



ANNUAL REPORT

Financial year

2021





شركة المصانع الكبرى للتعدين



أمالك
AMAK

Al Masane Al Kobra Mining Co



KING OF SAUDI ARABIA

CUSTODIAN OF THE TWO HOLY MOSQUES

KING SALMAN BIN ABDULAZIZ AL SAUD



His Royal Highness Prince

**MOHAMMED BIN SALMAN
BIN ABDULAZIZ AL SAUD**

CROWN PRINCE OF SAUDI ARABIA

FIRST DEPUTY PRIME MINISTER OF SAUDI ARABIA



HIS HIGHNESS

**JALAWI BIN ABDUAZIZ
BIN MUSAED AL SAUD**

GOVERNOR OF NAJRAN REGION




HIS ROYAL HIGHNESS

**TURKI BIN HATHLOUL
BIN ABDULAZIZ AL SAUD**

DEPUTY GOVERNOR OF NAJLAN PROVINCE

1. CHAIRMAN'S MESSAGE



On behalf of the Board of Directors, I am pleased to present Al Masane Al Kobra Mining Company's (AMAK) annual report on the Company's performance for the financial year 2021. During financial year 2021, AMAK recorded net profit of SR 197 million, 122% increase over the last year. This significant increase in profitability is due to multiple factors, major of which are start of commercial production of Guyan Gold Mine and higher metal prices during the year. The revenue for the Company increased by 56.4% compared to last year by increasing gold sales volume by 176% in addition to an improvement in the average selling prices for Copper by 34% and Zinc by 43%.

This significant improvement in performance led to an improvement in the Company's cash flows, which enabled the Company to reduce its debt to levels commensurate with the current financial position of the Company. By end of 2021, the Company's loans decreased to SAR 329 million, thereby reducing its loans by 16%.

The Company's management will continue its efforts to take its performance to new levels under the supervision and guidance of Board of Directors with an aim to achieve the aspirations and hopes of our Shareholders in accordance with the Kingdom's Vision 2030.

On behalf of the Board of Directors of the Company, I would like to congratulate all the stakeholders on the auspicious achievement of Initial Public Offering (IPO) and successful listing of the Company's shares with Tadawul on March 29, 2022.

The Board take this opportunity to thank the Government of the Kingdom of Saudi Arabia, Ministry of Commerce and Industry, Ministry of Industry and Mineral Resources and Governorate of Najran for their continuous support. I look forward to your continued support so that together we build a Company that delivers excellence.

Chairman of Board of Directors
Engr. Mohammad bin Manea bin Sultan Aballala

2. COMPANY PROFILE

Al Masane Al Kobra Mining Company (“the Company” or “AMAK”) is a Saudi Closed Joint Stock Company approved by the Ministry of Commerce and Investment Decree Number 247/Q dated 9 Shawwal 1428H (corresponding to 21 October 2007) and registered in Jeddah under Commercial Registration No. 4030175345 on 7 Muharram 1429H (corresponding to 16 January 2008). During 2015, the head office of the Company was moved from Jeddah to Najran. Accordingly, Najran Commercial Registration No. 5950017523 dated 3 Duh Al-Qi’dah 1431H (corresponding to 11 October 2010) was modified to be main Commercial Registration. During the year, the Company obtained commercial registration number 5950123986 dated 22 Dhu Al-Hijjah 1442H (corresponding to 1 August 2021) of a new branch in Najran.

The registered office is located at P.O. Box 96, Najran, Kingdom of Saudi Arabia. The Company is engaged in mining of nonferrous metal ores, mining of ores of precious metals belonging to gold, silver and wholesaling precious metals.

The Company commenced its commercial production on 1 July 2012. The principal activity of the Company is to produce zinc and copper concentrates and silver and gold dore as per the license Number 86/Q dated 13 Ramadhan 1429H (corresponding to 13 September 2008) issued by Ministry of Industry and Mineral Resources and expiring on 29 Duh Al-Qi’dah 1443H (corresponding to 28 June 2022). During the year, the Company obtained a new mining license for further thirty years with license number 142941, starting from 30 June 2022 (corresponding to 1 Dhu Al-Hijjah 1443H).

In addition, the Company obtained the license number 9598/Q dated 24 Duh Al-Qi’dah 1436H (corresponding to 8 September 2015) for twenty years and expiring on 23 Duh Al-Qi’dah 1456H (corresponding to 2 February 2035) from the Ministry of Industry and Mineral Resources renewable for another twenty years, for the exploitation of gold and silver dores from accompanying site Mount Guyan Surface. The full commercial production from Guyan Gold Mine started during Q2 2021.

As at the reporting date, the Company has two mines namely Al Masane underground mine and Mount Guyan mine (2020: same). During the year, the Company has planned to expand its current activity by further developing the Moyeath orebody development project for the purpose of increasing the productive capacity of Al Masane underground mine. Moreover, the company has obtained eleven reconnaissance licenses in addition to the existing two exploration licenses and applied for fifteen additional licenses in various regions of the Kingdom of Saudi Arabia.

During the year, the Company commenced the process for Initial Public Offering (“IPO”) and Capital Market Authority (“CMA”) approval was obtained in this regard on 22 December 2021 (corresponding to 18 Jumada Al-Ula 1443H). Further, on 18 November 2021 (corresponding to 13 Rabi Al-Thani 1443H), the shareholders of the Company, in an extraordinary general meeting, passed a resolution about the increase in the Company’s share capital from SR 563,288,650 to SR 660,000,000 as part of the IPO process. The legal formalities in this regard are in progress at the year end and were completed on March 23, 2022 (corresponding to 20 Shaban, 1443H). The listing of shares with Tadawul were completed on March 29, 2022.

OUR VISION

AMAK'S goal is to be the leading mining company in Saudi Arabia and GCC region with sustainable value created for all stakeholders including shareholders, employees, the communities it operates in, contractors and suppliers.

OUR MISSION

The Company will continue to create long-term and sustainable value through exploration, discovery, and development of mining projects which will add value to Vision 2030 aspiration. The Company is aligned to a long-term strategy of investing in local and regional mining projects with a track record of strong financial and operational performance.

OUR STRATEGY

- To contribute to achieving the goals of the Kingdom of Saudi Arabia's vision 2030, the most important of which is to increase the private sector's contribution to the GDP from 40% to 65% and raise the share of non-oil exports in non-oil GDP from 16% to 50%.
- The Company's growth through expansion of operations into existing and new regions of Kingdom of Saudi Arabia.
- Extend the life of mine to more than 20 years with resource development at deeper levels, nearby exploration, local areas exploration, greenfield reconnaissance and exploration in new concessions acquired from DMMR.
- Expand the Company's exploration license areas. To this end the Company has recently more than tripled the exploration license area near the existing Al Masane Mining License and intends to conduct further exploration in this area. This area includes four known mineralization and identified in the CPR. The Company believes that the most promising prospects are in the Wadi Shann and the Company intends to commence diamond drilling at these prospects in 2022G for Wadi Shan. In the Al Masane Mining License, there are several other mineral occurrences identified and needs further geological works and studies.
- Maintain position in the 25th percentile of the low-cost producers of copper, zinc, and gold to mitigate against the impact of the metal price cycles. The Company is a low-cost Copper and Zinc producer due to gold and silver premiums in the Copper concentrate as well as cost effective mass production method from underground.
- Sustain high quality and lowest impurity Copper and Zinc concentrates and continue to be a producer of choice for Copper and Zinc smelters in Southeast Asia. Zinc concentrate produced at the Company is tradeable to Chinese smelters due to very low impurities and high Zinc metal content in the concentrate. Also, Copper concentrate has considerable amount of gold (+5 gpt) and silver (+300 gpt) which makes this product more attractive for certain smelters. Moyoath Copper Concentrate will have 24.7% copper, 18.7gpt Gold and 596gpt Silver(average LoM).
- Train local human resources to decrease the dependency on expatriate workforce. The Company will especially focus on training and education of local engineers and technicians, who will be developing and managing mining operations in the country and region.

- Invest in digital transformation of our mining operations to minimize the human exposure

3- COMPANY'S ACTIVITIES

The Company's primary operations are the operation of the Al Masane Copper/Zinc Mine and Guyan Gold Mine. Al Masane Mine is located at the main Al Masane mining camp and produces copper and zinc concentrates and silver and gold Doré. The Guyan Mine is located approximately 12km from the Al Masane Mine and produces gold and silver Doré.

Following is the breakdown of Revenue from all products from Al Masane Mine and Guyan Mine during the year 2021.

Product	Revenue (SAR '000)	Percentage
Copper Concentrate	230,799	39%
Zinc Concentrate	197,808	34%
Precious Metals	158,046	27%
Total	586,653	100%



GOVERNANCE

4. GOVERNANCE

4-1 COMPOSITION OF THE BOARD OF DIRECTORS



ENGR. MOHAMMED ABALLALA
CHAIRMAN OF THE BOARD OF DIRECTORS
NON-EXECUTIVE



MR. IBRAHIM A. BIN MUSALLAM
VICE CHAIRMAN OF THE BOARD OF DIRECTORS
NON-EXECUTIVE



ENGR. TALAL ASAAD AL SAADI
MEMBER
INDEPENDENT



ENGR. AYMAN AL SHIBL
MEMBER
INDEPENDENT



ENGR. FEKRY YOUSSEF MOHAMMED
MEMBER
NON-EXECUTIVE



ENGR. MOHAMMED AL SHEHHI
MEMBER
NON-EXECUTIVE



ENGR MAJED YOUSEF AL MUGLA
MEMBER
INDEPENDENT



ENGR. MAJID ALI BIN MUSALLAM
MEMBER
NON-EXECUTIVE



MR. MEHAIDB S. AL MEHAIDBE
MEMBER
NON-EXECUTIVE

4.2- Current roles, experience, and qualifications of the Board of Directors

The Company's Board of Directors is responsible for overall strategy and direction of Company's business. AMAK's Board of Directors consists of nine members appointed by the ordinary general assembly for a term of three years. Its three-year term began on 09-01-2019 and will end on 08-01-2022. Details of the members with their current roles, qualifications and experience are shown in table below.

Name	Current functions	Previous Jobs	Qualifications	Experience
Engr. Mohammed bin Mana Aballala	Chairman, Al Masane Al Kobra Mining Co Chairman, Najran Cement Company	Director of the Office of Military Works in Eastern Province	Bachelor of Civil Engineering BA & MA in Political Science	22 years' experience in Military works with Ministry of Defense and Aviation
Mr. Ibrahim A. Bin Musallam	Vice Chairman, Al Masane Al Kobra Mining Co Chairman, SKAB Group Company	Chairman, Al-Salam Aerospace Industries Vice Chairman, SKAB Group Company	Bachelor's degree in International Business and Finance	More than 30 years of experience in senior-level positions and executive positions, member of Board of Directors.
Engr. Talal Asaad Al Saadi	Member, Al Masane Al Kobra Mining Co.	General Manager at Arab Mining Company (ARMICO) in Amman, Jordan Deputy Chairman of the Board of Directors of Arab Potash Company Deputy Chairman of the Board of Directors of the Dead Sea Industries Company of Jordan	Master's degree in Mineral Operations Design, UK Master's degree in Industrial Mineralogy, Durham University, UK Bachelor's degree in Geology and Chemistry, Cairo University, Egypt	More than 50 years of experience in Mining sector at various executive positions and member of Board of Directors.
Engr. Ayman bin Abdul Rahman Al Shibl	CEO – United Medical Group	Director - General Administration of Projects and Maintenance in Ministry of Health General Manager of Thamrat Najran Company Limited	Engineering Several certifications Courses in Engineering, Management, and Information systems.	More than 36 years of experience in different organizations including 9 years in Government Sector and then moved to work in private sector.
Mr. Mehaideb S. Al Mehaideb	Member, Al Masane Al Kobra Mining Co. Head of Investor Relations at the National Tasnee Company	Member of the Board of Directors at National Batteries Company Ltd Member of the Board of Directors at Rowed International Geosynthetics Co. Ltd Member of the Audit Committee at National Metal Manufacturing & Casting Co	Master's degree in Business Administration (MBA), Avila University, United States. Bachelor's degree in Accounting, King Saud University, Kingdom of Saudi Arabia	More than 12 years of diversified experience in various Organizations at different management and executive positions.

<p>Engr. Fekry Youssef Mohammed</p>	<p>Member, Al Masane Al Kobra Mining Co</p> <p>Chairman and Managing Director of Petrosilah Petroleum Company</p> <p>Member of the Board of Directors at Egyptian Nuclear Energy Authority</p> <p>Member of the Board of Directors at El Nasr Mining Company</p> <p>Member of the Board of Directors of the Egyptian Industries Union</p>	<p>Chairman of the Board of Directors of the Egyptian Marketing Company for Phosphate and Fertilizers (EMPHCO)</p> <p>Deputy Chairman and Member of the Board of Directors of Industries Chimiques Du Fluor</p> <p>Chairman of the Board of Directors and Managing Director at Shalateen Gold Mining Company</p> <p>Member of the Board of Directors of the Egyptian Natural Gas Holding Company.</p>	<p>Bachelor's degree in Geology, The University of Zagazig, Egypt,</p>	<p>More than 28 years of experience in Mining and Energy sector at various executive positions and member of Board of Directors in Egypt and Kingdom of Saudi Arabia.</p>
<p>Engr. Mohammed Ahmed Al Shehhi</p>	<p>Member, Al Masane Al Kobra Mining Co</p> <p>Chairman, Arab Mining Company</p> <p>Chairman, Arab Mining Company, Fujairah</p> <p>Member, Emirates General Petroleum Corporation</p>	<p>Undersecretary of Economic Affairs at Dubai, United Arab Emirates</p> <p>Senior executive roles at Emirates Telecommunications Corporations (Etisalat), United Arab Emirates.</p>	<p>Executive Master's degree, The American University of Sharjah, United Arab Emirates.</p> <p>Bachelor's degree in Electrical Engineering, The University of South Florida, United States.</p>	<p>More than 30 years of experience in Mining and Energy sector at various executive positions and member of Board of Directors.</p>
<p>Engr. Majed Yousef Al Mugla</p>	<p>Member, Al Masane Al Kobra Mining Co</p>	<p>Member of the Board of Directors at the Saudi Arabian Oil Company (Saudi Aramco)</p> <p>Consultant at the Ministry of Industry and Mineral Resources</p> <p>Senior Vice President of Projects and Engineering at Saudi Arabian Mining Company (Maaden)</p>	<p>Master's degree, Business Administration, King Fahad University of Petroleum and Minerals, Kingdom of Saudi Arabia</p> <p>Bachelor's degree, Chemical Engineering, King Fahad University of Petroleum and Minerals, Kingdom of Saudi Arabia</p>	<p>More than 40 years of experience in Mining and Energy sector.</p>
<p>Mr. Majid Ali Bin Musallam</p>	<p>Member, Al Masane Al Kobra Mining Co</p> <p>Member, Alsalam Aerospace Industries</p>	<p>Member, SKAB Group Company</p>	<p>Bachelor's degree, Business Administration, King Abdulaziz University, Jeddah, Kingdom of Saudi Arabia</p>	<p>More than 14 years of experience in Real Estate, Aviation and Mining sector</p>

- During the General Assembly meeting convened on November 25, 2021, the shareholder approved the appointment of following three new board members replacing Engr. Majed Yousef Al Mugla, Mr. Mehaideb S. Al Mehaideb and Engr. Talal Asaad Al Saadi for the next Board term starting from January 09, 2022:
 - Engr. Savas Sahin
 - Mr. Abdulilah Bin Othman Bin Nasser AlSaleh
 - Mr. Abdulsalam Bin Abdullah Bin Abdulaziz Draibi

4.3- Committee members (outside Board of Directors)

Mr. Waleed bin Ahmed Mohammed Bamarouf	Certified Public Accountant, Accredited Business Valuer, Bankruptcy Trustee and Audit Partner with Talal Abu-Ghazaleh & Company.	CFO in AlAhli Takaful Company	Fellowship of the American Institute of Certified Public Accountants (CPA) Certified Management Accountant (CMA) Saudi Society of Certified Public Accountants (SOCPA) Certified Internal Auditor Fellowship (CIA) Accredited Business Valuator (ABV) Executive MBA	More than 9 years of experience as member of Boards of Directors and Audit Committees of several Joint Stock Companies Over 25 years' experience in accounting, auditing, compliance and corporate governance.
Mr. Nicholas Carter	Chairman of the Commercial Committee, Al Masane Al Kobra Mining Co. Non-Executive Member of the Board of Trecora Resources	Chairman of the Board of Directors of Trecora Resources Company.	Bachelor's Degree, Business Administration in Accounting, Lamar University, USA.	More than 12 years of experience as member of Boards of Directors in Chemicals and Mining Sector.
Engr. Savas Sahin	Member of Commercial Committee and Executive Committee, Al Masane Al Kobra Mining Co. Chief Executive officer, Al Masane Al Kobra Mining Co Member of Advisory Board at Esan Eczacibasi Industrial Raw Materials Company, Turkey	Chief Executive Officer at Demir Export A.S., a limited liability company in Ankara, Turkey Assistant General Manager at Demir Export A.S. (Technical), a limited liability company in Ankara, Turkey	Bachelor of Science in Mining Engineering, The Middle East Technical University (METU), Turkey Executive Master's Degree in Business Administration (EMBA) from Bilkent University, Turkey	More than 24 years of experience at executive level and as member of Boards of Directors in Mining Sector.

4.4- Names of the companies within and outside the Kingdom in which the member of the Board of Directors of the company is a member of its current or former Boards of Directors member or a Manager.

Name	Names of companies that are members of the Board of Directors as members of their current boards of directors or their directors	Within the Kingdom / outside the Kingdom	Legal entity (listed contribution / unlisted contribution / Limited liability)	The names of the companies that the members of the Board of Directors are members of the previous administrations or directors	Within the Kingdom / outside the Kingdom	Legal entity (listed contribution / unlisted contribution / Limited liability)
Eng. Mohammed bin Mana Aballala	Najran Cement Company	KSA	listed	-	-	-
Mr. Ibrahim A. Bin Musallam	SKAB Group Company	KSA	Unlisted	President and CEO, The Sadaca Environmental Group Chairman of the Board of Directors at Al-Salam Aerospace Industries	KSA KSA	Limited Liability Limited Liability

Engr. Talal Asaad Al Saadi				General Manager at Arab Mining Company (ARMICO)	Jordan	Limited Liability
				Director of Research and Development Centre at Jordan Phosphate Mines Company	Jordan	Listed
				Director of the Mining Laboratories at the Natural Resources Authority	Jordan	Govt. Entity
				Deputy Chairman of the Board of Directors of Arab Potash Company	Jordan	Joint Arab company
Mr. Ayman bin Abdul Rahman Al Shibl	Najran Cement Company	KSA	Listed	Former General Manager of Thamarat Najran Company	KSA	Limited liability
	United Medical Group	KSA	Limited Liability			
Mr. Mehaideb S. Al Mehaideb	National Tasnee Company	KSA	Listed	Supplies Manager at Masdar Technical Fixtures Company	KSA	Unlisted
				Member of Audit Committee at National Metal Manufacturing & Casting Co	KSA	Listed
				Board of Directors at Rowed International Geosynthetics Co. Ltd	KSA	Limited Liability
				Board of Directors at National Batteries Company Ltd	KSA	Limited Liability
Engr. Fekry Youssef Mohammed	Ministry of Petroleum, Egypt	Egypt	Govt. Entity	Khalda Petroleum Company	Egypt	Listed
	Petrosilah Petroleum Company	Egypt	Listed	General Petroleum Company	Egypt	Govt. Entity
	Egyptian Nuclear Energy Authority	Egypt	Govt. Entity	Egyptian Marketing Company for Phosphate and Fertilizers (EMPHCO)	Egypt	Limited Liability
	El Nasr Mining Company	Egypt	Limited Liability	Industries Chimiques Du Fluor	Tunisia	Listed
	Arab Mining Company	Jordan	Limited Liability	Shalateen Gold Mining Company	Egypt	Limited Liability
	Arab Mining Industries Development Institute	Jordan	Joint Arab company	Egyptian Natural Gas Holding Company	Egypt	Holding Company

	Egyptian Industries Union at the Chamber of Petroleum and Mining Industries	Egypt	Govt. Entity	Egyptian mineral resources authority (EMRA)	Egypt	Govt. Entity
	Arab Mining Company	Jordan	Limited Liability	Undersecretary of Economic Affairs at Dubai	UAE	Govt. Entity
Engr. Mohammed Ahmed Al Shehhi	Arab Mining Company, in Fujairah	UAE	Limited Liability	Emirates Telecommunications Corporations (Etisalat)	UA	Listed
	Emirates General Petroleum Corporation	UAE	Listed		E	
	Islamic Arab Insurance Company (Salama)	UAE	Listed			
Engr. Majed Yousef Al Mugla				Consultant at the Ministry of Industry and Mineral Resources	KSA	Govt. Entity
				Saudi Arabian Mining Company (Maaden)	KSA	Listed
				Saudi Arabian Oil Company (Saudi Aramco)	KSA	Listed
Mr. Majid Ali Bin Musallam	Alsalam Aerospace Industries	KSA	Limited Liability	SKAB Group Company	KSA	Closed Joint Stock Company

4.5- A description of any interest, contractual securities or rights issue of Company's Board of Directors, Senior Executives and their relatives on Company shares or debt instruments of the Company or its subsidiaries, and any change in such interest or rights during the last financial year.

(a) The interests and rights of the members of the Board of Directors

Sr.No	Name of person	Number of shares beginning of year	Number of shares end of year Number of shares	Net change increase / (decrease)	Percentage change increase / (decrease)
1	Eng. Mohammed bin Mana Aballala	7,988,729	4,691,441	(3,297,288)	(41%)
2	Mr. Ibrahim A. Bin Musallam	5,313,415	1,460,404	(3,853,011)	(73%)
3	Engr. Talal Asaad Al Saadi	-	-	-	-
4	Mr. Ayman bin Abdul Rahman Al Shibl	1,546,008	1,149,451	(396,557)	(26%)
5	Mr. Mehaideb S. Al Mehaideb	-	-	-	-
6	Engr. Fekry Youssef Mohammed	-	-	-	-
7	Engr. Mohammed Ahmed Al Shehhi	-	-	-	-
8	Engr. Majed Yousef Al Mugla	-	-	-	-
9	Mr. Majid Ali Bin Musallam	3,224,743	1,286,750	(1,937,993)	(60%)

(b) The interest and rights of senior executives

Sr.No	Name of person	Number of shares beginning of year	Number of shares end of year Number of shares	Net change	Percentage change
1	Engr. Savas Sahin	220,001	237,920	17,919	8%

4.6- Information related to any business or contract to which the company is a party and in which a Director, Senior Executive or any person related to any of them has any interest in it

Related party	Relationship	Transaction	Duration	Value SAR
Arab Commercial Enterprises for Travel (ACE travels)	Mr. Ibrahim Bin Musallam is a board member.	Purchase of air tickets	One year	3,100,085
	Mr. Majid Ali Bin Musallam is a board member.			
Najran Mineral Water	Mr. Ibrahim Bin Musallam is a board member.	Purchase of drinking water	One year	53,130
	Mr. Majid Ali Bin Musallam is a board member.			

