inc
MINE SITE/ LOCATION: Jersey Valley, Pershing County
TYPE OF BUSINESS: Geothermal Plant Operation
RECORDS LOCATION: Reno, Nevada

On June 6, 2011, the Department of Taxation ("Department") commenced the field work related to the Net Proceeds of Minerals audit for Ormat Technologies Inc ("Ormat"). Ormat is in the business of mining geothermal resources. The taxpayer mines the geothermal resource using a binary system to convert the resource to energy for sale to a contracted Power Company.

The Department auditors have reviewed the supporting documentation for each category listed above and traced to the Net Proceeds of Minerals Tax Returns.

The results of this audit are summarized below by category:

Gross Yield – Ormat reported Gross Yield in the amount of \$18,264.00 for 2010 for the Jersey Valley Mine Site. It was determined the taxpayer was correctly reporting gross yield.

Deductions – Ormat reported Deductions in the amount of \$9,593,916.06 for 2010. The Department's audited Deductions amounts were \$6,937,161.31 for 2010 for the Brady Hot Springs Mine Site. It was determined Ormat was overstating their allowable deductions by not reducing their expenses by the portion that was for self-use.

Total Tax Due – Ormat reported Total Tax Due in the amount of \$0.00 for 2010. The Department's audited Total Tax Due amounts were \$0.00 for 2010 for the Jersey Valley Mine Site.

The audit results have been mailed to the taxpayer dated May 31, 2012 for the audited reporting year of 2011. The audit is currently in the petition period which ends July 15, 2012. The total amount billed for the audit period was \$0.00. This was due to the amount of gross yield less expenses resulted in a negative taxability.

Mining Audit Update completed by:
Samantha Turner, Auditor II
Jennifer Lewis, Auditor II

Mining Oversight and Accountability Commission
June 28, 2012
Mining Audit Update
(NRS 362.120, 362.160 & NAC 362.040 362.352, 362.368)

NAME: Ormat Technologies Inc
MINE SITE/ LOCATION: Upper Steamboat, Washoe County
TYPE OF BUSINESS: Geothermal Plant Operation
RECORDS LOCATION: Reno, Nevada

On June 6, 2011, the Department of Taxation ("Department") commenced the field work related to the Net Proceeds of Minerals Audit for Ormat Technologies ("Ormat"). Ormat is in the business of mining geothermal resources. The taxpayer mines the geothermal resource using a binary system to convert the resource to energy for sale to a contracted Power Company.

The Department auditors have reviewed the supporting documentation for each category listed above and traced to the Net Proceeds of Minerals Tax Returns.

The results of this audit are detailed below by category:

Gross Yield – Ormat reported Gross Yield in the amount of \$7,985,558.00 for 2008, \$20,589,753.00 for 2009 and \$11,726,437.00 for 2010 for the Upper Steamboat Mine Site. It was determined the taxpayer was correctly reporting gross yield.

Deductions – Ormat reported Deductions in the amount of \$9,655,021.00 for 2008, \$13,413,968.00 for 2009 and \$15,075,743.00 for 2010. The Department's audited Deductions amounts were \$5,787,823.36 for 2008, \$8,682,491.38 for 2009 and \$8,712,242.64 for 2010 for the Upper Steamboat Mine Site. It was determined Ormat was incorrectly reporting their return on investment by including additions to the plant. Pursuant to NAC 362.368 return on investment is calculated by multiplying the cost of acquiring the plant and transmission line not for additions. It was also determined Ormat was overstating their allowable deductions by not reducing their expenses by the portion that was for self-use.

Total Tax Due – Ormat reported Total Tax Due in the amount of \$0.00 for 2008, \$228,112.11 for 2009 and \$0.00 for 2010. The Department's audited Total Tax Due amounts were \$50,733.96 for 2008, \$364,824.24 for 2009 and \$81,979.54 for 2010 for the Upper Steamboat Mine Site.

The audit results have been mailed to the taxpayer dated May 31, 2012 for the audited reporting years of 2009 to 2011. The audit is currently in the petition period which ends July 15, 2012. The total amount billed for the audit period was \$370,244.81; which was \$269,425.63 in tax, \$26,942.56 in penalty and \$73,876.62 in interest.

Mining Audit Update completed by:
Samantha Turner, Auditor II
Jennifer Lewis, Auditor II