4.7- A brief description of the roles and duties of Committees

a) Audit Committee

The implementation of an effective internal control system is one of the responsibilities assigned to the Board of Directors. The main task of the Audit Committee is to verify the adequacy and effective implementation of the internal control system and to make any recommendations to the Board of Directors that would actuate and develop the system to achieve the Company's objectives. The Committee is also responsible for reviewing risk management policies, the annual risk report and risk reduction plans before presenting the same to the Board of Directors. The Committee is responsible for ensuring compliance with the Company's Corporate Governance Regulations and Practices issued by the Capital Market Authority and the Company's Corporate Governance Manual. A brief role and responsibilities of the audit committee is described below:

1. Report regularly to the Board about Audit Committee activities, issues and related recommendations.
2. Provide an open avenue of communication between internal auditor, the external auditors, and the Board.
3. Report annually to the Board, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
4. Review any other reports the Company issues that relate to Committee's responsibilities.
5. Perform other activities related to this activity as requested by the Board.
6. Follow up on allegations of material, financial, ethical or legal irregularities; look into serious violations of the Company's policies, alleged breach of legal provisions or contravention of code of ethics, which are highlighted by the internal auditor or any other staff member.
7. Institute, oversee and direct any special investigations, as needed, concerning matters relating to the Company's financial statements, internal controls, compliance with the laws or business ethics.
8. Review all significant issues within the scope of the Committee charter, including any changes in accounting principles, with the management and the external auditors, prior to any decision being reached on reporting practices to be followed by the Company, and report thereon to the Board.

9. Review and assess the adequacy of the Audit Committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
10. Review with the management the status of Zakat/tax returns and tax issues.
11. Confirm annually that all responsibilities outlined in the Charter have been carried out.
12. Evaluate Audit Committee's and individual members' performance on a regular basis.
13. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of the Company concerning questionable accounting or auditing matters.
14. Be available at all times to receive suggestions, questions or recommendations from the external auditors, internal auditor and the Executive Management.

The Audit Committee consists of four (4) members appointed by the Ordinary General Assembly for a period of three (3) years. At least one member of the Audit Committee shall be an Independent Director and no Executive Director shall be among its members. At least one of the Audit Committee's members shall be specialized in finance and accounting.

Subject to the requirements that must be met by members of the Audit Committee, the Ordinary General Assembly shall appoint the members of the Audit Committee for a period of three years. The Board shall take the necessary measures to enable the Audit Committee to carry out its functions, including informing the Audit Committee, without any restrictions, of all data, information, reports, records, correspondences, or other matters which the Audit Committee deems necessary.

The Committee convened 05 times during 2021. Table below shows the attendance record of Audit Committee during 2021.

S.No	Name	Position	Number of meetings				
			1	2	3	4	5
			22/02/2021	15/03/2021	7/6/2021	15/08/2021	2/11/2021
1	Mr. Waleed bin Ahmed Mohammed Bamarouf	Chairman	√	√	√	√	√
2	Engr. Fekry Youssef Mohammed	Member	√	√	√	√	√
3	Engr. Majed Mugla	Independent Member	√	√	√	√	√
4	Mr. Mehaideb S. Al-Mehaideb	Member	√	√	√	√	√

b) The recommendation of the Audit Committee regarding the need to appoint an internal auditor in the company if there is no internal auditor.

The Company has engaged an Internal auditing firm to carry out internal audit of the Company.

c) The recommendations of the Audit Committee which are inconsistent with the decisions of the Board of Directors, or rejected by the Board regarding appointment, dismissal, determining fees of external auditor with justifications for those recommendations.

There are no recommendations from the Audit Committee in which it contradicts the decisions of the Board of Directors, or the Board has refused to take action relating to the appointment, dismissal, determination of fees and performance evaluation of Company's external auditor or the appointment of internal auditor.

d) Executive Committee

The main task of the Executive Committee of the Board of the Company is to assist the Board in performing activities and tasks as delegated to it by the Board of Directors, in order to facilitate smooth operations of the Company. The scope of the Committee's work shall include all actions that enable it to fulfil its functions, including:

- Assisting the Board in performing activities and tasks as delegated to it by the Board of Directors, in order to facilitate smooth operations of the Company.
- Assisting the Board in the development of the Company's major strategic goals and investment strategies.
- Assisting the Board in defining and setting the vision and mission for the Company.
- Setting the business plan based on the Company's vision and mission and assisting Board in defining the direction of the business.
- Assisting the Board in conducting a strategic review of the Company's performance on a regular basis to determine whether the Company is meeting its short- and long-term objectives.
- Reviewing and approving all major investment decisions, in line with the Company's approved strategies.
- Setting the business processes and operational policies and procedures to be followed while executing the day-to-day operations of the Company.
- Explore means to carryout business in a cost-effective and efficient manner as to meet the customer expectation and their satisfaction.
- Ensuring that there is proper coordination and communication between the Senior Management and the Board.

The Executive Committee consists of three (3) members appointed by the Board of Directors for a period of three (3) years.

The Board shall take the necessary measures to enable the Executive Committee to carry out its functions, including informing the Executive Committee, without any restrictions, of all data, information, reports, records, correspondences, or other matters which the Executive Committee deems necessary.

Sr .No	Name	Number of meetings	Number of meetings	Number of meetings	Number of meetings
		1	2	3	4
		23-02-2021	10/7/2021	7/9/2021	18/12/2021
1	Engr. Mohammed bin Mana Aballala	√	√	√	√
2	Engr. Savas Sahin	√	√	√	√
3	Mr. Ibrahim Al Musallam	√	√	√	√

e) Commercial Committee

The main task of the Commercial Committee is to monitor the management of risks of the commercial business activities of the Company, management policies, the reliability of financial and management reports and compliance with relevant laws and regulation. The scope of the Committee's work shall include all actions that enable it to fulfil its functions, including:

- Reviewing the strategic direction of the commercial activities and monitor the implementation of the agreed strategy.
- Reviewing commercial and other transactions for consistency with the agreed strategy.
- Reviewing and evaluating business performance.
- Monitoring developments and changes in the law relating to the responsibilities and liabilities of directors.

The Commercial Committee is composed of three members from the Board, one independent member and one member from management of the Company. The Committee has performed its duties and responsibilities through

06 meetings held during the year 2021. Table below shows the attendance of members in the Committee's meetings.

S.No	Name	Position	Number of meetings	
			1	2
			26/05/2021	28/09/2021
1	Mr. Nicholas Carter	Chairman	√	√
2	Engr. Mohammed bin Mana Aballala	Member	√	√
3	Engr. Talal Al Saadi	Member	√	√
4	Engr. Savas Sahin	Member	√	√
5	Engr. Fekry Youssef Mohammed	Member	√	√

f) Nomination and Remuneration Committee

The main function of the Nomination and Remuneration Committee is to identify qualified candidates who are eligible for Board membership. The Committee's scope of work includes all duties designed to enable it to fulfil its functions, including:

- Assisting the Board in identifying individuals qualified to become Board members and to recommend to the Board the nominees to stand for election as Directors at the annual Shareholders' General Assembly Meeting. The Committee may consider individuals proposed by shareholders and management at its discretion.
- Annually reviewing the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including, the time that a Board member should reserve for the activities of the Board.
- Reviewing the composition of each committee of the Board and recommend to the Board for its approval Directors to serve as members of each committee.
- Assisting the Board in selecting, developing and evaluating potential candidates for Executive officer positions, including the President, and oversee the development of Executive officer succession plans.
- Maintaining an orientation program for new Directors.
- Developing and recommending to the Board for its approval an annual self-evaluation process for the Board and overseeing the annual self-evaluation of the Board.
- Assisting the Board in determining on an annual basis the compliance of each Director and Executive officer with the Company's Code of Conduct and Ethics and report any violations of the Code to the Board.
- Regularly reviewing the structure, size and compensation; including skills, knowledge and experience required of the Board of Directors and recommend changes.
- Drawing clear policies regarding the indemnities and remunerations of the Board members and Senior Executives (Chief Financial Officer and Chief Operating Officer).
- Recommending the form and amount of Director Compensation. In discharging this responsibility, the Committee shall seek to attract, motivate, reward and retain Directors of high integrity and superior ability who are focused on enhancing long-term shareholder value.

The Nomination and Remuneration Committee shall consist of at least three (3) members appointed by the Company's Board of Directors for a period of three (3) years.

Subject to the requirements that must be met by members of the Nomination and Remuneration Committee, the Board of Directors shall appoint the members of the Committee for a period of three years. The Board shall take the necessary measures to enable the Nomination and Remuneration Committee to carry out its functions, including informing the Nomination and Remuneration Committee, without any restrictions, of all data, information, reports, records, correspondences, or other matters which the Nomination and Remuneration Committee deems necessary.

The Committee convened 02 times during 2021. Table below shows the attendance record of the Committee during the year

Sr. No	Name	Position	Number of meetings	
			1	2
			20/04/2021	27/10/2021
1	Engr. Majed Mugla	Chairman	√	√
2	Engr. Mohammed Ahmed Al Shehhi	Member	√	√
3	Mr. Ibrahim Al Musallam	Member	√	√

4.8- *The means used by the Board to assess its performance, performance of its committees' members and the external body which conducted the assessment and its relation with the Company, if any*

The Nomination and Remuneration Committee has prepared a model for evaluating the performance of the Board of Directors and its committees internally without seeking assistance of external party. The members of the Board participated in the evaluation process and gave their opinions. The results are analyzed by the Nomination and Remuneration Committee and submit their recommendations to the Board of Directors.

4.9- **Executive Management**

Details of Executive Management, their current roles, qualifications, and experience are shown below.

Name	Current functions	Previous Jobs	Qualifications	Experience
MR. Savas Sahin	Chief Executive Officer	Chief Executive Officer, Demir Export A.S., a limited liability company Senior Mining Engineer and Project Manager, SRK Consulting Company Mining Engineer at Turkish & Australian Mines	Bachelor of Science in Mining Engineering, The Middle East Technical University (METU), Turkey Executive Master's Degree in Business Administration (EMBA), Bilkent University, Turkey	More than 24 years of experience at executive level and as member of Boards of Directors in Mining Sector.
Engr. Adnrew Pix	Operations Director	General Manager, Hill End Gold Ltd, a listed joint-stock company established in Australia and operating in the mining sector	Bachelor's in mining engineering, The University of Newcastle, United Kingdom,	More than 13 years of experience at executive level in Mining Sector.
Mr. Kamran Bakhsh	Finance Director	Chief Financial Officer, Al Amthal Financing, Kingdom of Saudi Arabia Chief Financial Officer, Al Raeda Finance Company, Kingdom of Saudi Arabia	Bachelor's degree, Applied Accounting, Oxford Brookes University, United Kingdom CPA, CGA – Chartered Professional Accountant & Certified General Accountant Canada, British Columbia ACCA - The Association of Chartered Certified Accountants – Kaplan Financial, London, United Kingdom.	More than 14 years' experience in financial management and financial reporting.

4.10- Number of meetings of the Board of Directors held during the last financial year, dates of meeting, attendance record of each meeting listing the names of the attendees

The Board of Directors holds at least four meetings every year to review Company's progress in implementing strategic decisions, initiatives, and achievements. Table below shows the attendance record of Board of Directors' meeting held during the year 2021.

Sr. No	Name	Number of meetings			
		1	2	3	4
		24-02-2021	27-05-2021	8/9/2021	19/12/2021
1	Eng. Mohammed bin Mana Aballala	√	√	√	√
2	Mr. Ibrahim A. Bin Musallam	√	√	√	√
3	Engr. Talal Asaad Al Saadi	√	√	√	√
4	Mr. Ayman bin Abdul Rahman Al Shibl	√	√	√	√
5	Mr. Mehaideb S. Al Mehaideb	√	√	√	√
6	Engr. Fekry Youssef Mohammed	√	√	√	√
7	Engr. Mohammed Ahmed Al Shehhi	√	√	√	√
8	Engr. Majed Yousef Al Mugla	√	√	√	√
9	Mr. Majid Ali Bin Musallam	√	√	√	√

4.11- Statement of the dates of the General Assembly meetings held during the last fiscal year and the names of the Board Directors who attended

Five General Assembly Meetings were convened during 2021. Due to Covid-19 pandemic and subsequent travel restrictions, the meeting was held by using the digital platform. Table below shows the attendance record of Board members in the General Assembly:

Sr. No	Name	EGM	AGM	EGM	EGM	AGM
		23-03-2021	27-05-2021	3/10/2021	18-11-2021	25-11-2021
1	Eng. Mohammed bin Mana Aballala	√	√	√	√	√
2	Mr. Ibrahim A. Bin Musallam	√	√	√	√	√
3	Engr. Talal Asaad Al Saadi	√	√	√	√	√
4	Mr. Ayman bin Abdul Rahman Al Shibl	√	√	√	√	√
5	Mr. Mehaideb S. Al Mehaideb	√	√	√	√	x
6	Engr. Fekry Youssef Mohammed	√	√	√	√	√
7	Engr. Mohammed Ahmed Al Shehhi	√	√	√	√	√
8	Engr. Majed Yousef Al Mugla	x	√	√	√	x
9	Mr. Majid Ali Bin Musallam	√	√	√	√	√

4.12- The number of Company's requests for Shareholders records, dates and reasons of such applications

Since the Company was not listed in year 2021, hence not applicable.

4.13- Disclosure on remuneration of the Board members and Executive Management in accordance with Article (93) of Corporate Governance Regulations

- Board of Directors', remuneration policy

(i) The Nomination and Remuneration Committee shall recommend to the Board of Directors the remuneration of the members of the Board of Directors. The General Assembly of the Company shall determine the remuneration of the members of the Board of Directors.

(ii) Based on the recommendation of the Nomination and Remuneration Committee, the Board

of Directors shall determine the remuneration to be paid to the Chairman of the Board in addition to the remuneration paid to the members of the Board of Directors.

(iii) The remuneration of the members of the Board of Directors shall consist of remuneration and financial or in-kind benefits. In all cases, the total sum of one member shall not exceed Saudi Riyal five hundred thousand (SAR 500,000) annually. The annual remunerations shall be divided among members in case of new Board members (by date of appointment).

(iv) The Board of Directors shall determine the remuneration of the Secretary of the Board of Directors for attending the meetings of the Committee and any other allowances.

(v) Members of the Board of Directors who reside outside the cities where the meetings of the Board or the General Assembly are held shall be entitled to pay all expenses incurred by them to attend meetings, provided that such expenses are reasonable and acceptable in accordance with business standards such as travel, meals, accommodation and other expenses which they have incurred.

• Remuneration of Board's Committee Members

The Nomination and Remuneration Committee shall recommend to the Board of Directors the remuneration of members of committees emanating from the Board of Directors.

- (i) The General Assembly of the Company shall determine the remuneration of the members of the Audit Committee. The Board of Directors shall determine the remuneration of the members of the other committees of the Board, Board Secretary and Secretaries of the Committees for their attendance in the meetings of the committees and any other allowances.
- (ii) Members of the committees of the Board of Directors who reside outside the cities where the meetings of the Committee meet shall be entitled to pay all expenses incurred by them to attend meetings, provided that such expenses are reasonable and acceptable in accordance with business standards such as travel, meals, accommodation and other expenses which they have incurred.
- (iii) The remuneration shall be fair and proportionate to the terms of reference of the member and the duties and responsibilities of the members of the committees emanating from the Board of Directors. The remuneration shall also be commensurate with the activity of the company and the required skills of the members.

• Remunerations of Senior Executives

The Nomination and Remuneration Committee shall recommend to the Board of Directors the remuneration of Senior Executives in the Company based on annual performance indicators and annual net profits of the Company. Annual bonus of Senior Executives is approved by the Board of Directors.

The Company is committed to follow fair remuneration practices and standard benefits that will attract and reward qualified executives.

• Directors' remuneration (In thousand Riyals)

Name	Fixed remunerations						Variable remunerations						End of Service Award	Aggregate Amount
	Specific	Allowance for attending	In kind benefits	Remunerations for technical,	Remuneration of Chairman, Managing Director and Secretary if	Total	Percentage of the profits	Periodic remunerations	Short term incentive Plans	Long term incentive plan	Granted shares (insert the value)	Total		
Independent members														
Engr. Majed Yousef Al Mugla	300	48	-	-	-	348	-	-	-	-	-	-	-	348
Mr. Ayman bin Abdul Rahman Al Shibl	300	48	-	-	240	588	-	-	-	-	-	-	-	588
Engr. Talal Asaad Al Saadi	300	48	-	-	-	348	-	-	-	-	-	-	-	348
Total	900	144	-	-	240	1,284	-	-	-	-	-	-	-	1,284
Non-Executive Directors														
Eng. Mohammed bin Mana Aballala	300	60	-	-	200	560	-	-	-	-	-	-	-	560
Mr. Ibrahim A. Bin Musallam	300	48	-	-	-	348	-	-	-	-	-	-	-	348
Mr. Mehaideb S. Al Mehaideb	300	48	-	-	-	348	-	-	-	-	-	-	-	348
Engr. Fekry Youssef Mohammed	300	48	-	-	-	348	-	-	-	-	-	-	-	348
Engr. Mohammed Ahmed Al Shehhi	300	48	-	-	-	348	-	-	-	-	-	-	-	348
Mr. Majid Ali Bin Musallam	300	48	-	-	-	348	-	-	-	-	-	-	-	348
Total	1,800	300	-	-	200	2,300	-	-	-	-	-	-	-	2,300
Total	2,700	444	-	-	440	3,584	-	-	-	-	-	-	-	3,584

• Remunerations of Senior Executives (in thousand Riyals)

Executive Management	Fixed Remunerations SAR (000)	Variable Remunerations SAR (000)	End of service benefits SAR (000)	Aggregate amount SAR (000)
Executive Management	2,742	3,837	745	7,324

• Committee Members Remuneration (in thousand Riyals)

Name	Specific Remuneration (Except for the allowance for attending Board meetings) SAR (000)	Allowance for attending Board meetings SAR (000)	Total SAR (000)
Audit Committee			
Mr. Waleed bin Ahmed Mohammed Bamarouf	150	25	175
Engr. Fekry Youssef Mohammed	-	25	25
Engr. Majed Mugla	-	25	25
Mr. Mehaideb S. Al-Mehaideb	-	25	25
Total	150	100	250
Executive Committee			
Engr. Mohammed bin Mana Aballala	-	20	20
Engr. Savas Sahin	-	20	20
Mr. Ibrahim Al Musallam	-	20	20
Total	-	60	60
Nomination and Remuneration Committee			
Engr. Majed Mugla	-	10	10
Engr. Mohammed Ahmed Al Shehhi	-	10	10
Mr. Ibrahim Al Musallam	-	10	10
Total	-	30	30
Commercial Committee			
Mr. Nicholas Carter	100	10	110
Engr. Mohammed bin Mana Aballala	-	10	10
Engr. Talal Al Saadi	-	10	10
Engr. Savas Sahin	-	10	10
Engr. Fekry Youssef Mohammed	-	10	10
Total	100	50	150

The members of the Board of Directors and Committees of the Board of Directors are entitled to the following remuneration:

The Chairman of Board of Directors was granted an additional bonus of SAR 200,000 for his efforts in following up the Company's business for the fiscal year ended 31st Dec 2021.

Chairman of the Audit Committee was granted a financial reward of SAR 150,000 for the financial year ended 31st December 2021.

Chairman of the Commercial Committee was granted a financial reward of SAR 100,000 for the financial year ended 31st December 2021.

• Allowance to attend meetings

Chairman of the Board of Directors is entitled to receive a meeting allowance of SAR 15,000 per meeting and members are entitled to receive SAR 12,000 per meeting.

Members of the committees (including members from outside the Board of Directors) shall receive a financial remuneration of SAR 5,000 for attending each meeting.

4.14- The external auditor's report on the financial statements

The External Auditor has issued an unqualified opinion on the financial statements for the year ended 31-12-2021.

4.15- Results of the annual review of the effectiveness of the Company's internal control procedures

The internal auditor of the company submits periodic reports to the Audit Committee on operational, administrative and financial operations to verify the effectiveness of the internal control system and the periodic reports did not show any significant weakness in the internal control system of the Company.

The External Auditor assesses the internal control procedures as part of the Company's audit duties, where they are authorized to review all minutes of Board meetings, Board committees and internal audit reports.

4.16- Company declarations

Al Masane Al Kobra Mining Co.'s Board of Directors according to the information available to it and based on the Company's internal and external auditor's report, as well as future indicators declares that:

- the account records have been properly prepared according to the accounting standards issued by the Saudi Organization for Certified Public Accountants.
- the system of internal control is sound in design and has been effectively implemented; and
- there are no significant doubts concerning the Company's ability to continue its activity.
- there are no substantial business or contracts in which the company is a party or in which there was an interest for a member of the Board of Directors and Senior Executives or for any person related to any of them during the fiscal year 2021 except for what was mentioned in this report as business with related parties.

4.17- Disclose details of treasury shares maintained by the Company, and details of utilizing such shares

The Company has maintained the treasury shares for employees as per the below details:

Number of Treasury shares maintained by the Company	Value (SAR)	Maintenance date	Utilization details
1,458,850	19,441,401	October 19, 2021	-

Corporate Governance

5- Corporate Governance

5.1- Provisions/items that do not apply to Al Masane Al Kobra Mining Co.

- 1- Al Masane Al Kobra Mining Co. has not granted cash loan of any kind to its Board members or rendered guarantees for loans entered into by a Board member with third parties.
- 2- Al Masane Al Kobra Mining Co. has no interest in the voting shares held by the Company. There are no classes and numbers for any convertible debt instruments, contractual securities, preemptive right, or similar rights that have been issued.
- 3- There are no rights, transfers, or underwriting under convertible debt instruments, contractual securities, underwriting notes, or similar rights issued or granted by the Company during the fiscal year.
- 4- There are no arrangements or agreements whereby a member of the Company's Board of Directors or a Senior Executive waived any remuneration and dividends.
- 5- There are no investments or reserves established for the benefit of the Company's employees.
- 6- There is no recommendation from the Board of Directors to change the auditor before the end of the period for which they are appointed.
- 7- The Company does not have any rights to transfer or subscribe under debt instruments convertible into shares

5.2- A description of any redemption, purchase, or cancellation of any redeemable debt instruments and the value of such securities outstanding

The Company did not issue, redeem, purchase or cancel any redeemable debt instruments.

5.3- Implemented and non-implemented provisions of Corporate Governance Regulations and justifications therefore

The Company currently complies with the mandatory governance requirements that apply to Saudi public joint stock companies, excluding some provisions mandatory only with respect to listed companies, which the Company is not currently in compliance as the Company's shares are not currently listed on the Exchange which the Company plans to comply during the year 2022, as follows:

1. Paragraph (a) of Article (8) providing that upon calling for the General Assembly, the Company shall announce on the Exchange's website information about the nominees for the membership of the Board.
2. Paragraph (c) of Article (8) providing that voting in the General Assembly shall be confined to the Board nominees whose information have been announced as per paragraph (a) of Article (8).
3. Paragraph (d) of Article (13) providing that the invitation to the General Assembly shall be published on the Exchange's, the Company's websites and in a daily newspaper published in the area where the Company's head office is located.
4. Paragraph (c) of Article (14) providing that the shareholders shall be allowed through the Company's website and the Exchange's website to obtain the information related to the items of the General Assembly's agenda, and to obtain the information related to the items of the General Assembly's agenda, particularly the reports of the Board and the external auditor, the financial statements and the Audit Committee's Report.

5. Paragraph (e) of Article (15) providing that the Company shall announce to the public and inform the Authority and the Exchange of the results of a General Assembly meeting immediately following its conclusion.
6. Paragraph (d) of Article (17) providing that the Company shall notify the Authority of the names of the Board members and description of their memberships, as well as any changes that may affect their membership, within 5 working days from such changes.
7. Paragraph (b) of Article (19) providing that upon the termination of the membership of a Board member, the Company shall promptly notify the Authority and the Exchange and shall specify the reasons for such termination.
8. Article (68) providing that the Company shall publish the nomination announcement on the websites of the Company and the Exchange to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least a month from the date of the announcement.

The Company currently complies with the mandatory governance requirements that apply to Saudi public joint stock companies, excluding some guidance provisions only with respect to listed companies, which the Company is not currently in compliance as the Company's shares are not currently listed on the Exchange and the Company plans to comply with the guidance provisions, as follows:

Article	Item No	Requirements
41	(e)	Assessment The Board of Directors shall make necessary arrangements to obtain an assessment of its performance from a competent third-party every three years.
41	(f)	Assessment The Non-Executive Directors shall carry out periodic assessment of performance of the Chairman
70		Formation of Risk Management Committee
72		The Risk Management Committee shall meet periodically (at least each six months) and whenever necessary.
85	2	Employee Incentives Establishing a scheme for granting Company shares or a percentage of Company profits and pension programs for employees and setting up an independent fund for such program.
85	3	Employee Incentives Establishing social institutions for benefit of the Company employees.
87		Social Responsibility
88	1	Social Initiative Establish measurement indicators that link the Company's performance to its social work initiatives and compare it to other companies engaged in similar activities.
88	4	Social Initiative Establishing awareness programs to the community to familiarize them with Company's social responsibility.
95		Formation of a Corporate Governance Committee

COMPANY PERFORMANCE

6- Performance

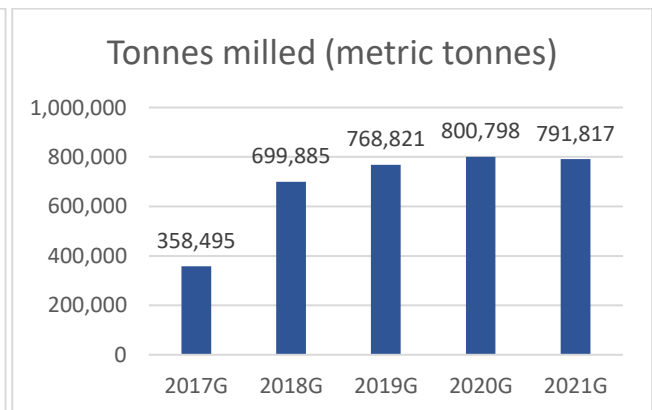
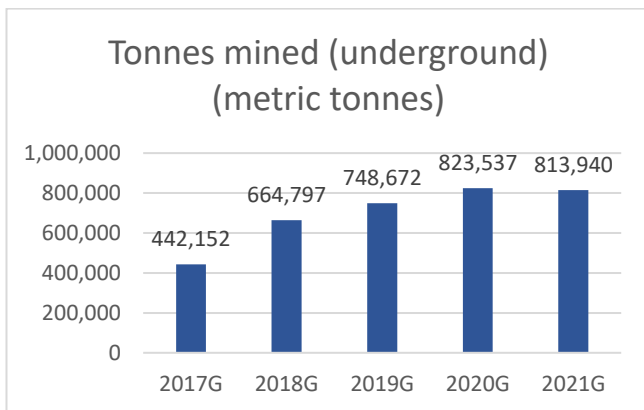
6.1- Operational performance

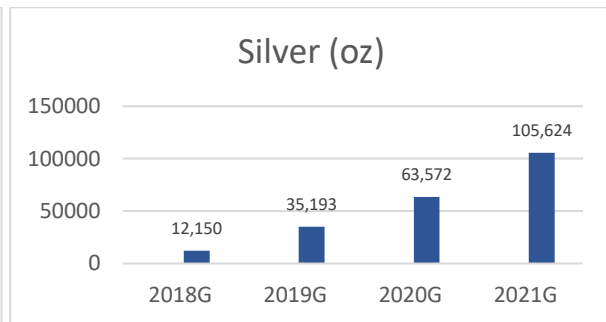
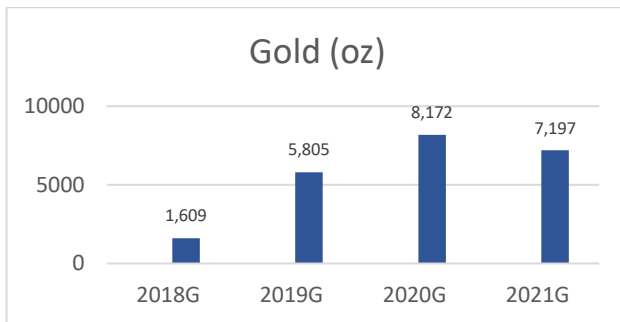
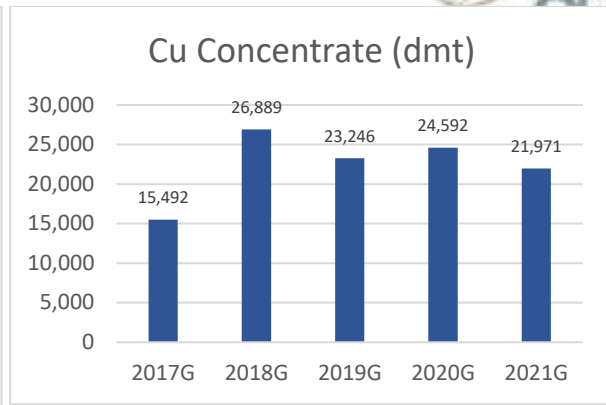
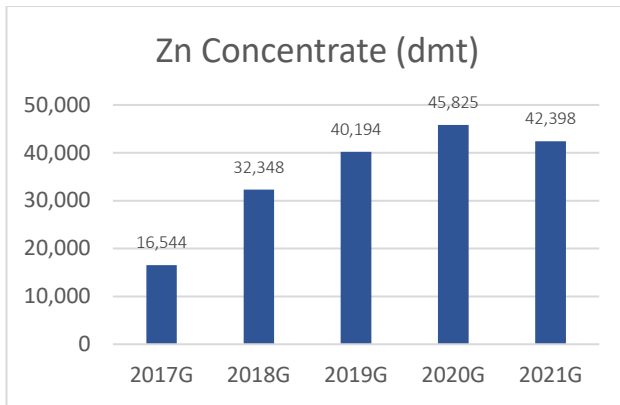
The Company's primary operations are the operation of the Al Masane Mine and Guyan Mine. Al Masane Mine is located at the main Al Masane mining camp and produces copper and zinc concentrates and silver and gold Doré. The Guyan Mine (started commercial production in 2021) is located approximately 12km from the Al Masane Mine and produces gold and silver Doré.

6.2- Al Masane mine production statistics

The following table shows the production of Ore, Mill throughput, production of Copper and Zinc concentrates and Gold and Silver dore for the last five years.

Year	Al Masane Mine				
	2017G	2018G	2019G	2020G	2021G
Production statistics					
Tonnes mined (underground) (metric tonnes)	442,152	664,797	748,672	823,537	813,940
Cu (%)	1.01	1.02	0.94	1.01	0.83
Zn (%)	3.24	3.55	3.74	4.42	3.64
Au (gpt)	-	0.92	0.96	1.02	0.9
Ag (gpt)	23.31	29.49	30.81	37.14	32.74
Tonnes milled (metric tonnes)	358,495	699,885	768,821	800,798	791,817
Cu (%)	1.1	1.1	0.97	1	0.82
Zn (%)	3.2	3.27	3.54	3.74	3.36
Au (gpt)	1	0.86	1.12	0.95	0.98
Ag (gpt)	19.7	25.62	28.1	33.13	32.73
Cu Recovery (%)	72.8	80.78	80.69	81.12	78.68
Zn Recovery (%)	63.4	72.73	79.85	80.53	79.89
Zn Concentrate (dmt)	16,544	32,348	40,194	45,825	42,398
Cu Concentrate (dmt)	15,492	26,889	23,246	24,592	21,971
Gold (oz)	-	1,609	5,805	8,172	7,197
Silver (oz)	-	12,150	35,193	63,572	105,624





6.3- Guyan Gold Mine production statistics

The following table shows the Mill throughput, production of Gold for the year 2021.

Guyan Gold Mine	2021G
Tonnes milled (metric tonnes)	350,338
Gold (oz)	17,706

*Guyan Gold Mine is a new mine commissioned during the year 2021.

6.4- Financial performance

Explain any significant differences in operational results compared to preceding year's results

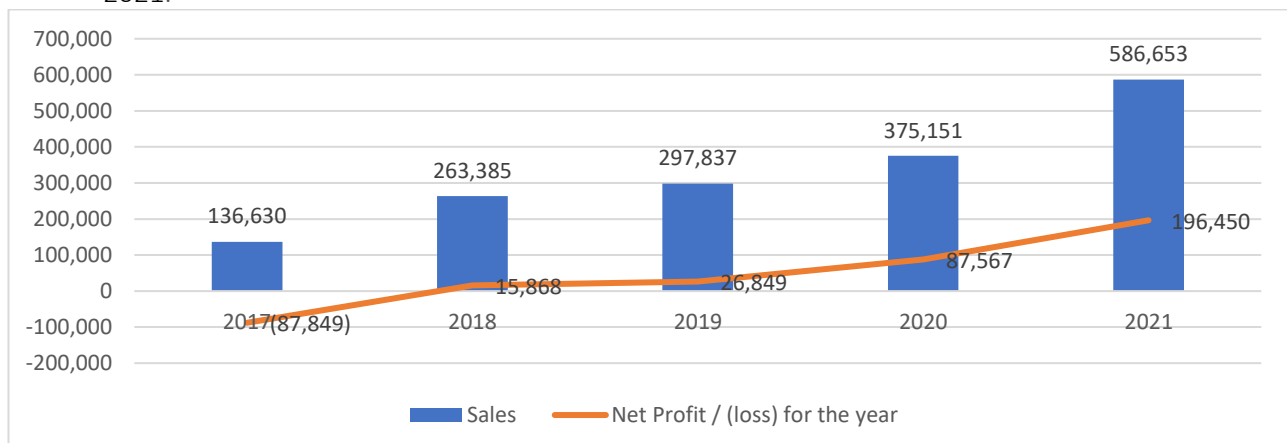
(SAR 000)	2021	2020	Variance	Change (%)
Sales	586,653	375,151	211,502	56.4%
Cost of sales	(318,956)	(249,892)	(69,064)	27.6%
Gross profit	267,697	125,259	142,438	113.7%
Selling and marketing expenses	(28,641)	(16,543)	(12,098)	73.1%
General and administrative expenses	(22,441)	(19,980)	(2,461)	12.3%
Operating income/(loss)	216,615	88,736	127,879	144.1%
Finance cost	(13,547)	(6,752)	(6,795)	100.6%
Other (expenses) / income, net	65	208	(143)	(69%)

Profit / (loss) before zakat and income tax	203,133	82,192	120,941	147.1%
Zakat expense	(8,845)	(2,308)	(6,537)	283.2%
Income tax credit, net	2,977	8,919	(5,942)	(66.6%)
Profit / (loss) for the year	197,265	88,803	108,462	122.1%
Actuarial (loss) / gain on End of Service	(815)	(1,236)	421	(34%)
Net Profit / (loss) for the year	196,450	87,567	108,883	124.3%

6.5- Business results comparison

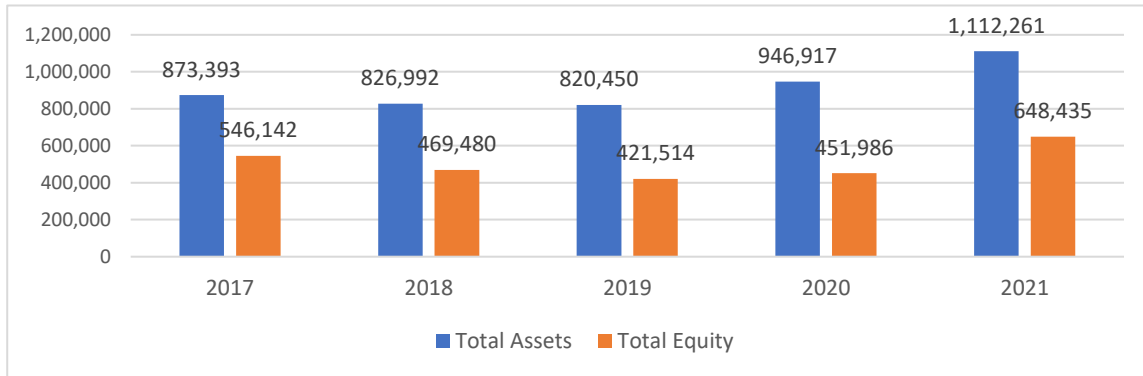
(SAR 000)	2017	2018	2019	2020	2021
Sales	136,630	263,385	297,837	375,151	586,653
Cost of sales	(193,067)	(196,353)	(218,960)	(249,892)	(318,956)
Gross profit	(56,437)	67,032	78,877	125,259	267,697
Selling and marketing expenses	(7,257)	(17,395)	(20,420)	(16,543)	(28,641)
General and administrative expenses	(17,583)	(21,281)	(20,272)	(19,980)	(22,441)
Operating income/(loss)	(81,277)	28,356	38,185	88,736	216,615
Finance cost	(7,370)	(7,120)	(6,662)	(6,752)	(13,547)
Other (expenses) / income, net	798	323	2091	208	65
Profit / (loss) before zakat and income tax	(87,849)	21,559	33,614	82,192	203,133
Zakat expense	-	(3,393)	(4,476)	(2,308)	(8,845)
Income tax credit, net	-	(2,298)	(1,850)	8,919	2,977
Profit / (loss) for the year	(87,849)	15,868	27,288	88,803	197,265
Actuarial (loss) / gain on End of Service	-	-	(439)	(1,236)	(815)
Net Profit / (loss) for the year	(87,849)	15,868	26,849	87,567	196,450

The following graph shows the evolution of net sales and net profits (losses) during five years from 2017 to 2021.



The Company's assets, liabilities and business results in the last five years

The following graph shows the development of assets and equity during the five years from 2017 to 2021.



SAR (000)	2017	2018	2019	2020	2021
Current Assets	103,839	196,518	197,359	202,906	368,224
Non-current Assets	769,554	630,474	623,091	744,011	744,037
Total Assets	873,393	826,992	820,450	946,917	1,112,261
Current Liabilities	29,961	71,569	104,245	149,340	198,537
Non-current Liabilities	297,290	285,943	294,691	345,591	265,289
Total Liabilities	327,251	357,512	398,936	494,931	463,826
Shareholder's Equity					
Share Capital	780,000	820,000	820,000	820,000	563,288
Statutory reserve	155,707	1,742	4,427	4,427	19,726
Treasury shares	-	-	(74,713)	(131,809)	(19,441)
Retained earnings / (Loss)	(389,565)	(352,262)	(328,200)	(240,632)	84,862
Total Equity	546,142	469,480	421,514	451,986	648,435
Total Equity and Liabilities	873,393	826,992	820,450	946,917	1,112,261

6.6- Geographical analysis of the total revenues of the Company and its subsidiaries

All products of the Company are being exported to foreign customers with the below geographical breakdown:

Geographical Area	2020		2021	
	Revenue	Percentage	Revenue	Percentage
	SAR (000)		SAR (000)	
United Kingdom	318,208	85%	428,607	73%
Europe	56,943	15%	158,046	27%

6.7- Disclosure of the total indebtedness of the Company and any amounts paid by the Company for repayment of the loans for the year, amount of the principal debts, the name of the grantor, loan term and remaining amount

Loans movement	Saudi Industrial Development Fund	Banque Saudi Fransi	Total
	SAR (000)	SAR (000)	SAR (000)
Principal Amount	424,300	50,000	474,300
Opening balance 01-Jan-21	343,118	50,000	393,118
Additions	17,360	-	17,360
Payments	(74,984)	(17,906)	(92,890)
Interest	10,304	1,240	11,544
Closing balance 31-Dec-21	295,798	33,333	329,131

6.8- Social contributions

The Company believes in positive role in the society where it operates. In addition, Company takes care of environmental safety and health of those in the vicinity of its operations. AL Masane Al Kobra Mining Co.'s environmental monitoring program is enhanced to comply with new environmental regulatory standards and has take following steps to mitigate the risks related to environmental hazards as well as fulfills corporate social responsibility:

1. Implementing operations within the framework of environmental management plan.
2. Developing and maintaining, procedures, management controls to ensure environmental considerations
3. Preserving energy and management of greenhouse emissions
4. Professional planning of closure of mines
5. Management of water treatment, air pollution and chemical waste
6. Continuously educating local communities on our operational activities and their effects
7. Local development initiative within the nearby communities to create sustainable opportunities
8. Provision of work opportunities for the locals at the mine site
9. Preference is given to local, and national goods and services when buying for mining operations.
10. Preference is given to local small and medium companies with contracts of tens of millions.

During the financial year ended December 31, 2021, total purchases amounted to around SAR 256 million both domestically and internationally. Total of domestic purchases amounted to around SAR 178 million which constitute of around 69.5% of total purchases with the following regional breakdown:

Domestic Source	Amount SAR (000)	Regional Distribution	Amount SAR (000)
Abha	24,526	JEDDAH	108,480
Al Joshan	12,092	ASIR	24,526
Al Sufah	478	NAJLAN	21,530
Dammam	17,978	DAMMAM	17,978
Habouna	18	RIYADH	2,950
Jazan	2,334	JAZAN	2,334
Jeddah	108,480	KSA Grand Total	177,797
Najran	8,942		
Riyadh	2,950		
KSA Grand Total	177,797		

6.9- A statement of the value of the statutory payments due and payable on account of any zakat, taxes, fees or other charges, which have not been paid until end of the annual financial period with a brief description and reasons.

Details	2021		Details	Reasons
	Paid /(Received) (SAR)	Amount due till end of financial year but not paid /(receivable) (SAR)		
Zakat & Tax	14,927,664	15,138,515	The company is subject to the regulations of the General Authority for Zakat and Income	Due amount to be paid in Apr 2022
Severance fee	8,756,154	20,200,621	The company is subject to the regulations of the Ministry of Industry and Mineral Resources	Due amount to be paid in Apr 2022
GOSI	25,947,391	6,254,252	The Company is subject to the social insurance system	Due amount to be paid in Jan 2022.
VAT	2,579,260	244,067	The company is subject to the regulations of the General Authority for Zakat and Income	Due amount to be Received after ZATCA audit 2022.
Cost of Visa & Passport	1,040,832	-	The Company renews residence permits for its workers, as well as exit and return visas.	--

Risk Management

7- Risk and Future Outlook

7.1- Information about any risks the Company faces (whether operational or financing risks or market risks) and the policy for managing and monitoring these risks.

The Board of Directors is exerting all efforts to establish strong foundations to support the Company in carrying out its operations, developing resources and expanding activities. Company's risk management system aims to protect strategic objectives and activities, commitment to follow provisions of Corporate Governance regarding risk management and disclosure, increase efficiency of management, seize opportunities to increase value of Company assets and profitability in the long run. The Board of Directors, according to the information available to it, confirms that there is no doubt about the Company's ability to continue its activities.

Potential risks which may affect Company's future plans include but not limited to - increase in fuel prices supplied by ARAMCO, expansion of production capacity by existing Mines, decline in metal prices, higher freight and transport costs, higher raw material costs, higher costs and fees for expatriates' employment, political conditions in Najran border.

Risk of Novel Coronavirus (COVID-19) – The Outbreak of novel coronavirus in early 2020 spread disruptions to business and economic activity globally including the Kingdom of Saudi Arabia. However, the Company managed to maintain its profitable position. The Covid-19 pandemic has not impacted the economic activity and the Company's business. The impact of Covid-19 may continue to evolve, but the management believes that Company has sufficient resources to continue in operational existence.

The Company's principal financial liabilities comprise loans and borrowings, lease liabilities, trade payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables and cash and cash equivalents.

The Company's activities expose it to a variety of financial risks: market risk (including commission rate risks, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Company's financial performance.

a. Market Risk.

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

b. Commission rate risk

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company's commission rate risks arise mainly from its loans and borrowings, which are at floating rate of commission and are subject to re-pricing on a regular basis. The Company monitors the fluctuations in commission rate.

c. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyal and United States Dollars.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations as the majority of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not expose to foreign currency exposure.

d. Commodity price risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces which is mainly copper, zinc, silver and gold which it sells into global markets. The market prices of copper, zinc, silver and gold are the key drivers of the Company's capacity to generate cash flow. The Company is predominantly an unhedged producer to provide its shareholders with exposure to changes in the market price of copper, zinc, silver and gold. The analysis is based on the assumption that the copper, zinc, silver and gold prices move 10% with all other variables held constant.

e. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed as per the Company's established policy, procedures and control relating to customer credit risk management. Outstanding trade receivables are regularly monitored, and any credit concerns highlighted to senior management. The Company currently has only one major customer which account for sales of approximately SAR 445.4 million for the year ended 31 December 2021 (2020: SAR 326.6 million). Trade accounts receivable are shown net of impairment based on expected credit loss model as required by IFRS 9.

An impairment analysis is performed at reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money

and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity if the cost of such activity is expected to be higher than the benefit of doing so. The Company does not hold collateral as security. The letters of credit and other forms of security, if any, are considered integral part of trade receivables and considered in the calculation of impairment.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Company's policy. Investments of surplus funds are made only with commercial banks with sound credit ratings. The Company's maximum exposure to credit risk for the cash and cash equivalents, trade and other receivables as at 31 December 2021 and 2020 is equal to the respective carrying amounts.

f. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is the contractual undiscounted maturity analysis of the financial liabilities of the Company. The Company does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

AKAM's Future Outlook and Mineral Resources and Reserves

8.1- A description of the Company's significant plans and decisions (including changes to the structure, expanding the company's operations or halting them) and the future expectations

a. Capital Projects

The Company plans to expand its current activity by further developing the Moyeath orebody development project for the purpose of increasing the productive capacity of Al Masane underground mine. In addition, the Company plans to expand its exploration activities by conducting further drilling programs to identify further Mineral Resources and the existing copper, gold, zinc, nickel prospects which are under the Exploration Licenses of Al Masane, Guyana and Qatan.

b. Saudization Program.

In order to build the AMAK of tomorrow the Company believes in the importance of a diverse workforce and an inclusive environment. Company is continuously working towards attracting and developing local workforce as part of its Saudization program. Despite the unprecedented challenges caused by Covid-19 pandemic, the Company committed in implementing the Saudization plan and could raise percentage of Saudization.

The Company has developed training plan for its employees and conducting individual development program for Saudi technical employees so that they can assume larger roles in the future through specialized training programs and work plans based on annual performance and skills evaluation.

8.2- AMAK Mineral Resource Statements December 2021 in accordance with JORC 2012

Introduction

The Mineral Resource and Ore Reserves of a mining company are key assets of the business.

The Ore Reserve and Mineral Resource estimates in this report were prepared by Competent Persons in accordance with the requirements of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition (the JORC Code).

The JORC Code represents current global industry best practice for the reporting of Ore Reserves and Mineral Resources.

The reporting of Ore Reserve and Mineral Resource estimates by AMAK complies with the principles of transparency, materiality, and competence in the JORC Code for the estimation, classification, reporting, review, and presentation of this report.

The Mineral Resources and Ore Reserves terminology used in this report follows the definitions in the JORC Code. Additional terms are defined in the Glossary.

Qualifications / Competent Persons

The review has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code, 2012 Edition ("JORC Code"). This project has been overseen and managed by Guy Dishaw who takes overall responsibility for the work completed.

Guy Dishaw (P.Geo (CP)), a Principal Mining Geologist at SRK, who has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person ("CP") as defined in the JORC Code for the Mineral Resource and. Guy was assisted in the Mineral Resource review by Laura Donegan (CGeol), a Resource Geologist.

Guy Dishaw has undertaken three site visits to Al Masane. The first was undertaken in April 2016 and consisted of underground mapping of all exposures at Sadaah and Al Houra which informed both the 2016 Al Masane MRE and the MRE update for the Sadaah deposit in 2017. The second site visit was conducted in October 2016 at the beginning of the underground drill program. The third visit was conducted in March 2022 and verified the data collection procedures, inspection of drill core, geological mapping, and underground and surface mine visits.

Al Masane Al Kobra Copper, Zinc , Gold , Silver Mine

Mineral Resource Statement for Al Masane Al Kobra Mine, Kingdom of Saudi Arabia, as of December 2021.

Mineral Resource Category	Deposit	Tonnes (Mt)	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)	CuEq (%)
Measured	Saddah	1.13	1.14	4.58	1.02	32.94	3.40
	Alhoura	1.57	0.92	4.00	0.88	30.09	2.89
	Moyeath	0.14	1.21	13.73	1.87	116.45	7.33
Indicated	Saddah	1.59	1.39	3.75	0.84	23.59	3.22
	Alhoura	0.66	0.84	3.88	1.28	35.56	3.10
	Moyeath	1.86	0.79	7.61	1.38	56.19	4.34
Measured+Indicated		6.95	1.03	5.19	1.09	38.31	3.55
Inferred	Saddah	0.67	1.19	3.02	0.80	25.87	2.80
	Alhoura	0.03	0.70	3.53	0.74	25.31	2.41
	Moyeath	0.38	0.57	4.68	1.75	54.87	3.54
Inferred		1.08	0.96	3.62	1.13	36.05	3.05
Total M&I&I Mineral Resource		8.03	1.02	4.98	1.09	38.00	3.48

- Mineral Resources are not Ore Reserves and do not have demonstrated economic viability.
- Mineral Resources are reported Inclusive of Mineral Reserves.
- The long-term commodity price assumption is USD8,450/t for Cu, USD3,000/t for Zn, USD24.75/oz for Ag and USD1,760/oz for Au. The underground Mineral Resources are reported within broad regions identified by the MSO as satisfying RPEEE above a 1.0 %Cu equivalent value.
- The reported Mineral Resources have an effective date of 31 December 2021. The Competent Person for the declaration of Mineral Resources is Guy Dishaw, P.Geo., of SRK Consulting (UK) Ltd.
- The Mineral Resource estimate was prepared by AMAK personnel and has been reviewed by SRK. The Mineral Resource estimate considers drilling and sampling data up to early December 2021 and has been depleted by survey volume representing mining to 31 December 2021.
- Mineral Resources are reported as undiluted. No mining recovery has been applied in the Statement.
- Areas identified as sill pillars (due to the mining design) have been excluded from the resource.
- Tonnages are reported in metric units, grades in grams per tonne (g/t) and in per cent (%). Tonnages and grade totals are rounded appropriately.
- Rounding, as required by reporting guidelines, may result in apparent summation.
- This Draft Mineral Resource Statement has been prepared as an interim step at the specific request of AMAK. SRK will prepare the final Mineral Resource Statement upon completion of SRK's independent review and verification of all of the data supporting the MRE. The independent review may result in changes to the above Draft Mineral Resource Statement.

Jabal Guyan Gold Mine

Mineral Resource Statement for Jabal Guyan, Kingdom of Saudi Arabia, as of December 2021.

Project	Type	Category	Quantity		Au	
			kt	g/t	k oz	
Jabal Guyan	Open Pit	Indicated	1,788	2.45	140.8	
		Inferred	347	2.4	26.8	
		Indicated, and Inferred	2,135	2.4	167.6	
	Underground	Indicated	300	2.09	20.2	
		Inferred	665	2.4	51.3	
		Indicated, and Inferred	965	2.3	71.5	

- Mineral Resources are not Ore Reserves and do not have demonstrated economic viability;
- The long-term commodity price assumption is USD1,800/oz Au.
- The open pit Mineral Resource are reported within an optimised pit shell above a 0.6 g/t Au cut-off, and the underground Mineral Resources are reported outside the open pit shell within contiguous regions identified by the MSO as satisfying RPEEE above a 1.2 g/t Au cut-off grade.
- The reported Mineral Resources have an effective date of 31 December 2021. The Competent Person for the declaration of Mineral Resources is Guy Dishaw, P.Geo., of SRK Consulting (UK) Ltd.
- The Mineral Resource estimate was prepared by AMAK personnel and has been reviewed by SRK. The Mineral Resource estimate considers drilling and sampling data up to December 2021 and has been depleted by survey volumes representing mining to 31 December 2021.
- Mineral Resources are reported as undiluted. No mining recovery has been applied in the Statement.
- Mineral Resources are reported inclusive of Mineral Reserves.
- Tonnages are reported in metric units, grades in grams per tonne (g/t), and the contained metal in kilo troy ounces. Tonnages, grades, and contained metal totals are rounded appropriately.
- Rounding, as required by reporting guidelines, may result in apparent summation.
- This Draft Mineral Resource Statement has been prepared as an interim step at the specific request of AMAK. SRK will prepare the final Mineral Resource Statement upon completion of SRK's independent review and verification of all of the data supporting the MRE. The independent review may result in changes to the above Draft Mineral Resource Statement.

Al Aqiq

Mineral Resource Statement for Al Aqiq, Kingdom of Saudi Arabia, as of December 2021.

Project	Type	Category	Quantity		Au	
			kt	g/t	k oz	
Al Aqiq	Open Pit	Inferred	373	2.3	27.6	
		Total	373	2.3	27.6	
	Underground	Inferred	52	2	3.3	
		Total	52	2	3.3	
	Total Open Pit and Underground			425	2.3	30.9

- Mineral Resources are not Ore Reserves and do not have demonstrated economic viability;
- The long-term commodity price assumption is USD1,800/oz Au.
- The open pit Mineral Resource are reported within an optimised pit shell above a 0.5 g/t Au cut-off, and the underground Mineral Resources are reported outside the open pit shell within broad regions identified by the MSO as satisfying RPEEE above a 1.2 g/t Au cut-off grade.
- The reported Mineral Resources have an effective date of 31 December 2021. The Competent Person for the declaration of Mineral Resources is Guy Dishaw, P.Geo., of SRK Consulting (UK) Ltd.
- The Mineral Resource estimate was prepared by AMAK personnel and has been reviewed by SRK. The Mineral Resource estimate considers drilling and sampling data up to December 2021, no mining has occurred at the Project to date.
- Mineral Resources are reported as undiluted. No mining recovery has been applied in the Statement.
- Mineral Resources are reported inclusive of Mineral Reserves.
- Tonnages are reported in metric units, grades in grams per tonne (g/t), and the contained metal in kilo troy ounces. Tonnages, grades, and contained metal totals are rounded appropriately.
- Rounding, as required by reporting guidelines, may result in apparent summation.
- This Draft Mineral Resource Statement has been prepared as an interim step at the specific request of AMAK. SRK will prepare the final Mineral Resource Statement upon completion of SRK's independent review and verification of all of the data supporting the MRE. The independent review may result in changes to the above Draft Mineral Resource Statement.

QV8

Mineral Resource Statement for QV8, Kingdom of Saudi Arabia, as of December 2021.

Project	Type	Category	Quantity		Au
			kt	g/t	k oz
Qv-08	Open Pit	Inferred	117	2.9	10.9
		Total	117	2.9	10.9

- Mineral Resources are not Ore Reserves and do not have demonstrated economic viability.
- The long-term commodity price assumption is USD1,800/oz Au.
- The open pit Mineral Resource are reported within an optimised pit shell above a 0.8 g/t Au cut-off as satisfying RPEEE.
- The reported Mineral Resources have an effective date of 31 December 2021. The Competent Person for the declaration of Mineral Resources is Guy Dishaw, P.Geo., of SRK Consulting (UK) Ltd.
- The Mineral Resource estimate was prepared by AMAK personnel and has been reviewed by SRK. The Mineral Resource estimate considers drilling and sampling data up to December 2021, no mining has occurred at the Project to date.
- Mineral Resources are reported as undiluted. No mining recovery has been applied in the Statement.
- Mineral Resources are reported inclusive of Mineral Reserves.
- Tonnages are reported in metric units, grades in grams per tonne (g/t), and the contained metal in kilo troy ounces. Tonnages, grades, and contained metal totals are rounded appropriately.
- Rounding, as required by reporting guidelines, may result in apparent summation.
- This Draft Mineral Resource Statement has been prepared as an interim step at the specific request of AMAK. SRK will prepare the final Mineral Resource Statement upon completion of SRK's independent review and verification of all of the data supporting the MRE. The independent review may result in changes to the above Draft Mineral Resource Statement.

AMAK Ore Reserves Statements December 2021 in accordance with JORC 2012

Al Masane Al Kobra Copper, Zinc, Gold, Silver Mine

ALL	Designed Tons (x1,000,000)	Cu (%)	Zn (%)	Au (gr/ton)	Ag (gr/ton)	CuEq (%)
PROVEN	3.87	0.60	2.83	0.59	22.20	2.03
PROBABLE	4.34	0.76	4.63	0.92	33.93	3.04
PRN+PRB	8.21	0.69	3.78	0.76	28.40	2.56

- Updated March 2022
- Compiled by Competent person Sinan Burak Avci, AMAK employee, member of the AusIMM, 326493

Jabal Guyan Gold Mine

OP	Ore Reserve (Mton)	Au (gr/ton)
PROVEN	-	-
PROBABLE	1.34	2.38
Sub Total	1.34	2.38
UG	Ore Reserve (Mton)	Au (gr/ton)
PROVEN	-	-
PROBABLE	2.72	1.65
Sub Total	2.72	1.65
OP + UG	Ore Reserve (Mton)	Au (gr/ton)
PROVEN	-	-
PROBABLE	4.07	1.82
Total	4.07	1.82

- Updated EoM Feb 2022
- Complied by Competent person Nihat Soyer, AMAK employee, member of the AusIMM, 3053695.

Glossary

Mineral Resource

A Mineral Resource is a concentration or occurrence of material of economic interest in or on the Earth's crust in such form, grade, quality, and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity, and other geological characteristics of a Mineral Resource are known, estimated, or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided in order of increasing geological confidence into Inferred, Indicated and Measured categories.

Inferred Mineral Resource

An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality are estimated from limited geological evidence and sampling. Geological evidence is sufficient to imply, but not verify, geological and grade continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes.

An Inferred Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that most of an Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.

Indicated Mineral Resource

An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling, and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade/quality continuity between points where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.

Measured Mineral Resource

A measured Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling, and testing

gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes and is sufficient to confirm geological and grade/quality continuity between points where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.

Modifying Factors

Modifying Factors are considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to mining, processing metallurgical, infrastructure, economic, marketing, legal, environmental, social, and governmental factors.

Ore Reserve

An Ore Reserve is the economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level, which include the application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The key underlying assumptions and outcomes of the prefeasibility study or feasibility study must be disclosed at the time of reporting of a new or materially changed Ore Reserve. Ore Reserves are sub-divided in order of increasing confidence into Probable and Proved classifications.

Probable Ore Reserve

A Probable Ore Reserve is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the modifying factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.

Proved Ore Reserve

A Proved Ore Reserve is the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors. A Proved Ore Reserve represents the highest confidence category of an Ore Reserve estimate. The style of mineralisation or other factors could mean that Proved Ore Reserves are not achievable in some deposits.

Reserve Life

Reserve life is the remaining years of mining and processing according to the life of mine plan in the Ore Reserve report.

Grade

Grade is the estimate of the quantity, percentage or quality of a metal or mineral contained within a

mineral deposit.

Cutoff grade

Cutoff grade is the grade above or below which the Mineral Resource or Ore Reserve is economic.

Mining Depletion

Mining depletion is the reduction in the Ore Reserve or Mineral Resource due to annual mine production estimated from mine survey and production reconciliation.

New Data

New data are new data from drilling, sampling, chemical analysis, geotechnical, metallurgical, or technical studies.

Cost Factors

Cost factors are the operating, capital, processing, and transport costs used to estimate the economics of extraction of the Mineral Resource and economic mineability of the Ore Reserve.

Estimation methodology

Estimation methodology is method which is used by the Competent Person to estimate the tonnes, grade, quality or confidence level of the estimates to classify the Mineral Resource or Ore Reserve

Life of Mine Plan

The Life of Mine Plan is the approved long-term plan for the design, development, ore extraction and processing of a mine in an Ore Reserve report by a Competent Person.

Revenue Factors

Revenue factors are changes in the sale prices of the mineral commodity and foreign currency exchange rates used to convert the international market price to the local currency.

Stockpiles

Stockpile changes are annual changes in the tonnage and grade or classification of the Mineral Resource or Ore Reserve classification of ore in temporary storage after mining but before processing.

THE RIGHTS OF SHAREHOLDERS

9- Rights of Shareholders

9.1- Shareholders' proposals and observations regarding the Company and its performance

The Board of Directors shall be notified, through the Chairman of the Board, of the shareholders' proposals and their notes regarding the Company and its performance, or any other proposals. Note that the Company provided several channels to communicate with shareholders on its website.

9.2- A description of the Company's dividend distribution policy

The Company's annual net profits shall be allocated as follows:

- Ten percent (10%) of the net profits shall be retained to form a statutory reserve. The Ordinary General Assembly may discontinue such retention if the reserve reaches 30% of the paid capital.
- The Ordinary General Assembly may, based on a proposal by the Board, retain a percentage of the net profits not more than (10%) to form an additional reserve to be allocated for supporting the Company.
- The Ordinary General Assembly may resolve to retain other reserves to the extent that serves the Company's interest or ensures, as far as possible, consistent distribution of dividends to shareholders. The Assembly may also deduct from the net profits amounts to establish social institutions for the Company's employees or to assist existing institutions.
- Out of the balance of the profits, if any, there shall be paid to the Shareholders an initial payment of not less than 5% (five percent) percent of the paid-up capital.
- Subject to provisions in Article (24) herein, and Article (76) of Companies Law, 10% (ten percent) of the remaining amount shall be paid as compensation to the Board of Directors with a maximum of (SAR 500,000) Five Hundred Thousand SAR, provided that entitlement of such remuneration shall be in proportion to number of sessions the member has attended.
- The company may distribute interim dividends to its shareholders on a semi-annual or quarterly basis, in accordance with the regulatory controls and procedures issued in implementation of the Companies Law.

**AL MASANE AL KOBRA MINING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REPORT**

31 DECEMBER 2021

**AL MASANE AL KOBRA MINING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2021**

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Al Masane Al Kobra Mining Company (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other 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.

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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the SOCPA and the provisions of Companies' Law and Company's By-laws, 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.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of 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 auditor's 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AL MASANE AL KOBRA MINING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)**

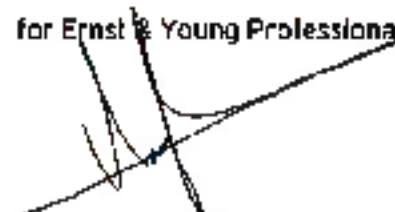
Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young Professional Services


Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476

Jeddah: 18 Sha'ban 1443H
21 March 2022G



AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2021	2020
ASSETS			
NON-CURRENT ASSETS			
Mine properties	7	276,927,421	385,825,168
Property, plant and equipment	8	426,891,258	333,976,628
Right-of-use assets	9	7,869,659	9,166,730
Long term deposits		675,039	195,471
Deferred tax	20	31,673,767	14,847,164
TOTAL NON-CURRENT ASSETS		744,037,144	744,011,161
CURRENT ASSETS			
Inventories	10	71,349,271	62,937,889
Trade and other receivables	11	182,649,939	82,933,080
Advances and prepayments	12	39,505,206	21,865,726
Cash and cash equivalents	13	74,719,638	35,169,618
TOTAL CURRENT ASSETS		368,224,054	202,906,313
TOTAL ASSETS		1,112,261,198	946,917,474
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14.1	563,288,650	820,000,000
Statutory reserve	14.2	19,726,477	4,427,449
Retained earnings / (accumulated losses)		84,862,352	(240,632,501)
Treasury stock	14.1	(19,441,401)	(131,808,900)
TOTAL EQUITY		648,436,078	451,986,048
NON-CURRENT LIABILITIES			
Loans and borrowings	15	120,464,415	306,451,203
Lease liabilities	9	974,478	2,225,106
Provision for mine closure cost	16	34,448,813	30,012,302
Employee benefits	17	9,399,663	6,902,591
TOTAL NON-CURRENT LIABILITIES		265,287,369	345,591,202
CURRENT LIABILITIES			
Loans and borrowings – current portion	15	108,666,668	86,666,668
Lease liabilities – current portion	9	2,555,292	3,830,204
Trade payables	18	18,052,017	16,554,026
Accruals and other non-financial liabilities	19	33,924,638	26,115,386
Provision for zakat and income tax	20	15,138,515	7,417,786
Provision for severance fees	21	20,200,621	8,756,154
TOTAL CURRENT LIABILITIES		198,537,751	149,340,224
TOTAL LIABILITIES		463,825,120	494,931,426
TOTAL EQUITY AND LIABILITIES		1,112,261,198	946,917,474

Finance Director

Chief Executive Officer

Chairman

The attached notes from 1 to 37 form an integral part of these financial statements.

AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 For the year ended 31 December 2021
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
Revenue, net	22	586,653,318	373,130,732
Cost of revenue		(318,935,821)	(249,891,654)
GROSS PROFIT		267,697,497	125,239,098
Selling and marketing expenses	23	(28,641,496)	(16,542,562)
General and administrative expenses	24	(22,441,585)	(19,979,880)
OPERATING PROFIT		216,614,416	88,736,656
Finance costs	25	(13,546,970)	(6,751,853)
Other income		65,093	207,650
PROFIT BEFORE ZAKAT AND INCOME TAX		203,132,539	82,192,453
Zakat expense	20	(8,844,831)	(2,307,918)
Income tax credit, net	20	2,977,061	8,919,172
NET PROFIT FOR THE YEAR		197,264,769	88,803,707
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to statement of profit or loss in subsequent periods:</i>			
Re-measurement loss on defined benefit plans	17	(860,719)	(1,298,421)
Deferred tax relating to actuarial loss	20	45,980	62,454
		(814,739)	(1,235,967)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		196,450,030	87,567,740
EARNINGS PER SHARE:			
Basic earnings and diluted earnings per share attributable to ordinary equity holders of the Company	26	3.60	1.62

 Finance Director
  Chief Executive Officer
  Chairman

The attached notes from 1 to 37 form an integral part of these financial statements.

AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings / (accumulated losses)	Treasury stock	Total
Balance as at 1 January 2020	820,000,000	4,427,449	(328,200,241)	(74,713,350)	421,513,858
Net profit for the year	-	-	88,803,707	-	88,803,707
Other comprehensive income for the year	-	-	(1,235,967)	-	(1,235,967)
Total comprehensive income for the year	-	-	87,567,740	-	87,567,740
Movement during the year	-	-	-	(57,095,550)	(57,095,550)
Balance as at 31 December 2020	820,000,000	4,427,449	(240,632,501)	(131,808,900)	451,986,048
Reduction of share capital (note 14.1 (c))	(353,000,000)	-	240,632,501	112,367,499	-
Net profit for the year	-	-	197,264,769	-	197,264,769
Other comprehensive income for the year	-	-	(814,739)	-	(814,739)
Total comprehensive income for the year	-	-	196,450,030	-	196,450,030
Increase in share capital (note 14.1 (d))	96,288,650	(4,427,449)	(91,861,201)	-	-
Transfer to statutory reserve (note 14.2)	-	19,726,477	(19,726,477)	-	-
Balance as at 31 December 2021	563,288,650	19,726,477	84,862,352	(19,441,401)	648,436,078

Finance Director

Chief Executive Officer

Chairman

The attached notes from 1 to 37 form an integral part of these financial statements.

AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
OPERATING ACTIVITIES			
Profit before zakat and income tax		203,132,539	82,192,453
<i>Adjustment to reconcile profit before zakat and income tax to net cash inflow from operating activities:</i>			
Depreciation, depletion and amortisation	7&8	91,551,919	57,092,234
Amortisation of right-of-use assets	9	1,659,621	1,344,434
Provision for slow moving items	10	-	920,000
Provision for employee benefits	17	2,586,297	2,330,715
Provision for severance fees	21	20,200,621	9,254,481
Finance costs		13,546,970	6,751,853
		332,677,967	159,836,170
<i>Working capital adjustments:</i>			
Inventories		(8,411,382)	(761,446)
Trade and other receivables		(99,716,859)	(33,289,608)
Advances and prepayments		(17,639,480)	27,991,320
Trade payables		1,497,991	(8,760,188)
Accruals and other non-financial assets		7,809,252	8,036,394
Long term deposits		(479,568)	-
Cash from operations		215,737,921	133,103,142
Zakat paid	20	(2,307,918)	(4,475,659)
Income tax paid	20	(12,619,746)	(1,920,221)
Severance fee paid	21	(8,756,154)	(2,498,328)
Employee benefits paid	17	(949,944)	(1,202,251)
Finance costs paid		(12,602,983)	(6,169,966)
Net cash flows from operating activities		178,801,176	116,836,717
INVESTING ACTIVITIES			
Additions in property, plant and equipment	8	(26,655,345)	(16,031,921)
Additions in mine properties	7	(51,420,933)	(134,860,114)
Net cash used in investing activities		(72,076,278)	(150,892,035)
FINANCING ACTIVITIES			
Advances to shareholders		-	2,861,341
Purchase of treasury shares		-	(57,095,550)
Proceeds from loans and borrowings		17,360,900	119,440,000
Payment of principal portion of loans and borrowings		(81,346,788)	(44,969,602)
Payment of principal portion of lease liabilities	9	(2,888,090)	(3,256,047)
Net cash (used in)/from financing activities		(66,874,878)	16,980,142
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		39,550,020	(17,075,176)
Cash and cash equivalents at the beginning of the year		35,169,618	52,244,794
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		74,719,638	35,169,618
SUPPLEMENTARY NON-CASH INFORMATION			
Transfer from advances to shareholders to treasury stock		-	2,861,341
Additions in right-of-use assets and lease liabilities	9	362,550	1,156,235
Reduction of share capital	14.1(c)	353,000,000	-
Increase in share capital	14.1(d)	96,288,650	-
Additions in deferred mine closure cost	7	3,492,524	12,805,068
Exploration and evaluation assets transferred to mine properties		-	40,663,796
Provision for mine closure cost	25	943,987	581,887

 Finance Director
  Chief Executive Officer
  Chairman

The attached notes from 1 to 37 form an integral part of these financial statements.

AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

1. COMPANY INFORMATION

Al Masane Al Kobra Mining Company ("the Company" or "AMAK") is a Saudi Closed Joint Stock Company approved by the Ministry of Commerce and Investment Decree Number 247/Q dated 9 Shawwal 1428H (corresponding to 21 October 2007) and registered in Jeddah under Commercial Registration No. 4030175345 on 7 Muharram 1429H (corresponding to 16 January 2008). During 2015, the head office of the Company was moved from Jeddah to Najran. Accordingly, Najran Commercial Registration No. 5950017523 dated 3 Duh Al-Qi'dah 1431H (corresponding to 11 October 2010) was modified to be main Commercial Registration. During the year, the Company obtained commercial registration number 5950123986 dated 22 Dhu Al-Hijjah 1442H (corresponding to 1 August 2021) of a new branch in Najran.

The registered office is located at P.O. Box 96, Najran, Kingdom of Saudi Arabia. The Company is engaged in mining of non-ferrous metal ores (aluminium, copper and lead), mining of ores of precious metals belonging to gold, silver and platinum group, and wholesaling precious metals and gemstones.

The Company commenced its commercial production on 1 July 2012. The principal activity of the Company is to produce zinc and copper concentrates and silver and gold dore as per the license Number 86/Q dated 13 Ramadhan 1429H (corresponding to 13 September 2008) issued by Ministry of Industry and Mineral Resources and expiring on 29 Duh Al-Qi'dah 1443H (corresponding to 28 June 2022). During the year, the Company renewed the license for further thirty years with license number 142941, starting from 30 June 2022 (corresponding to 1 Dhu Al-Hijjah 1443H).

In addition, the Company obtained the license number 9598/Q dated 24 Duh Al-Qi'dah 1436H (corresponding to 8 September 2015) for twenty years and expiring on 23 Duh Al-Qi'dah 1456H (corresponding to 2 February 2035) from the Ministry of Industry and Mineral Resources for the exploitation of gold and silver dore from accompanying site Mount Guyan Surface.

As at the reporting date, the Company has two mines namely Al Masane underground mine and Mount Guyan mine (2020: same). During the year, the Company has planned to expand its current activity by further developing the Moyeath orebody development project for the purpose of increasing the productive capacity of Al Masane underground mine.

During the year, the Company commenced the process for Initial Public Offering ("IPO") and Capital Market Authority ("CMA") approval was obtained in this regard on 22 December 2021 (corresponding to 18 Jumada Al-Ula 1443H). Further, on 18 November 2021 (corresponding to 13 Rabi Al-Thani 1443H), the shareholders of the Company, in an extraordinary general meeting, passed a resolution about the increase in the Company's share capital from SR 563,288,650 to SR 660,000,000 as part of the IPO process. The legal formalities in this regard are in progress at the year end.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs endorsed in KSA").

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis, except for employee benefit obligation which is recognized at the present value of future obligations using the projected unit credit method. Further, the financial statements are prepared using the accrual basis of accounting and going concern concept.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR), which is also the Company's functional and presentation currency.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, in view of the current uncertainties, including COVID-19 related uncertainties, any change in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is still evolving with future uncertainties, management will continue to assess the impact based on prospective developments (see also note 34).

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Sensitivity analyses disclosure (notes 17 & 30)
- Financial instruments risk management (note 30)
- Capital management (note 31)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting judgements, estimates and assumptions (continued)

3.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

3.1.1 Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Company's exploration and evaluation assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company has applied a number of estimates and assumptions.

3.1.2 Production start date

The Company assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, i.e. when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development/construction project, such as the complexity of the project and its location.

The Company considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Exploration and Evaluation Assets' to 'Mine properties' or 'Property, plant and equipment'. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in saleable form (within specifications)
- Ability to sustain ongoing production of metal

When a mine under development/construction moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions, improvements, underground mine development or mineable reserve development or stripping costs (waste removal). It is also at this point that depreciation/amortisation commences.

3.1.3 Stripping cost/underground mine development asset

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset / underground development asset.

Once the Company has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting judgements, estimates and assumptions (continued)

3.1 Judgements (continued)

3.1.3 Stripping cost (continued)

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Company considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

3.1.4 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3.1.5 Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identification of the enforceable contract

For most copper and zinc concentrate (metal in concentrate) sales, while there are master services agreements with key customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes, i.e., the customer is not required to buy any concentrate.

Also, there are no terms which link separate purchase contracts. For example, there are no rebates or discounts provided if a customer buys more than a specified amount each year, and there are no penalties that impact overall sales during a year (unless mutually agreed). Therefore, for these arrangements, the enforceable contract has been determined to be a purchase agreement.

Application of the variable consideration constraint

For the Company's contracts that are subject to market-based prices, i.e., there is variable consideration, the Company has assessed that at contract inception, this variable consideration will generally be significantly constrained. This is on the basis that the ultimate price they will receive will depend on a range of factors that are highly susceptible to factors outside the Company's influence and include:

- Actions of third parties: the exact date that each shipment occurs (this is relevant because this is the date the market price is determined, or for provisionally priced sales, the date from which the QP commences)
- Volatile commodity market: the price to be received in the future is then based on market-based prices for highly liquid commodities

The Company's estimates of variable consideration and any disclosures provided in relation to the allocation of that variable consideration to unsatisfied performance obligations, are immaterial.

3.1.6 Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The renewal periods for leases of buildings and heavy equipment (i.e., 10 years and 3 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

3. Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

3.2.1 Ore reserves and mineral resource estimates

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. Such reserves and mineral resource estimates and changes to these may impact the Company's reported financial position and results, in the following way:

- The carrying value of exploration and evaluation assets, mine properties, property and plant and equipment, may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
- Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

The Company estimates and reports ore reserves and mineral resources in line with the principles contained in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, which is prepared by the Australasian Joint Ore Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, known as the "JORC Code". The JORC Code requires the use of reasonable investment assumptions, including:

- Future production estimates, which include proved and probable reserves, resource estimates and committed expansions
- Expected future commodity prices, based on current market prices, forward prices and the Company's assessment of the long-term average price
- Future cash costs of production, capital expenditure and rehabilitation obligations

Consequently, management will form a view of forecast sales prices based on current and long-term historical average price trends. For example, if current prices remain above long-term historical averages for an extended period of time, management may assume that lower prices will prevail in the future. As a result, those lower prices would be used to estimate ore reserves and mineral resources under the JORC Code. Lower price assumptions generally result in lower estimates of reserves.

As the economic assumptions used may change and as additional geological information is produced during the operation of a mine, estimates of ore reserves and mineral resources may change.

3.2.2 Useful lives of buildings and motor vehicles

The Company's management determines the estimated useful lives of buildings and motor vehicles for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where the management believes the useful lives differ from previous estimates.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions (continued)

3.2.3 Useful lives of property, plant and equipment and mine properties and Unit-of-Production (UOP) depreciation

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of property, plant and equipment and mine properties, except for the buildings and motor vehicles. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Changes in estimates are accounted for prospectively.

3.2.4 Mine closure cost and environment obligation

The mining and exploration activities are subject to various environmental laws and regulations. The estimates environmental obligations based on management's understanding of the current legal requirements in the various jurisdictions in which it operates, terms of the license agreements and engineering estimates. Provision is made, for mine closure costs as soon as the obligation arises. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates (2021: 2.82% and 2020: 2.75%). These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

3.2.5 Inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

3.2.6 Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation ("E&E") expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. In addition to applying judgement to determine whether future economic benefits are likely to arise from the Company's E&E assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions. The determination of a JORC resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Company defers E&E expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off to the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

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3. Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions (continued)

3.2.7 Leases - Estimating the incremental borrowing rate

The Company uses its incremental borrowing rate (IBR) except where interest rate implicit in lease is available to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3.2.8 Defined benefit plan

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality corporate/government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 17.

3.2.9 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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3. Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions (continued)

3.2.10 Provisions

Provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.2.11 Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. The assessment of COVID-19 is disclosed in note 34.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except as mentioned in note 5, in the preparation of these financial statements:

4.1 Foreign currencies

Transactions in foreign currencies are initially recorded by the Company in its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

4.2 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

Assets

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is current when it is:

- expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Exploration and evaluation assets

Exploration and Evaluation (“E&E”) activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

E&E activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

The Company applies the full-cost method of accounting, applied on an area of interest basis, for E&E costs. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the useful life of mine.

Once the legal right to explore has been acquired, E&E expenditure is charged to profit or loss as incurred, unless the Company concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

E&E expenditure incurred on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC-compliant resource.

Upon the establishment of a JORC-compliant resource (at which point, the Company considers it probable that economic benefits will be realised), the Company capitalises any further evaluation expenditure incurred for the particular licence as E&E assets up to the point when a JORC-compliant reserve is established. Capitalised E&E expenditure is considered to be an intangible asset.

E&E assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an E&E asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment, if any. Once JORC-compliant reserves are established and development is sanctioned, E&E assets are transferred to ‘Mine under construction’ which is a sub-category of ‘Mine properties’. No amortisation is charged during the E&E phase.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Mine under construction

Expenditure is transferred from 'Exploration and evaluation assets' to 'Mines under construction' which is a sub-category of 'Mine properties' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mines under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After production starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines' which is also a sub-category of 'Mine properties'.

4.5 Mine properties and property, plant and equipment

Initial recognition

Upon completion of the mine construction phase, the assets are transferred into "Property, plant and equipment" or "Mine properties". Items of property, plant and equipment and producing mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Mine properties also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Depreciation / amortisation

Accumulated mine development costs are depreciated/amortised on a UOP basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. Economically recoverable reserves include proven and probable reserves.

Depreciation/amortisation is calculated based on the following methods:

Categories	Depreciation / amortisation method
Intangible assets	Straight line - useful life of mine
Mining assets	Straight line - useful life of mine
Underground mine development asset	Straight line - useful life of mine
Buildings	Straight line - shorter of useful life of mine or 30 years
Leasehold improvement	Straight line - shorter of lease term or useful life of mine
Civil works	Unit of production
Plant and machinery	Unit of production
Heavy equipment	Unit of production
Tailing dam	Unit of production
Motor vehicles	Straight line - 4 years

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis, whereby the denominator is the proven and probable reserves, and for some mines, a portion of mineral resources which are expected to be extracted economically. These other mineral resources may be included in depreciation calculations in limited circumstances and where there is a high degree of confidence in their economic extraction. This would be the case when the other mineral resources do not yet have the status of reserves merely because the necessary detailed evaluation work has not yet been performed and the responsible technical personnel agree that inclusion of a proportion of measured and indicated resources is appropriate based on historic reserve conversion rates.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Mine properties and property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Assets under construction which are not ready for its intended use are not depreciated.

When a major inspection (turnaround/shutdown, planned or unplanned) is performed, the directly met attributable cost is recognized in the carrying amount of the plant and equipment if the recognition criteria are met. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major inspection (turnaround). If the next turnaround occurs prior to the planned date, any existing book value of the previous turnaround is recognized in the statement of profit or loss immediately.

Capital work-in-progress are carried at cost less any recognized impairment loss. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is accounted for in accordance with the Company's policies. Capital work in progress are not depreciated.

Change in estimate

Based on an assessment and the recommendation of the management's consultant, the total expected units of production (UOP) have been revised in the current year from 7.7 million metric tonnes to 8.6 million metric tonnes and the useful life of Al Masane mine is estimated to be till 31 December 2029 (2020: 31 March 2030) based on the best estimates. Such change in the UOP and useful life has been applied prospectively from 1 January 2021. The change in UOP and useful life resulted in change in depreciation and amortization charge for the current year by approximately SR 2.8 million. However, impact on future years cannot be calculated due to annual reviews of remaining useful life and reserves.

The useful life of the new Mount Guyan mine is estimated to be till 31 December 2026.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Leases

The Company assesses at contract inception, all arrangements to determine whether they are, or contain, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is not a lessor in any transactions, it is only a lessee.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 10 years; and
- Heavy Equipment 3 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment, refer note 4.10.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The unwinding component of finance cost is included in the statement of profit or loss.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

4.7 Inventories

Concentrates

Concentrates are stated at the lower of cost and net realizable value. Cost is determined on a weighted averages cost basis and includes cost of materials, labor, appropriate proportion of direct overheads and other costs incurred in bringing them to their existing location and condition.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Inventories (continued)

Ore stockpile

Ore stockpile is recognized as inventory when it is extracted from mine, the reliable assessment of mineral content is possible and the cost of production can be reliably measured. Cost of the Ore stockpile includes all the direct and indirect costs in bringing it to the current location and condition. Ore stockpile is valued at lower of cost or net realizable value. Quantities and grades of stockpiles and work-in-process are assessed primarily through surveys and assays.

Tools, spare parts and consumables

Tools, spare parts and consumables are valued at cost less an allowance for obsolete and slow-moving items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

4.8 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

4.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, or fair value through other comprehensive income (OCI) or fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers. Refer to the accounting policy in note 4.17.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. This category is relevant to the Company. The Company's financial assets at amortised cost includes cash and cash equivalents and other receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Company does not have any financial assets at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other operating income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently, the Company does not have any financial assets designated at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Majority of the Company's sales are provisionally priced, meaning that the final selling price is determined normally 30 to 90 days after the delivery to the customer, based on the quoted market price stipulated in the contract and as a result are susceptible to future commodity price movements. At each reporting date, subsequent to the initial sale, the provisionally priced trade receivables are marked-to market using the relevant forward market prices for the period stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the solely payment of principal and interest ("SPPI") test. As a result, these receivables are measured at fair value through profit or loss ("FVTPL") from the date of recognition of the corresponding sale, with subsequent marked-to-market adjustments recognized in fair value gains / (losses) on provisionally priced products and the carrying amount of the outstanding trade receivable, if material. Such fair value gains (losses) on provisionally priced products are presented within revenue as movement in provisional revenue.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Company applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payables, lease liabilities, other liabilities and long-term payables.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost (long term payables and lease liabilities).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (lease liabilities and long-term payables).

This category is relevant to the Company. After initial recognition, lease liabilities and long-term payables are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to lease liabilities and long-term payables (refer to note 9 and note 15).

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets, excluding goodwill, with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Goodwill is tested for impairment annually at year end and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

4.11 Loan and borrowing

Loan and borrowing are recognized at proceed received, net of transaction cost incurred, if any. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Additionally, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets capitalized as part of the cost of those assets. Other borrowing cost are charged to the statement of profit or loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The Company's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss (Refer to note 17).

4.13 Provisions

(a) General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(b) Rehabilitation provision

Mine rehabilitation costs will be incurred by the Company either while operating, or at the end of the operating life of, the Company's facilities and mine properties. The Company assesses its mine rehabilitation provision at each reporting date. The Company recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional disturbances that arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to the restoration of site damage (subsequent to the start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Provisions (continued)

(b) Rehabilitation provision (continued)

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as part of finance costs. For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss and other comprehensive income.

The Company recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

4.14 Severance fees

The Company is subject to severance fees in accordance with the Saudi Mining Investment Code based on the Royal Decree No. 140/M dated 19 Shawwal 1441H (corresponding to 11 June 2020). The Company is required to pay to the Government of Saudi Arabia severance fees, representing equivalent of 20% of hypothetical income in addition to a specified percentage of the net value of the minerals upon extraction effective from 1 January 2021. It superseded the Royal Decree No. 47/M dated 20 Sha'aban 1425H (corresponding to 4 October 2004), which required the Company to pay to the Government of Saudi Arabia severance fee representing 25% of the annual net income per mining license or the equivalent of 20% of hypothetical income, whichever was lower.

The zakat due shall be deducted from this amount. Therefore, the net income for each mining license registered in the name of the Company is subject to severance fees. Severance fees is shown as part of cost of revenue in the statement of profit or loss.

Since the Company is a mix companies with foreign shareholders, only the Saudi shareholders are liable for paying severance fees on their share of the net profit attributable to the particular mining license. The Saudi shareholder can deduct the zakat due by them from their severance fee liability. The foreign shareholders are exempt from paying severance fees on their share of net profit attributable to the particular mining license, however, they pay income tax at a rate of 20%.

4.15 Zakat and tax

Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Company is charged to the statement of profit or loss.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Zakat and tax (continued)

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Withholding tax

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value Added Tax ("VAT")

Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

4.17 Revenue

Revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically transferred onto a vessel or other delivery mechanism. The revenue is measured at the amount to which the Company expects to be entitled, being the estimate of the price expected to be received, i.e., the previous 10 working days London Metal Exchange (LME), and a corresponding trade receivable is recognised. For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss from initial recognition until the date of settlement. These subsequent changes in fair value are recognised on the face of statement of profit or loss and other comprehensive income in each period as part of revenue. Such amounts are then presented separately in the notes from revenue from contracts with customers as part of 'Movement in provisional revenue'. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for copper and zinc as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments. The revenue is established at the time of discharge at the port of destination by reference to open market average metal prices ruling during the contractual quotation period (QP) and independent assays agreed between buyer and seller.

4.18 Expenses

Cost of revenue

Production costs and direct expenses are classified as cost of revenue. This includes raw material, direct labor and other attributable overhead costs.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses.

General and administrative expenses

These pertain to operation expenses which are not directly related to the cost of revenue and selling and distribution expenses. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses.

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Company applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5.1 Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

5.2 Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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(All amounts in Saudi Riyals unless otherwise stated)

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the reporting date of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

6.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

6.2 Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments did not have a material impact on the Company as at the date of these financial statements.

6.3 Reference to the Conceptual Framework – *Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Company.

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(All amounts in Saudi Riyals unless otherwise stated)

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

6.4 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

6.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

6.6 IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

6.7 IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

6.8 IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not applicable to the Company.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

6.9 Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

6.10 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company’s accounting policy disclosures.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

7 MINE PROPERTIES

	<i>Producing mines</i>					<i>Total</i>
	<i>Mine under construction</i>	<i>Intangible assets</i>	<i>Mining assets</i>	<i>Underground mine development asset</i>	<i>Deferred mine closure cost</i>	
Cost:						
As at 1 January 2020	-	258,973,236	129,894,826	258,560,726	12,842,625	660,271,413
Transfer from exploration and evaluation assets	40,663,796	-	-	-	-	40,663,796
Additions during the year	117,225,019	-	-	17,635,095	12,805,068	147,665,182
As at 31 December 2020	157,888,815	258,973,236	129,894,826	276,195,821	25,647,693	848,600,391
Additions during the year	21,121,963	-	17,675,361	12,623,609	3,492,524	54,913,457
Transfers during the year (note 8)	(169,486,017)	-	44,095,174	-	-	(125,390,843)
As at 31 December 2021	9,524,761	258,973,236	191,665,361	288,819,430	29,140,217	778,123,005
Accumulated depletion and amortization:						
As at 1 January 2020	-	166,751,623	76,347,300	189,469,209	7,631,120	440,199,252
Charge for the year	-	8,997,230	5,224,149	7,834,833	519,759	22,575,971
As at 31 December 2020	-	175,748,853	81,571,449	197,304,042	8,150,879	462,775,223
Charge for the year	-	9,247,154	17,243,990	9,485,000	2,444,217	38,420,361
As at 31 December 2021	-	184,996,007	98,815,439	206,789,042	10,595,096	501,195,584
Net book amounts:						
As at 31 December 2021	9,524,761	73,977,229	92,849,922	82,030,388	18,545,121	276,927,421
As at 31 December 2020	157,888,815	83,224,383	48,323,377	78,891,779	17,496,814	385,825,168

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

7 MINE PROPERTIES (continued)

- 7.1 The mines under construction represent Mount Guyan mine and Moyoath project. Mount Guyan mine has started its commercial production from 1 February 2021 onwards for the extraction of the gold dores and consequently during the year ended 31 December 2021, the related assets of mine under construction have been transferred to the producing mines (as mentioned above) and property, plant and equipment (refer note 8) and accordingly depreciation and amortisation on these assets has commenced. The useful life of the Mount Guyan project is expected upto 2026. The balance of mine under construction as at 31 December 2021 relates to Moyoath project.
- 7.2 The depletion and amortization charge for the year has been allocated to cost of revenue.
- 7.3 The amount of borrowing costs capitalised during the year ended 31 December 2021 was approximately SR 566,996 (2020: SR 3,436,496). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 4.7%, which is the effective interest rate of the specific borrowing.
- 7.4 Intangible assets represents exploration and evaluation assets (including mining rights originally granted by the Royal Decree Number M/17 effective 1 Dhu Al-Hijjah 1413H (corresponding to 22 May 1993) for a period of thirty years, with a right of renewal for future period of twenty years to Arabian Shield Development Company (“AADC”) for the exploitation in Al Masane mine located in Najran, Saudi Arabia, with an area of 44 square kilometers for surface rental of SR 10,000 per square kilometer per year, i.e. SR 440,000 per year.). These exploration and evaluation assets (including mining rights) were purchased by the Company from AADC in August 2009 for a cash consideration of SR 236.25 million. The title of aforementioned rights were transferred to the Company as per the ministry of Petroleum and mineral resources resolution dated 13 Ramadhan 1429H (corresponding to 13 September 2008) and the ministry subsequent letter dated 2 Muharram 1430H (corresponding to 30 December 2008). The Company also incurred further costs of SR 22.7 million subsequent to acquisition of these exploration and evaluation assets. These exploration and evaluation assets were transferred to intangible assets under mine properties after the production started in 2012 and amortized over the useful life of mine. Useful life of mine is determined based on the lower of the term of mining rights or the estimated time to explore and process the estimated ore reserves. During the year, the useful life of mine was revised based on the revised estimated reserves and production capacity to end on 31 December 2029 (2020: 31 March 2030). Changes in estimates are accounted for prospectively.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

8 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings</i>	<i>Leasehold improvement</i>	<i>Civil works</i>	<i>Plant and machinery</i>	<i>Heavy equipment</i>	<i>Tailing dam</i>	<i>Motor vehicles</i>	<i>Capital work in progress</i>	<i>Total</i>
Cost:									
As at 1 January 2020	191,838,962	1,838,317	16,288,221	294,463,540	128,089,142	23,900,160	22,467,300	4,789,311	683,674,953
Additions during the year	135,700	2,212,745	-	-	13,140,898	-	286,263	256,315	16,031,921
As at 31 December 2020	191,974,662	4,051,062	16,288,221	294,463,540	141,230,040	23,900,160	22,753,563	5,045,626	699,706,874
Additions during the year	302,296	442,075	-	1,671,677	17,743,165	-	-	496,132	20,655,345
Transfers from mine under construction (note 7)	420,000	1,050,301	4,349,328	116,626,190	1,288,686	1,656,338	-	-	125,390,843
As at 31 December 2021	192,696,958	5,543,438	20,637,549	412,761,407	160,261,891	25,556,498	22,753,563	5,541,758	845,753,062
Accumulated depreciation:									
As at 1 January 2020	81,877,168	1,838,317	9,246,672	116,932,744	84,245,477	14,839,800	22,233,807	-	331,213,985
Charge for the year	10,736,029	245,861	749,644	15,765,091	5,808,131	964,573	246,932	-	34,516,261
As at 31 December 2020	92,613,197	2,084,178	9,996,316	132,697,835	90,053,608	15,804,373	22,480,739	-	365,730,246
Charge for the year	11,122,896	466,111	1,268,500	30,731,103	8,436,504	1,021,629	84,815	-	53,131,558
As at 31 December 2021	103,736,093	2,550,289	11,264,816	163,428,938	98,490,112	16,826,002	22,565,554	-	418,861,804
Net book amounts:									
As at 31 December 2021	88,960,865	2,993,149	9,372,733	249,332,469	61,771,779	8,730,496	188,009	5,541,758	426,891,258
As at 31 December 2020	99,361,465	1,966,884	6,291,905	161,765,705	51,176,432	8,095,787	272,824	5,045,626	333,976,628

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

8 PROPERTY, PLANT AND EQUIPMENT (continued)

- 8.1 Property, plant and equipment are subject to a pledge as collateral against a long-term loan (note 15).
- 8.2 Capital work in progress represents firefighting works and equipment for plant which is expected to be operational in 2022.
- 8.3 The depreciation charge for the year has been allocated to cost of revenue.
- 8.4 The buildings are constructed on the site for the mines which are leased by the Company from the Ministry of Industry and Mineral Resources.

9 LEASES

The Company has lease contracts for leasehold buildings and heavy equipment. Leasehold buildings have lease terms for 2 to 10 years while heavy equipment carries a lease term of 3 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	<i>Buildings</i>	<i>Heavy equipment</i>	<i>Total</i>
As at 1 January 2020	1,757,039	7,597,891	9,354,930
Additions during the year	1,156,234	-	1,156,234
Depreciation expense	(535,560)	(808,874)	(1,344,434)
	<u>2,377,713</u>	<u>6,789,017</u>	<u>9,166,730</u>
As at 31 December 2020	2,377,713	6,789,017	9,166,730
Additions during the year	362,550	-	362,550
Depreciation expense	(1,018,458)	(641,163)	(1,659,621)
	<u>1,721,805</u>	<u>6,147,854</u>	<u>7,869,659</u>
As at 31 December 2021	<u>1,721,805</u>	<u>6,147,854</u>	<u>7,869,659</u>

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	<i>2021</i>	<i>2020</i>
As at the beginning of the year	6,055,310	8,155,123
Additions during the year	362,550	1,156,234
Accretion of interest during the year	436,395	792,899
Payments made during the year	(3,324,485)	(4,048,946)
	<u>3,529,770</u>	<u>6,055,310</u>
At the end of the year	<u>3,529,770</u>	<u>6,055,310</u>
Current	<u>2,555,292</u>	<u>3,830,204</u>
Non-current	<u>974,478</u>	<u>2,225,106</u>

The following are the amounts recognised in the statement of profit or loss and other comprehensive income:

	<i>2021</i>	<i>2020</i>
Depreciation expense of right-of-use assets	1,659,621	1,344,434
Interest expense on lease liabilities	436,395	792,899
	<u>2,096,016</u>	<u>2,137,333</u>
At the end of the year	<u>2,096,016</u>	<u>2,137,333</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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(All amounts in Saudi Riyals unless otherwise stated)

9 LEASES (continued)

The Company had total cash outflows for leases of SR 3,324,485 (2020: SR 4,048,946). The Company also had non-cash additions to right-of-use assets and lease liabilities of SR 362,550 (2020: SR 1,156,234).

10 INVENTORIES

	<i>2021</i>	<i>2020</i>
Concentrates	12,864,390	9,146,872
Ore stockpile	7,939,118	13,795,024
Consumables	14,782,053	11,811,150
Tools and spare parts	41,376,024	33,797,157
	<u>76,961,585</u>	<u>68,550,203</u>
Less: Allowance for slow moving inventories (see note below)	(5,612,314)	(5,612,314)
	<u>71,349,271</u>	<u>62,937,889</u>

a) Movement in the allowance for slow moving inventories is as follows:

	<i>2021</i>	<i>2020</i>
At the beginning of the year	5,612,314	4,692,314
Charge for the year	-	920,000
	<u>5,612,314</u>	<u>5,612,314</u>

The charge for the year is allocated to cost of revenue.

11 TRADE AND OTHER RECEIVABLES

	<i>2021</i>	<i>2020</i>
Trade receivables (subject to provisional pricing) – fair value	181,905,672	85,425,455
Add/(less): Provisional pricing adjustment at fair value	744,267	(2,492,375)
	<u>182,649,939</u>	<u>82,933,080</u>

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. See financial instruments risk management (note 30) on credit risk of trade receivables, which explain how the Company manages and measure credit quality of trade receivables.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

12 ADVANCES AND PREPAYMENTS

	2021	2020
Advances to suppliers	21,094,354	14,361,231
Less: Provision for advances to suppliers	(1,754,885)	(1,754,885)
Advances to suppliers - net	19,339,469	12,606,346
Prepayments	13,504,045	4,473,142
Employee receivables	407,425	494,676
Value added tax – Input	6,254,267	4,291,562
	<u>39,505,206</u>	<u>21,865,726</u>

13 CASH AND CASH EQUIVALENTS

	2021	2020
Cash in hand	85,582	96,640
Bank balances	74,634,056	35,072,978
	<u>74,719,638</u>	<u>35,169,618</u>

14 EQUITY

14.1 Share capital

Share capital of the Company is divided into 56.3 million shares of SR 10 each as at 31 December 2021 (82 million shares of SR 10 each as at 31 December 2020). The revised shareholding is held by the following shareholders:

<u>Name of the shareholders</u>	<u>Nationality/Country of incorporation</u>	2021	2020
Arab Mining Company	Jordan	115,260,490	155,025,000
ASAS Mining Co.	Saudi Arabia	110,806,740	149,034,720
Treasury shares	Saudi Arabia	14,588,500	82,000,000
Mohammed Manea Aballala	Saudi Arabia	46,914,410	79,887,290
Rassas Co.	Saudi Arabia	49,164,160	66,125,640
Ibrahim Bin Mussalam	Saudi Arabia	14,604,040	53,134,150
Arab Mining Co. Fujairah	United Arab Emirates	29,739,840	40,000,000
Other shareholders	GCC and others	182,210,470	194,793,200
		<u>563,288,650</u>	<u>820,000,000</u>

- (a) The above shareholding includes shareholding by key management personnel amounting to SR 2.4 million (2020: SR 2.2 million).
- (b) During 2018, in the Extraordinary General Assembly Meeting held on 28 October 2018, the shareholders authorised the Board of Director of the Company to repurchase the shares of the Company up to 10% of the total shares at a maximum price of SR 30 per share. The Company repurchased 2,490,445 shares at a price of SR 30 each and registered these shares as treasury stock of SR 74.7 million in 2019. The Company further repurchased 5,709,555 shares at a price of SR 10 each and completed the legal formalities in this regard during 2020.
- (c) The shareholders of the Company, in an extraordinary general meeting held on 23 March 2021 (corresponding to 10 Sha'ban 1442H), resolved to reduce the share capital of the Company from SR 820 million to SR 467 million through absorbing accumulated losses of SR 240,632,501 and reducing treasury stocks by 6,990,526 shares worth of SR 112,367,499. The legal formalities in this regard were completed on 10 May 2021 (corresponding to 28 Ramadhan 1442H).
- (d) Further, on 3 October 2021 (corresponding to 26 Safar 1443H), the shareholders of the Company, in an extraordinary general meeting, passed a resolution about the proposed increase in the Company's share capital from SR 467,000,000 to SR 563,288,650 through the transfer of SR 91,861,201 from the account of retained earnings and SR 4,427,449 from the account of statutory reserve. The legal formalities in this regard have been completed on 19 October 2021 (corresponding to 13 Rabi Al-Awwal 1443H).

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

14 EQUITY (continued)**14.2 Statutory reserve**

In accordance with the by-laws of the Company, the Company will transfer 10% of its net income for the year to the statutory reserve until it equals to 30% of the share capital. As mentioned in note 14.1 (d), SR 4,427,449 was used to increase the share capital during the year. The reserve is not available for distribution.

15 LOANS AND BORROWINGS

	<i>2021</i>	<i>2020</i>
Saudi Industrial Development Fund (SIDF) (note 8)	295,797,751	343,117,871
Tawarroq	33,333,332	50,000,000
	329,131,083	393,117,871
Less: Current portion shown under current liabilities	(108,666,668)	(86,666,668)
Loans and borrowings under non-current liabilities	220,464,415	306,451,203

- 15.1 The loan is obtained from Saudi Industrial Development Fund (SIDF) agreement dated 1 September 2010 for Al Masane project. This loan is secured by mortgage on the Company's property, plant and equipment and by guarantee of each shareholder. The loan is repayable in thirteen semi-annual installments in six years. However, subsequently in July 2018, the Company and SIDF reached to an agreement to amend the original loan agreement as per the Company's request to reschedule the payments in eleven semi-annual installments.

In June 2020, the Company and SIDF reached an agreement to again amend the original loan agreement as per the Company's request to reschedule the payments in seven semi-annual installments payable from May 2021 till April 2024.

The Company obtained another loan facility amounting to SR 94.3 million from Saudi Industrial Development Fund (SIDF) agreement dated 28 June 2020 for its new Mount Guyan Project payable in thirteen semi-annual installments starting from May 2022 to March 2028. This loan is also secured by mortgage on the Company's property, plant and equipment and by guarantee of each shareholder.

- 15.2 In December 2019, the Company obtained credit facilities/financing loan from one of the local commercial banks amounting to SR 110,518,400 which includes payment guarantees, financing the purchases & selling of commodities (Al Tawarroq).

These facilities are guaranteed by joint and several personal guarantees of some of the shareholders covering total facilities. The outstanding loan to be paid over twelve equal quarterly installments starting from March 2021 and ending on December 2023.

- 15.3 Loans and borrowings bear finance charges ranging from 2.7% to 4.7% per annum (2020: 2.7% to 4.7% per annum). Under the terms of both facilities agreements, the Company is required to maintain certain financial covenants, among other items. The Company is in compliance with these covenants as at 31 December 2021 (2020: compliant).

- 15.4 All loans and borrowings of the Company are shariah compliant.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

15 LOANS AND BORROWINGS (continued)

The undiscounted outstanding loans/facilities maturities are as follows:

Year	2021	2020
2021	-	86,666,668
2022	108,666,668	108,666,668
2023	114,166,668	114,166,664
2024	66,500,000	66,500,000
2025	15,000,000	15,000,000
Thereafter	28,300,000	28,300,000
	332,633,336	419,300,000

16 PROVISION FOR MINE CLOSURE COST

	2021	2020
At the beginning of the year	30,012,302	16,625,347
Additions for the year	3,492,524	12,805,068
Unwinding of discount for the year	943,987	581,887
At the end of the year	34,448,813	30,012,302

17 EMPLOYEE BENEFITS**General description of the plan**

The Company operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The movement in EOSB for the year ended is as follows:

	2021	2020
Balance at the beginning of the year	6,902,591	4,475,706
<i>Included in statement of profit or loss</i>		
Current service cost	2,412,751	2,200,529
Interest cost	173,546	130,186
	2,586,297	2,330,715
<i>Included in statement of other comprehensive income</i>		
Actuarial loss	860,719	1,298,421
Benefits paid	(949,944)	(1,202,251)
Balance at the end of the year	9,399,663	6,902,591

Actuarial assumptions

The following were the principal actuarial assumptions applied at the reporting date:

	2021	2020
Discount rate	3.25%	2.70%
Future salary growth / Expected rate of salary increases	3.00%	2.00%
Mortality rate	Age-wise	Age-wise
Employee turnover / withdrawal rates	Age and service	Age and service

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

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17 EMPLOYEE BENEFITS (continued)

The quantitative sensitivity analysis for principal assumptions is as follows:

	<i>2021</i>	<i>2020</i>
Discount rate:		
+1% increase	(830,082)	(738,031)
-1% decrease	970,335	577,088
Salary increase rate:		
+1% increase	865,298	503,142
-1% decrease	(757,784)	(687,425)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The weighted average duration of the defined benefit obligation is 9.5 years (2020: 9.5 years).

The following is the breakup of the actuarial loss:

	<i>2021</i>	<i>2020</i>
Financial assumptions	389,277	132,780
Experience adjustments	471,442	1,165,641
	860,719	1,298,421

The following payments are expected to the defined benefit plan in future years:

	<i>2021</i>	<i>2020</i>
Within the next 12 months (next annual reporting period)	908,429	631,029
Between 1 and 5 years	2,550,820	1,764,782
Beyond 5 years	9,782,665	6,593,699
Total expected payments	13,241,914	8,989,510

NOTES TO THE FINANCIAL STATEMENTS (continued)

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18 TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 60-day terms. For terms and conditions with related parties, refer to note 28. For explanations on the Company's liquidity risk management processes, refer to note 30.

19 ACCRUALS AND OTHER NON-FINANCIAL LIABILITIES

	<i>2021</i>	<i>2020</i>
Accrued expenses	22,836,795	11,403,295
Vacation accruals and others	8,459,713	5,044,262
Capital gain tax withheld from ex-shareholder (see note below)	2,628,130	9,667,829
	<u>33,924,638</u>	<u>26,115,386</u>

This represented capital gain tax withheld from ex-shareholder by the Company in relation to the buy-back of treasury shares in the year ended 31 December 2019. The shareholders who sold their shares were assumed to have recognized profits associated with the transactions. As a result, these ex-shareholders owed ZATCA capital gain tax of SR 9.7 million as at 31 December 2020. Since these are foreign shareholders, the capital gain tax liability is recorded as payable by the Company and collected from the shareholders. During the year ended 31 December 2021, the Company paid ZATCA SR 7 million against the capital gain tax on behalf of the selling foreign shareholders.

20 ZAKAT AND INCOME TAX**20.1 ZAKAT****Charge for the year**

	<i>2021</i>	<i>2020</i>
Zakat relating to current year	12,405,653	2,307,918
Zakat relating to prior years	(3,560,822)	-
	<u>8,844,831</u>	<u>2,307,918</u>

The zakat charge is based on the following:

	<i>2021</i>	<i>2020</i>
Equity	804,696,405	436,631,203
Opening provisions and other adjustments	31,758,131	41,440,229
Book value of long-term assets (net of related financing)	(521,596,385)	(401,512,919)
	<u>314,858,151</u>	<u>76,558,513</u>
Zakatable income for the year	171,584,236	48,580,321
	<u>486,442,387</u>	<u>125,138,834</u>

Movement in zakat provision during the year

The movement in the zakat provision for the year is as follows:

	<i>2021</i>	<i>2020</i>
Balance at the beginning of the year	2,307,918	4,475,659
Net charge for the year	8,844,831	2,307,918
Payments during the year	(2,307,918)	(4,475,659)
	<u>8,844,831</u>	<u>2,307,918</u>

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20.2 INCOME TAX

The major components of income tax in the statement of profit or loss can be broken down as follows for the year ended 31 December:

	2021	2020
<u>Included in the statement of profit or loss:</u>		
Income tax expense for the year	13,803,562	5,865,538
Deferred tax credit during the year	(16,780,623)	(14,784,710)
	<u>(2,977,061)</u>	<u>(8,919,172)</u>
<u>Included in the statement of other comprehensive income:</u>		
Deferred tax relating to actuarial loss	(45,980)	(62,454)

Reconciliation of tax expense and the accounting profit for the year ended:

	2021	2020
Profit before zakat and income tax	203,132,539	82,192,453
Income tax expense as per tax rate of 20% applicable in KSA	40,626,508	16,438,491
Adjustments for amounts which are not deductible/(taxable) in calculating taxable income:		
Saudi shareholding not subject to tax – 72.65% (2020: 75.95%)	(29,775,168)	(12,485,034)
Others	(13,828,401)	(12,872,629)
At the effective income tax rate of 1.47% credit (2020: 10.85% credit)	(2,977,061)	(8,919,172)
Share of Non-Saudi shareholding	27.35%	24.05%
	<u>2021</u>	<u>2020</u>
Income tax relating to current year	9,090,672	5,865,538
Income tax relating to prior year	4,712,890	-
	<u>13,803,562</u>	<u>5,865,538</u>

The movement in the income tax provision during the year is as follows:

	2021	2020
At the beginning of the year	5,109,868	1,164,551
Provided during the year	13,803,562	5,865,538
Paid during the year	(12,619,746)	(1,920,221)
At the end of the year	<u>6,293,684</u>	<u>5,109,868</u>

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

20 ZAKAT AND INCOME TAX (continued)**20.2 INCOME TAX (continued)**

Components of deferred tax are as follows:

	<i>2021</i>	<i>2020</i>
Carryforward tax losses	29,315,715	22,709,158
Difference in accounting and tax base of property, plant and equipment	(1,566,334)	(9,563,788)
Provisions	3,422,256	1,369,779
Employee benefits	502,130	332,015
Net deferred tax assets	31,673,767	14,847,164

The movement of the deferred tax asset for the year ended 31 December is as follows:

	<i>2021</i>	<i>2020</i>
As of 1 January	14,847,164	-
Deferred tax credit during the year recognised in statement of profit or loss	16,780,623	14,784,710
Deferred tax credit to other comprehensive income	45,980	62,454
As at 31 December	31,673,767	14,847,164

Status of assessments**Zakat and income tax status:**

Zakat and income tax assessments have been agreed with the Zakat, Tax and Customs Authority ("ZATCA") up to 2012. The Company submitted the zakat and income tax return for the year 2020 and obtained the zakat certificate which is valid till 30 April 2022. The zakat and tax returns for the years from 2013 to 2020 are currently under review by the ZATCA.

21 PROVISION FOR SEVERANCE FEE

	<i>2021</i>	<i>2020</i>
Severance fees relating to current year	21,911,194	9,254,481
Severance fees relating to prior year	(1,710,573)	-
	20,200,621	9,254,481
	<i>2021</i>	<i>2020</i>
At 1 January	8,756,154	2,000,001
Provision during the year	20,200,621	9,254,481
Provision paid during the year	(8,756,154)	(2,498,328)
At 31 December	20,200,621	8,756,154

Severance fees is shown as part of cost of revenue in the statement of profit or loss.

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22 REVENUE, NET

	<i>2021</i>	<i>2020</i>
Revenue from contracts with customers:		
Copper concentrate	239,844,681	188,736,950
Zinc concentrate	205,655,604	137,856,648
Precious metals	155,295,314	59,128,552
	<u>600,795,599</u>	<u>385,722,150</u>
Movement in provisional pricing adjustments during the year	(14,142,281)	(10,571,398)
	<u>586,653,318</u>	<u>375,150,752</u>

23 SELLING AND DISTRIBUTION EXPENSES

	<i>2021</i>	<i>2020</i>
Transportation	22,257,669	14,008,720
Advertising and promotion	6,383,827	2,533,842
	<u>28,641,496</u>	<u>16,542,562</u>

24 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2021</i>	<i>2020</i>
Employee costs	12,316,809	10,405,277
Management remuneration and benefits	3,201,912	5,780,278
Professional fees	4,714,326	1,015,761
Computer and office supplies	2,208,538	2,419,909
Others	-	358,655
	<u>22,441,585</u>	<u>19,979,880</u>

25 FINANCE COSTS

	<i>2021</i>	<i>2020</i>
Finance cost on loans and bank charges	12,166,588	5,377,067
Finance cost on lease liabilities	436,395	792,899
Unwinding on mine closure cost	943,987	581,887
	<u>13,546,970</u>	<u>6,751,853</u>

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

26 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The calculation of diluted earnings per share is not applicable to the Company. Also, no separate earning per share calculation from continuing operations has been presented since there were no discontinued operations during the year.

The earnings per share calculation is given below:

	<i>2021</i>	<i>2020</i>
Net profit for the year	197,264,769	88,803,707
Weighted average number of ordinary shares	54,870,015	54,870,015
Earnings per share – Basic and diluted	3.60	1.62

26 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer. An operating segment is group of assets and operations:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

All of the Company's operations are located in Najran, Saudi Arabia. For management purposes, the Company is organized into business units based on the main types of activities and has two reportable operating segments, as follows:

- Al Masane mine segment represents extraction and production of the base metals i.e. copper and zinc concentrates and byproducts like precious metals i.e. gold and silver does;
- Mount Guyan mine segment represents extraction and production of the precious metals i.e. gold and silver does;
- Corporate is responsible for effective management and governance including funding of the projects. The presentation of Corporate information does not represent an operating segment.

No operating segments have been aggregated to form the above reportable operating segments. The Chief Executive Officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment and is considered to be the Company's chief operating decision maker. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. However, the Company's severance fees, zakat and income taxes are managed on corporate basis and are not allocated to operating segments. There was no operating and reportable segment for the year ended 31 December 2020 as Al Masane mine was the only operational mine during that year.

AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

27 SEGMENT REPORTING (continued)

	<i>Al Masane Mine</i>	<i>Mount Guyan Mine</i>	<i>Corporate</i>	<i>Total</i>
For the year ended 31 December 2021:				
Revenue				
External customers	490,911,613	109,883,986	-	600,795,599
Movement in provisional pricing	(15,062,597)	920,316	-	(14,142,281)
Revenue, net	475,849,016	110,804,302	-	586,653,318
Cost of revenue	(236,499,996)	(62,255,204)	(20,200,621)	(318,955,821)
Gross profit	239,349,020	48,549,098	(20,200,621)	267,697,497
Selling and distribution expenses	(28,641,496)	-	-	(28,641,496)
General and administrative expenses	-	-	(22,441,585)	(22,441,585)
Operating profit	210,707,524	48,549,098	(42,642,206)	216,614,416
Finance costs	(9,084,174)	(4,462,796)	-	(13,546,970)
Other income	-	-	65,093	65,093
Profit before zakat and income tax	201,623,350	44,086,302	(42,577,113)	203,132,539
Zakat and income tax	-	-	(5,867,770)	(5,867,770)
Net profit for the year	201,623,350	44,086,302	(48,444,883)	197,264,769
Segment assets	744,893,377	221,916,603	145,451,218	1,112,261,198
Segment liabilities	272,124,938	94,984,728	96,715,454	463,825,120

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company. Pricing policies and terms of these transactions are approved by the Company's management. The following are the details of major related party transactions during the year:

<i>Related party</i>	<i>Relationship</i>	<i>Nature of transaction</i>	<i>Transactions</i>	
			<i>2021</i>	<i>2020</i>
Arab Commercial Enterprises for Travel	Other related party	Travel charges	3,100,085	2,020,333
Najran Mineral Water	Other related party	Water charges	53,130	51,030

In addition to guarantees provided by shareholders as disclosed in note 15, the following is the detail of related party balances payable at the year-end:

	<i>2021</i>	<i>2020</i>
<i>Amount due from/(to) related party</i>		
Najran Cement	-	1,569
Arab Commercial Enterprises for Travel	(593,846)	(982,833)

Key management compensation

Compensation for key management is as follows:

	<i>2021</i>	<i>2020</i>
Salaries and other benefits	9,780,764	10,201,349
End of service benefits	744,619	203,767
	10,525,383	10,405,116

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

29 CONTINGENCIES AND COMMITMENTS**Contingencies**

At 31 December 2021, the Company has bank guarantee amounting to SR 44.4 million relating to the mine closure provision (2020: SR Nil) issued in the normal course of business.

Commitments

At 31 December 2021, the Company has future commitments amounting to SR 100.4 million (2020: SR 16.2 million).

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company's principal financial liabilities comprise loans and borrowings, lease liabilities, trade payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables and cash and cash equivalents.

The Company's activities expose it to a variety of financial risks: market risk (including commission rate risks, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Company's financial performance.

Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Commission rate risk

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company's commission rate risks arise mainly from its loans and borrowings, which are at floating rate of commission and are subject to re-pricing on a regular basis. The Company monitors the fluctuations in commission rate.

Commission rate sensitivity

The following table demonstrates the sensitivity of the Company to a reasonably possible change in commission rates, on that portion of loans and borrowings affected. With all other variables held constant, the impact on the Company's profit before zakat and tax for the year ended 31 December 2021 and 2020 will be as follows:

	<i>Increase / decrease in basis points</i>	<i>Effect on profit before zakat and tax</i>
2021	+100	(3,291,311)
	-100	3,291,311
2020	+100	(3,931,179)
	-100	3,931,179

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyal and United States Dollars.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations as the majority of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not expose to foreign currency exposure.

Commodity price risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces which is mainly copper, zinc, silver and gold which it sells into global markets. The market prices of copper, zinc, silver and gold are the key drivers of the Company's capacity to generate cash flow. The Company is predominantly an unhedged producer to provide its shareholders with exposure to changes in the market price of copper, zinc, silver and gold. The analysis is based on the assumption that the copper, zinc, silver and gold prices move 10% with all other variables held constant.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)*Commodity price risk (continued)*

	<i>Effect on profit before tax for the year ended 31 December 2021 increase/(decrease)</i>	<i>Effect on profit before tax for the year ended 31 December 2020 increase/(decrease)</i>
Increase / (decrease) in the Copper price		
+10%	23,079,903	18,381,108
-10%	(23,079,903)	(18,381,108)
Increase / (decrease) in the Zinc price		
+10%	19,780,790	13,439,673
-10%	(19,780,790)	(13,439,673)
Increase / (decrease) in the Gold price		
+10%	15,326,593	5,196,744
-10%	(15,326,593)	(5,196,744)
Increase / (decrease) in the Silver price		
+10%	478,045	497,551
-10%	(478,045)	(497,551)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed as per the Company's established policy, procedures and control relating to customer credit risk management. Outstanding trade receivables are regularly monitored, and any credit concerns highlighted to senior management. The Company currently has only one major customer which account for sales of approximately SAR 445.4 million for the year ended 31 December 2021 (2020: SAR 326.6 million). Trade accounts receivable are shown net of impairment based on expected credit loss model as required by IFRS 9.

An impairment analysis is performed at reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity if the cost of such activity is expected to be higher than the benefit of doing so. The Company does not hold collateral as security. The letters of credit and other forms of security, if any, are considered integral part of trade receivables and considered in the calculation of impairment.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Company's policy. Investments of surplus funds are made only with commercial banks with sound credit ratings.

The Company's maximum exposure to credit risk for the cash and cash equivalents, trade and other receivables as at 31 December 2021 and 2020 is equal to the respective carrying amounts.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is the contractual undiscounted maturity analysis of the financial liabilities of the Company. The Company does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**Liquidity risk (continued)**

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

2021	<i>Within 1 year</i> SR	<i>1 to 5 years</i> SR	<i>More than 5</i> <i>years</i> SR	<i>Total</i> SR
Loans and borrowings	108,666,668	208,166,668	15,800,000	332,633,336
Lease liabilities	2,107,673	1,644,182	-	3,751,855
Trade payables	18,052,017	-	-	18,052,017
	128,826,358	209,810,850	15,800,000	354,437,208
2020	<i>Within 1 year</i> SR	<i>1 to 5 years</i> SR	<i>More than 5</i> <i>years</i> SR	<i>Total</i> SR
Loans and borrowings	86,666,668	304,333,332	28,300,000	419,300,000
Lease liabilities	3,830,204	2,802,543	-	6,632,747
Trade payables	16,554,026	-	-	16,554,026
	107,050,898	307,135,875	28,300,000	442,486,773

31 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital, statutory reserve and retained earnings attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus debt. The Company includes within debt, current and non-current portion of borrowings and lease liabilities.

	<i>2021</i>	<i>2020</i>
Debt – lease liabilities and loans and borrowings (including current portion)	332,660,853	399,173,181
Equity	648,436,078	451,986,048
Capital and debt	981,096,931	851,159,229
Gearing ratio	33.91%	46.90%

32 FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

All financial instruments measured at fair value use level 1 valuation techniques in both years. During the year ended 2021 and 2020, there were no movements between the levels.

The management assessed that cash and cash equivalents, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair values of the Company's loans and borrowings are determined by using DCF method using discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 December 2021 and 2020, the carrying amounts of loans and borrowings were not materially different from their calculated fair values.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

33 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of changes in liabilities arising from financing activities are as follows:

	<i>1 January 2021</i>	<i>Additions</i>	<i>Cash flows</i>	<i>Other</i>	<i>31 December 2021</i>
Lease liabilities	6,055,310	362,550	(3,324,485)	436,395	3,529,770
Loans and borrowings	393,117,871	-	(75,530,487)	11,543,699	329,131,083
Total liabilities from financing activities	399,173,181	17,722,550	(96,214,972)	11,980,094	332,660,853
	<i>1 January 2020</i>	<i>Additions</i>	<i>Cash flows</i>	<i>Other</i>	<i>31 December 2020</i>
Lease liabilities	8,155,123	1,156,234	(4,048,946)	792,899	6,055,310
Loans and borrowings	318,647,472	-	65,792,000	8,678,399	393,117,871
Total liabilities from financing activities	326,802,595	120,596,234	(57,696,946)	9,471,298	399,173,181

The 'Other' column includes the effect of finance charges on unwinding of loan and lease liabilities. The Company classifies interest paid as cash flows from operating activities.

34 COVID – 19

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organization qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company to re-assess its judgments and the key sources of estimation applied.

During the year ended 31 December 2021, management has assessed the overall impact on the Company's operations and business aspects, and considered factors like demand from customers, seamless products delivery processes, collections protocols, uninterrupted material supply, working capital projections, etc. Based on this assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2021. The situation surrounding COVID-19 and its impact on global economic conditions may continue to impact the Company's business, results of operations and financial condition in 2022. The situation remains uncertain and therefore it is difficult to predict with certainty the length of time that COVID-19 will impact Company's business and overall potential impact of COVID-19 on Company's business, operations and financial condition.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

35 COMPARATIVE INFORMATION

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year. These changes have been made to improve the quality of information presented. Such reclassification changes do not affect previously reported profit or equity.

Reclassification in the statement of profit or loss and other comprehensive income for the year ended 31 December 2020 is summarised below:

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As currently reported</i>
Cost of revenue	(240,637,173)	(9,254,481)	(249,891,654)
Severance fees	(9,254,481)	9,254,481	-

36 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2021, which would have a material impact on the financial position of the Company as reflected in these financial statements.

37 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 18 Sha'ban 1443H, corresponding to 21 March 2022G.

**AL MASANE AL KOBRA MINING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REPORT**

31 DECEMBER 2021

**AL MASANE AL KOBRA MINING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2021**

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Al Masane Al Kobra Mining Company (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the '*Auditor's Responsibilities for the Audit of the Financial Statements*' section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other 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.

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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the SOCPA and the provisions of Companies' Law and Company's By-laws, 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.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of 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 auditor's 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AL MASANE AL KOBRA MINING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)**

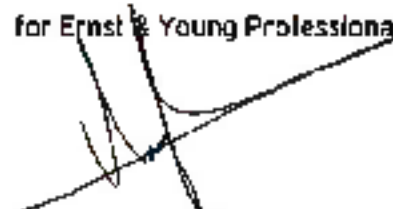
Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young Professional Services


Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476

Jeddah: 18 Sha'ban 1443H
21 March 2022G



AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION


As at 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)


	Notes	2021	2020
ASSETS			
NON-CURRENT ASSETS			
Mine properties	7	276,927,421	385,825,168
Property, plant and equipment	8	426,891,258	333,976,623
Right-of-use assets	9	7,869,659	9,166,730
Long term deposits		675,039	195,471
Deferred tax	20	31,673,767	14,847,164
TOTAL NON-CURRENT ASSETS		744,037,144	744,011,161
CURRENT ASSETS			
Inventories	10	71,349,271	62,937,889
Trade and other receivables	11	182,649,939	82,933,080
Advances and prepayments	12	39,505,206	21,865,726
Cash and cash equivalents	13	74,719,638	35,169,618
TOTAL CURRENT ASSETS		368,224,054	202,906,313
TOTAL ASSETS		1,112,261,198	946,917,474
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14.1	563,288,650	820,000,000
Statutory reserve	14.2	19,726,477	4,427,449
Retained earnings / (accumulated losses)		84,862,352	(240,632,501)
Treasury stock	14.1	(19,441,401)	(131,808,900)
TOTAL EQUITY		648,436,078	451,986,048
NON-CURRENT LIABILITIES			
Loans and borrowings	15	120,464,415	306,451,203
Lease liabilities	9	974,478	2,225,106
Provision for mine closure cost	16	34,448,813	30,012,302
Employee benefits	17	9,399,663	6,902,591
TOTAL NON-CURRENT LIABILITIES		265,287,369	345,591,202
CURRENT LIABILITIES			
Loans and borrowings – current portion	15	108,666,668	86,666,668
Lease liabilities – current portion	9	2,555,292	3,830,204
Trade payables	18	18,052,017	16,554,026
Accruals and other non-financial liabilities	19	33,924,638	26,115,386
Provision for zakat and income tax	20	15,138,515	7,417,786
Provision for severance fees	21	20,200,621	8,756,154
TOTAL CURRENT LIABILITIES		198,537,751	149,340,224
TOTAL LIABILITIES		463,825,120	494,931,426
TOTAL EQUITY AND LIABILITIES		1,112,261,198	946,917,474



Finance Director



Chief Executive Officer



Chairman

The attached notes from 1 to 37 form an integral part of these financial statements.

AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

	<i>Note</i>	2021	2020
Revenue, net	22	586,653,318	375,150,752
Cost of revenue		(318,955,821)	(249,891,654)
GROSS PROFIT		267,697,497	125,259,098
Selling and marketing expenses	23	(28,641,496)	(16,542,562)
General and administrative expenses	24	(22,441,585)	(19,979,880)
OPERATING PROFIT		216,614,416	88,736,656
Finance costs	25	(13,546,970)	(6,751,853)
Other income		65,093	207,650
PROFIT BEFORE ZAKAT AND INCOME TAX		203,132,539	82,192,453
Zakat expense	20	(8,844,831)	(2,307,918)
Income tax credit, net	20	2,977,061	8,919,172
NET PROFIT FOR THE YEAR		197,264,769	88,803,707
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to statement of profit or loss in subsequent periods:</i>			
Re-measurement loss on defined benefit plans	17	(860,719)	(1,298,421)
Deferred tax relating to actuarial loss	20	45,980	62,454
		(814,739)	(1,235,967)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		196,450,030	87,567,740
EARNINGS PER SHARE:			
Basic earnings and diluted earnings per share attributable to ordinary equity holders of the Company	26	3.60	1.62

 Finance Director	 Chief Executive Officer	 Chairman
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The attached notes from 1 to 37 form an integral part of these financial statements.

AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings / (accumulated losses)	Treasury stock	Total
Balance as at 1 January 2020	820,000,000	4,427,449	(328,200,241)	(74,713,350)	421,513,858
Net profit for the year	-	-	88,803,707	-	88,803,707
Other comprehensive income for the year	-	-	(1,235,967)	-	(1,235,967)
Total comprehensive income for the year	-	-	87,567,740	-	87,567,740
Movement during the year	-	-	-	(57,095,550)	(57,095,550)
Balance as at 31 December 2020	820,000,000	4,427,449	(240,632,501)	(131,808,900)	451,986,048
Reduction of share capital (note 14.1 (c))	(353,000,000)	-	240,632,501	112,367,499	-
Net profit for the year	-	-	197,264,769	-	197,264,769
Other comprehensive income for the year	-	-	(814,739)	-	(814,739)
Total comprehensive income for the year	-	-	196,450,030	-	196,450,030
Increase in share capital (note 14.1 (d))	96,288,650	(4,427,449)	(91,861,201)	-	-
Transfer to statutory reserve (note 14.2)	-	19,726,477	(19,726,477)	-	-
Balance as at 31 December 2021	563,288,650	19,726,477	84,862,382	(19,441,401)	648,436,078

Finance Director

Chief Executive Officer

Chairman

The attached notes from 1 to 37 form an integral part of these financial statements.

AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

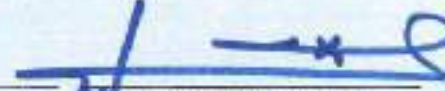
STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
OPERATING ACTIVITIES			
Profit before zakat and income tax		203,132,539	82,192,453
<i>Adjustment to reconcile profit before zakat and income tax to net cash inflow from operating activities:</i>			
Depreciation, depletion and amortisation	7&8	91,551,919	57,092,234
Amortisation of right-of-use assets	9	1,659,621	1,344,434
Provision for slow moving items	10	-	920,000
Provision for employee benefits	17	2,586,297	2,330,715
Provision for severance fees	21	20,200,621	9,254,481
Finance costs		13,546,970	6,751,853
		<u>332,677,967</u>	<u>159,836,170</u>
<i>Working capital adjustments:</i>			
Inventories		(8,411,382)	(761,446)
Trade and other receivables		(99,716,859)	(33,289,608)
Advances and prepayments		(17,639,480)	27,991,320
Trade payables		1,497,991	(8,760,188)
Accruals and other non-financial assets		7,809,252	8,036,394
Long term deposits		(479,568)	-
Cash from operations		<u>215,737,921</u>	<u>133,103,142</u>
Zakat paid	20	(2,307,918)	(4,475,659)
Income tax paid	20	(12,619,746)	(1,920,221)
Severance fee paid	21	(8,756,154)	(2,498,328)
Employee benefits paid	17	(949,944)	(1,202,251)
Finance costs paid		(12,602,983)	(6,169,966)
Net cash flows from operating activities		<u>178,801,176</u>	<u>116,836,717</u>
INVESTING ACTIVITIES			
Additions in property, plant and equipment	8	(26,655,345)	(16,031,921)
Additions in mine properties	7	(51,420,933)	(134,860,114)
Net cash used in investing activities		<u>(72,076,278)</u>	<u>(150,892,035)</u>
FINANCING ACTIVITIES			
Advances to shareholders		-	2,861,341
Purchase of treasury shares		-	(57,095,550)
Proceeds from loans and borrowings		17,360,900	119,440,000
Payment of principal portion of loans and borrowings		(81,346,788)	(44,969,602)
Payment of principal portion of lease liabilities	9	(2,888,090)	(3,256,047)
Net cash (used in)/from financing activities		<u>(66,874,878)</u>	<u>16,980,142</u>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>39,550,020</u>	<u>(17,075,176)</u>
Cash and cash equivalents at the beginning of the year		35,169,618	52,244,794
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>74,719,638</u>	<u>35,169,618</u>
SUPPLEMENTARY NON-CASH INFORMATION			
Transfer from advances to shareholders to treasury stock		-	2,861,341
Additions in right-of-use assets and lease liabilities	9	362,550	1,156,235
Reduction of share capital	14.1(c)	353,000,000	-
Increase in share capital	14.1(d)	96,288,650	-
Additions in deferred mine closure cost	7	3,492,524	12,805,068
Exploration and evaluation assets transferred to mine properties		-	40,663,796
Provision for mine closure cost	25	943,987	581,887


Finance Director


Chief Executive Officer


Chairman

The attached notes from 1 to 37 form an integral part of these financial statements.

AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

1. COMPANY INFORMATION

Al Masane Al Kobra Mining Company ("the Company" or "AMAK") is a Saudi Closed Joint Stock Company approved by the Ministry of Commerce and Investment Decree Number 247/Q dated 9 Shawwal 1428H (corresponding to 21 October 2007) and registered in Jeddah under Commercial Registration No. 4030175345 on 7 Muharram 1429H (corresponding to 16 January 2008). During 2015, the head office of the Company was moved from Jeddah to Najran. Accordingly, Najran Commercial Registration No. 5950017523 dated 3 Duh Al-Qi'dah 1431H (corresponding to 11 October 2010) was modified to be main Commercial Registration. During the year, the Company obtained commercial registration number 5950123986 dated 22 Dhu Al-Hijjah 1442H (corresponding to 1 August 2021) of a new branch in Najran.

The registered office is located at P.O. Box 96, Najran, Kingdom of Saudi Arabia. The Company is engaged in mining of non-ferrous metal ores (aluminium, copper and lead), mining of ores of precious metals belonging to gold, silver and platinum group, and wholesaling precious metals and gemstones.

The Company commenced its commercial production on 1 July 2012. The principal activity of the Company is to produce zinc and copper concentrates and silver and gold dore as per the license Number 86/Q dated 13 Ramadhan 1429H (corresponding to 13 September 2008) issued by Ministry of Industry and Mineral Resources and expiring on 29 Duh Al-Qi'dah 1443H (corresponding to 28 June 2022). During the year, the Company renewed the license for further thirty years with license number 142941, starting from 30 June 2022 (corresponding to 1 Dhu Al-Hijjah 1443H).

In addition, the Company obtained the license number 9598/Q dated 24 Duh Al-Qi'dah 1436H (corresponding to 8 September 2015) for twenty years and expiring on 23 Duh Al-Qi'dah 1456H (corresponding to 2 February 2035) from the Ministry of Industry and Mineral Resources for the exploitation of gold and silver dore from accompanying site Mount Guyan Surface.

As at the reporting date, the Company has two mines namely Al Masane underground mine and Mount Guyan mine (2020: same). During the year, the Company has planned to expand its current activity by further developing the Moyeath orebody development project for the purpose of increasing the productive capacity of Al Masane underground mine.

During the year, the Company commenced the process for Initial Public Offering ("IPO") and Capital Market Authority ("CMA") approval was obtained in this regard on 22 December 2021 (corresponding to 18 Jumada Al-Ula 1443H). Further, on 18 November 2021 (corresponding to 13 Rabi Al-Thani 1443H), the shareholders of the Company, in an extraordinary general meeting, passed a resolution about the increase in the Company's share capital from SR 563,288,650 to SR 660,000,000 as part of the IPO process. The legal formalities in this regard are in progress at the year end.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs endorsed in KSA").

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis, except for employee benefit obligation which is recognized at the present value of future obligations using the projected unit credit method. Further, the financial statements are prepared using the accrual basis of accounting and going concern concept.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR), which is also the Company's functional and presentation currency.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, in view of the current uncertainties, including COVID-19 related uncertainties, any change in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is still evolving with future uncertainties, management will continue to assess the impact based on prospective developments (see also note 34).

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Sensitivity analyses disclosure (notes 17 & 30)
- Financial instruments risk management (note 30)
- Capital management (note 31)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting judgements, estimates and assumptions (continued)

3.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

3.1.1 Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Company's exploration and evaluation assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company has applied a number of estimates and assumptions.

3.1.2 Production start date

The Company assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, i.e. when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development/construction project, such as the complexity of the project and its location.

The Company considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Exploration and Evaluation Assets' to 'Mine properties' or 'Property, plant and equipment'. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in saleable form (within specifications)
- Ability to sustain ongoing production of metal

When a mine under development/construction moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions, improvements, underground mine development or mineable reserve development or stripping costs (waste removal). It is also at this point that depreciation/amortisation commences.

3.1.3 Stripping cost/underground mine development asset

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset / underground development asset.

Once the Company has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting judgements, estimates and assumptions (continued)

3.1 Judgements (continued)

3.1.3 Stripping cost (continued)

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Company considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

3.1.4 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3.1.5 Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identification of the enforceable contract

For most copper and zinc concentrate (metal in concentrate) sales, while there are master services agreements with key customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes, i.e., the customer is not required to buy any concentrate.

Also, there are no terms which link separate purchase contracts. For example, there are no rebates or discounts provided if a customer buys more than a specified amount each year, and there are no penalties that impact overall sales during a year (unless mutually agreed). Therefore, for these arrangements, the enforceable contract has been determined to be a purchase agreement.

Application of the variable consideration constraint

For the Company's contracts that are subject to market-based prices, i.e., there is variable consideration, the Company has assessed that at contract inception, this variable consideration will generally be significantly constrained. This is on the basis that the ultimate price they will receive will depend on a range of factors that are highly susceptible to factors outside the Company's influence and include:

- Actions of third parties: the exact date that each shipment occurs (this is relevant because this is the date the market price is determined, or for provisionally priced sales, the date from which the QP commences)
- Volatile commodity market: the price to be received in the future is then based on market-based prices for highly liquid commodities

The Company's estimates of variable consideration and any disclosures provided in relation to the allocation of that variable consideration to unsatisfied performance obligations, are immaterial.

3.1.6 Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The renewal periods for leases of buildings and heavy equipment (i.e., 10 years and 3 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

3. Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

3.2.1 Ore reserves and mineral resource estimates

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. Such reserves and mineral resource estimates and changes to these may impact the Company's reported financial position and results, in the following way:

- The carrying value of exploration and evaluation assets, mine properties, property and plant and equipment, may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
- Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

The Company estimates and reports ore reserves and mineral resources in line with the principles contained in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, which is prepared by the Australasian Joint Ore Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, known as the "JORC Code". The JORC Code requires the use of reasonable investment assumptions, including:

- Future production estimates, which include proved and probable reserves, resource estimates and committed expansions
- Expected future commodity prices, based on current market prices, forward prices and the Company's assessment of the long-term average price
- Future cash costs of production, capital expenditure and rehabilitation obligations

Consequently, management will form a view of forecast sales prices based on current and long-term historical average price trends. For example, if current prices remain above long-term historical averages for an extended period of time, management may assume that lower prices will prevail in the future. As a result, those lower prices would be used to estimate ore reserves and mineral resources under the JORC Code. Lower price assumptions generally result in lower estimates of reserves.

As the economic assumptions used may change and as additional geological information is produced during the operation of a mine, estimates of ore reserves and mineral resources may change.

3.2.2 Useful lives of buildings and motor vehicles

The Company's management determines the estimated useful lives of buildings and motor vehicles for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where the management believes the useful lives differ from previous estimates.

3. Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions (continued)

3.2.3 Useful lives of property, plant and equipment and mine properties and Unit-of-Production (UOP) depreciation

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of property, plant and equipment and mine properties, except for the buildings and motor vehicles. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Changes in estimates are accounted for prospectively.

3.2.4 Mine closure cost and environment obligation

The mining and exploration activities are subject to various environmental laws and regulations. The estimates environmental obligations based on management's understanding of the current legal requirements in the various jurisdictions in which it operates, terms of the license agreements and engineering estimates. Provision is made, for mine closure costs as soon as the obligation arises. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates (2021: 2.82% and 2020: 2.75%). These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

3.2.5 Inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

3.2.6 Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation ("E&E") expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. In addition to applying judgement to determine whether future economic benefits are likely to arise from the Company's E&E assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions. The determination of a JORC resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Company defers E&E expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off to the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

3. Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions (continued)

3.2.7 Leases - Estimating the incremental borrowing rate

The Company uses its incremental borrowing rate (IBR) except where interest rate implicit in lease is available to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3.2.8 Defined benefit plan

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality corporate/government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 17.

3.2.9 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

3. Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions (continued)

3.2.10 Provisions

Provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.2.11 Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. The assessment of COVID-19 is disclosed in note 34.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except as mentioned in note 5, in the preparation of these financial statements:

4.1 Foreign currencies

Transactions in foreign currencies are initially recorded by the Company in its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

4.2 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

Assets

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is current when it is:

- expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Exploration and evaluation assets

Exploration and Evaluation (“E&E”) activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

E&E activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

The Company applies the full-cost method of accounting, applied on an area of interest basis, for E&E costs. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the useful life of mine.

Once the legal right to explore has been acquired, E&E expenditure is charged to profit or loss as incurred, unless the Company concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

E&E expenditure incurred on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC-compliant resource.

Upon the establishment of a JORC-compliant resource (at which point, the Company considers it probable that economic benefits will be realised), the Company capitalises any further evaluation expenditure incurred for the particular licence as E&E assets up to the point when a JORC-compliant reserve is established. Capitalised E&E expenditure is considered to be an intangible asset.

E&E assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an E&E asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment, if any. Once JORC-compliant reserves are established and development is sanctioned, E&E assets are transferred to ‘Mine under construction’ which is a sub-category of ‘Mine properties’. No amortisation is charged during the E&E phase.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Mine under construction

Expenditure is transferred from 'Exploration and evaluation assets' to 'Mines under construction' which is a sub-category of 'Mine properties' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mines under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After production starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines' which is also a sub-category of 'Mine properties'.

4.5 Mine properties and property, plant and equipment

Initial recognition

Upon completion of the mine construction phase, the assets are transferred into "Property, plant and equipment" or "Mine properties". Items of property, plant and equipment and producing mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Mine properties also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Depreciation / amortisation

Accumulated mine development costs are depreciated/amortised on a UOP basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. Economically recoverable reserves include proven and probable reserves.

Depreciation/amortisation is calculated based on the following methods:

Categories	Depreciation / amortisation method
Intangible assets	Straight line - useful life of mine
Mining assets	Straight line - useful life of mine
Underground mine development asset	Straight line - useful life of mine
Buildings	Straight line - shorter of useful life of mine or 30 years
Leasehold improvement	Straight line - shorter of lease term or useful life of mine
Civil works	Unit of production
Plant and machinery	Unit of production
Heavy equipment	Unit of production
Tailing dam	Unit of production
Motor vehicles	Straight line - 4 years

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis, whereby the denominator is the proven and probable reserves, and for some mines, a portion of mineral resources which are expected to be extracted economically. These other mineral resources may be included in depreciation calculations in limited circumstances and where there is a high degree of confidence in their economic extraction. This would be the case when the other mineral resources do not yet have the status of reserves merely because the necessary detailed evaluation work has not yet been performed and the responsible technical personnel agree that inclusion of a proportion of measured and indicated resources is appropriate based on historic reserve conversion rates.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Mine properties and property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Assets under construction which are not ready for its intended use are not depreciated.

When a major inspection (turnaround/shutdown, planned or unplanned) is performed, the directly met attributable cost is recognized in the carrying amount of the plant and equipment if the recognition criteria are met. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major inspection (turnaround). If the next turnaround occurs prior to the planned date, any existing book value of the previous turnaround is recognized in the statement of profit or loss immediately.

Capital work-in-progress are carried at cost less any recognized impairment loss. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is accounted for in accordance with the Company's policies. Capital work in progress are not depreciated.

Change in estimate

Based on an assessment and the recommendation of the management's consultant, the total expected units of production (UOP) have been revised in the current year from 7.7 million metric tonnes to 8.6 million metric tonnes and the useful life of Al Masane mine is estimated to be till 31 December 2029 (2020: 31 March 2030) based on the best estimates. Such change in the UOP and useful life has been applied prospectively from 1 January 2021. The change in UOP and useful life resulted in change in depreciation and amortization charge for the current year by approximately SR 2.8 million. However, impact on future years cannot be calculated due to annual reviews of remaining useful life and reserves.

The useful life of the new Mount Guyan mine is estimated to be till 31 December 2026.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Leases

The Company assesses at contract inception, all arrangements to determine whether they are, or contain, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is not a lessor in any transactions, it is only a lessee.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 10 years; and
- Heavy Equipment 3 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment, refer note 4.10.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The unwinding component of finance cost is included in the statement of profit or loss.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

4.7 Inventories

Concentrates

Concentrates are stated at the lower of cost and net realizable value. Cost is determined on a weighted averages cost basis and includes cost of materials, labor, appropriate proportion of direct overheads and other costs incurred in bringing them to their existing location and condition.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Inventories (continued)

Ore stockpile

Ore stockpile is recognized as inventory when it is extracted from mine, the reliable assessment of mineral content is possible and the cost of production can be reliably measured. Cost of the Ore stockpile includes all the direct and indirect costs in bringing it to the current location and condition. Ore stockpile is valued at lower of cost or net realizable value. Quantities and grades of stockpiles and work-in-process are assessed primarily through surveys and assays.

Tools, spare parts and consumables

Tools, spare parts and consumables are valued at cost less an allowance for obsolete and slow-moving items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

4.8 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

4.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, or fair value through other comprehensive income (OCI) or fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers. Refer to the accounting policy in note 4.17.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. This category is relevant to the Company. The Company's financial assets at amortised cost includes cash and cash equivalents and other receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Company does not have any financial assets at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other operating income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently, the Company does not have any financial assets designated at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Majority of the Company's sales are provisionally priced, meaning that the final selling price is determined normally 30 to 90 days after the delivery to the customer, based on the quoted market price stipulated in the contract and as a result are susceptible to future commodity price movements. At each reporting date, subsequent to the initial sale, the provisionally priced trade receivables are marked-to market using the relevant forward market prices for the period stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the solely payment of principal and interest ("SPPI") test. As a result, these receivables are measured at fair value through profit or loss ("FVTPL") from the date of recognition of the corresponding sale, with subsequent marked-to-market adjustments recognized in fair value gains / (losses) on provisionally priced products and the carrying amount of the outstanding trade receivable, if material. Such fair value gains (losses) on provisionally priced products are presented within revenue as movement in provisional revenue.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Company applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payables, lease liabilities, other liabilities and long-term payables.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost (long term payables and lease liabilities).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (lease liabilities and long-term payables).

This category is relevant to the Company. After initial recognition, lease liabilities and long-term payables are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to lease liabilities and long-term payables (refer to note 9 and note 15).

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets, excluding goodwill, with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Goodwill is tested for impairment annually at year end and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

4.11 Loan and borrowing

Loan and borrowing are recognized at proceed received, net of transaction cost incurred, if any. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Additionally, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets capitalized as part of the cost of those assets. Other borrowing cost are charged to the statement of profit or loss.

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(All amounts in Saudi Riyals unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The Company's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss (Refer to note 17).

4.13 Provisions

(a) General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(b) Rehabilitation provision

Mine rehabilitation costs will be incurred by the Company either while operating, or at the end of the operating life of, the Company's facilities and mine properties. The Company assesses its mine rehabilitation provision at each reporting date. The Company recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional disturbances that arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to the restoration of site damage (subsequent to the start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Provisions (continued)

(b) Rehabilitation provision (continued)

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as part of finance costs. For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss and other comprehensive income.

The Company recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

4.14 Severance fees

The Company is subject to severance fees in accordance with the Saudi Mining Investment Code based on the Royal Decree No. 140/M dated 19 Shawwal 1441H (corresponding to 11 June 2020). The Company is required to pay to the Government of Saudi Arabia severance fees, representing equivalent of 20% of hypothetical income in addition to a specified percentage of the net value of the minerals upon extraction effective from 1 January 2021. It superseded the Royal Decree No. 47/M dated 20 Sha'aban 1425H (corresponding to 4 October 2004), which required the Company to pay to the Government of Saudi Arabia severance fee representing 25% of the annual net income per mining license or the equivalent of 20% of hypothetical income, whichever was lower.

The zakat due shall be deducted from this amount. Therefore, the net income for each mining license registered in the name of the Company is subject to severance fees. Severance fees is shown as part of cost of revenue in the statement of profit or loss.

Since the Company is a mix companies with foreign shareholders, only the Saudi shareholders are liable for paying severance fees on their share of the net profit attributable to the particular mining license. The Saudi shareholder can deduct the zakat due by them from their severance fee liability. The foreign shareholders are exempt from paying severance fees on their share of net profit attributable to the particular mining license, however, they pay income tax at a rate of 20%.

4.15 Zakat and tax

Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Company is charged to the statement of profit or loss.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Zakat and tax (continued)

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Withholding tax

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value Added Tax ("VAT")

Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables.

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(All amounts in Saudi Riyals unless otherwise stated)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

4.17 Revenue

Revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically transferred onto a vessel or other delivery mechanism. The revenue is measured at the amount to which the Company expects to be entitled, being the estimate of the price expected to be received, i.e., the previous 10 working days London Metal Exchange (LME), and a corresponding trade receivable is recognised. For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss from initial recognition until the date of settlement. These subsequent changes in fair value are recognised on the face of statement of profit or loss and other comprehensive income in each period as part of revenue. Such amounts are then presented separately in the notes from revenue from contracts with customers as part of 'Movement in provisional revenue'. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for copper and zinc as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments. The revenue is established at the time of discharge at the port of destination by reference to open market average metal prices ruling during the contractual quotation period (QP) and independent assays agreed between buyer and seller.

4.18 Expenses

Cost of revenue

Production costs and direct expenses are classified as cost of revenue. This includes raw material, direct labor and other attributable overhead costs.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses.

General and administrative expenses

These pertain to operation expenses which are not directly related to the cost of revenue and selling and distribution expenses. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses.

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Company applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5.1 Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

5.2 Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the reporting date of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

6.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

6.2 Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments did not have a material impact on the Company as at the date of these financial statements.

6.3 Reference to the Conceptual Framework – *Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Company.

At 31 December 2021

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6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

6.4 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

6.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

6.6 IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

6.7 IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

6.8 IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not applicable to the Company.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

6.9 Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

6.10 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company’s accounting policy disclosures.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

7 MINE PROPERTIES

	<i>Producing mines</i>					<i>Total</i>
	<i>Mine under construction</i>	<i>Intangible assets</i>	<i>Mining assets</i>	<i>Underground mine development asset</i>	<i>Deferred mine closure cost</i>	
Cost:						
As at 1 January 2020	-	258,973,236	129,894,826	258,560,726	12,842,625	660,271,413
Transfer from exploration and evaluation assets	40,663,796	-	-	-	-	40,663,796
Additions during the year	117,225,019	-	-	17,635,095	12,805,068	147,665,182
As at 31 December 2020	157,888,815	258,973,236	129,894,826	276,195,821	25,647,693	848,600,391
Additions during the year	21,121,963	-	17,675,361	12,623,609	3,492,524	54,913,457
Transfers during the year (note 8)	(169,486,017)	-	44,095,174	-	-	(125,390,843)
As at 31 December 2021	9,524,761	258,973,236	191,665,361	288,819,430	29,140,217	778,123,005
Accumulated depletion and amortization:						
As at 1 January 2020	-	166,751,623	76,347,300	189,469,209	7,631,120	440,199,252
Charge for the year	-	8,997,230	5,224,149	7,834,833	519,759	22,575,971
As at 31 December 2020	-	175,748,853	81,571,449	197,304,042	8,150,879	462,775,223
Charge for the year	-	9,247,154	17,243,990	9,485,000	2,444,217	38,420,361
As at 31 December 2021	-	184,996,007	98,815,439	206,789,042	10,595,096	501,195,584
Net book amounts:						
As at 31 December 2021	9,524,761	73,977,229	92,849,922	82,030,388	18,545,121	276,927,421
As at 31 December 2020	157,888,815	83,224,383	48,323,377	78,891,779	17,496,814	385,825,168

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

7 MINE PROPERTIES (continued)

- 7.1 The mines under construction represent Mount Guyan mine and Moyoath project. Mount Guyan mine has started its commercial production from 1 February 2021 onwards for the extraction of the gold dores and consequently during the year ended 31 December 2021, the related assets of mine under construction have been transferred to the producing mines (as mentioned above) and property, plant and equipment (refer note 8) and accordingly depreciation and amortisation on these assets has commenced. The useful life of the Mount Guyan project is expected upto 2026. The balance of mine under construction as at 31 December 2021 relates to Moyoath project.
- 7.2 The depletion and amortization charge for the year has been allocated to cost of revenue.
- 7.3 The amount of borrowing costs capitalised during the year ended 31 December 2021 was approximately SR 566,996 (2020: SR 3,436,496). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 4.7%, which is the effective interest rate of the specific borrowing.
- 7.4 Intangible assets represents exploration and evaluation assets (including mining rights originally granted by the Royal Decree Number M/17 effective 1 Dhu Al-Hijjah 1413H (corresponding to 22 May 1993) for a period of thirty years, with a right of renewal for future period of twenty years to Arabian Shield Development Company (“AADC”) for the exploitation in Al Masane mine located in Najran, Saudi Arabia, with an area of 44 square kilometers for surface rental of SR 10,000 per square kilometer per year, i.e. SR 440,000 per year.). These exploration and evaluation assets (including mining rights) were purchased by the Company from AADC in August 2009 for a cash consideration of SR 236.25 million. The title of aforementioned rights were transferred to the Company as per the ministry of Petroleum and mineral resources resolution dated 13 Ramadhan 1429H (corresponding to 13 September 2008) and the ministry subsequent letter dated 2 Muharram 1430H (corresponding to 30 December 2008). The Company also incurred further costs of SR 22.7 million subsequent to acquisition of these exploration and evaluation assets. These exploration and evaluation assets were transferred to intangible assets under mine properties after the production started in 2012 and amortized over the useful life of mine. Useful life of mine is determined based on the lower of the term of mining rights or the estimated time to explore and process the estimated ore reserves. During the year, the useful life of mine was revised based on the revised estimated reserves and production capacity to end on 31 December 2029 (2020: 31 March 2030). Changes in estimates are accounted for prospectively.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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8 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings</i>	<i>Leasehold improvement</i>	<i>Civil works</i>	<i>Plant and machinery</i>	<i>Heavy equipment</i>	<i>Tailing dam</i>	<i>Motor vehicles</i>	<i>Capital work in progress</i>	<i>Total</i>
Cost:									
As at 1 January 2020	191,838,962	1,838,317	16,288,221	294,463,540	128,089,142	23,900,160	22,467,300	4,789,311	683,674,953
Additions during the year	135,700	2,212,745	-	-	13,140,898	-	286,263	256,315	16,031,921
As at 31 December 2020	191,974,662	4,051,062	16,288,221	294,463,540	141,230,040	23,900,160	22,753,563	5,045,626	699,706,874
Additions during the year	302,296	442,075	-	1,671,677	17,743,165	-	-	496,132	20,655,345
Transfers from mine under construction (note 7)	420,000	1,050,301	4,349,328	116,626,190	1,288,686	1,656,338	-	-	125,390,843
As at 31 December 2021	192,696,958	5,543,438	20,637,549	412,761,407	160,261,891	25,556,498	22,753,563	5,541,758	845,753,062
Accumulated depreciation:									
As at 1 January 2020	81,877,168	1,838,317	9,246,672	116,932,744	84,245,477	14,839,800	22,233,807	-	331,213,985
Charge for the year	10,736,029	245,861	749,644	15,765,091	5,808,131	964,573	246,932	-	34,516,261
As at 31 December 2020	92,613,197	2,084,178	9,996,316	132,697,835	90,053,608	15,804,373	22,480,739	-	365,730,246
Charge for the year	11,122,896	466,111	1,268,500	30,731,103	8,436,504	1,021,629	84,815	-	53,131,558
As at 31 December 2021	103,736,093	2,550,289	11,264,816	163,428,938	98,490,112	16,826,002	22,565,554	-	418,861,804
Net book amounts:									
As at 31 December 2021	88,960,865	2,993,149	9,372,733	249,332,469	61,771,779	8,730,496	188,009	5,541,758	426,891,258
As at 31 December 2020	99,361,465	1,966,884	6,291,905	161,765,705	51,176,432	8,095,787	272,824	5,045,626	333,976,628

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

8 PROPERTY, PLANT AND EQUIPMENT (continued)

- 8.1 Property, plant and equipment are subject to a pledge as collateral against a long-term loan (note 15).
- 8.2 Capital work in progress represents firefighting works and equipment for plant which is expected to be operational in 2022.
- 8.3 The depreciation charge for the year has been allocated to cost of revenue.
- 8.4 The buildings are constructed on the site for the mines which are leased by the Company from the Ministry of Industry and Mineral Resources.

9 LEASES

The Company has lease contracts for leasehold buildings and heavy equipment. Leasehold buildings have lease terms for 2 to 10 years while heavy equipment carries a lease term of 3 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	<i>Buildings</i>	<i>Heavy equipment</i>	<i>Total</i>
As at 1 January 2020	1,757,039	7,597,891	9,354,930
Additions during the year	1,156,234	-	1,156,234
Depreciation expense	(535,560)	(808,874)	(1,344,434)
	<u>2,377,713</u>	<u>6,789,017</u>	<u>9,166,730</u>
As at 31 December 2020	2,377,713	6,789,017	9,166,730
Additions during the year	362,550	-	362,550
Depreciation expense	(1,018,458)	(641,163)	(1,659,621)
	<u>1,721,805</u>	<u>6,147,854</u>	<u>7,869,659</u>
As at 31 December 2021	1,721,805	6,147,854	7,869,659

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	<i>2021</i>	<i>2020</i>
As at the beginning of the year	6,055,310	8,155,123
Additions during the year	362,550	1,156,234
Accretion of interest during the year	436,395	792,899
Payments made during the year	(3,324,485)	(4,048,946)
	<u>3,529,770</u>	<u>6,055,310</u>
At the end of the year	3,529,770	6,055,310
Current	2,555,292	3,830,204
Non-current	974,478	2,225,106

The following are the amounts recognised in the statement of profit or loss and other comprehensive income:

	<i>2021</i>	<i>2020</i>
Depreciation expense of right-of-use assets	1,659,621	1,344,434
Interest expense on lease liabilities	436,395	792,899
	<u>2,096,016</u>	<u>2,137,333</u>
At the end of the year	2,096,016	2,137,333

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

9 LEASES (continued)

The Company had total cash outflows for leases of SR 3,324,485 (2020: SR 4,048,946). The Company also had non-cash additions to right-of-use assets and lease liabilities of SR 362,550 (2020: SR 1,156,234).

10 INVENTORIES

	<i>2021</i>	<i>2020</i>
Concentrates	12,864,390	9,146,872
Ore stockpile	7,939,118	13,795,024
Consumables	14,782,053	11,811,150
Tools and spare parts	41,376,024	33,797,157
	<u>76,961,585</u>	<u>68,550,203</u>
Less: Allowance for slow moving inventories (see note below)	(5,612,314)	(5,612,314)
	<u>71,349,271</u>	<u>62,937,889</u>

a) Movement in the allowance for slow moving inventories is as follows:

	<i>2021</i>	<i>2020</i>
At the beginning of the year	5,612,314	4,692,314
Charge for the year	-	920,000
	<u>5,612,314</u>	<u>5,612,314</u>

The charge for the year is allocated to cost of revenue.

11 TRADE AND OTHER RECEIVABLES

	<i>2021</i>	<i>2020</i>
Trade receivables (subject to provisional pricing) – fair value	181,905,672	85,425,455
Add/(less): Provisional pricing adjustment at fair value	744,267	(2,492,375)
	<u>182,649,939</u>	<u>82,933,080</u>

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. See financial instruments risk management (note 30) on credit risk of trade receivables, which explain how the Company manages and measure credit quality of trade receivables.

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12 ADVANCES AND PREPAYMENTS

	2021	2020
Advances to suppliers	21,094,354	14,361,231
Less: Provision for advances to suppliers	(1,754,885)	(1,754,885)
Advances to suppliers - net	19,339,469	12,606,346
Prepayments	13,504,045	4,473,142
Employee receivables	407,425	494,676
Value added tax – Input	6,254,267	4,291,562
	<u>39,505,206</u>	<u>21,865,726</u>

13 CASH AND CASH EQUIVALENTS

	2021	2020
Cash in hand	85,582	96,640
Bank balances	74,634,056	35,072,978
	<u>74,719,638</u>	<u>35,169,618</u>

14 EQUITY

14.1 Share capital

Share capital of the Company is divided into 56.3 million shares of SR 10 each as at 31 December 2021 (82 million shares of SR 10 each as at 31 December 2020). The revised shareholding is held by the following shareholders:

<u>Name of the shareholders</u>	<u>Nationality/Country of incorporation</u>	2021	2020
Arab Mining Company	Jordan	115,260,490	155,025,000
ASAS Mining Co.	Saudi Arabia	110,806,740	149,034,720
Treasury shares	Saudi Arabia	14,588,500	82,000,000
Mohammed Manea Aballala	Saudi Arabia	46,914,410	79,887,290
Rassas Co.	Saudi Arabia	49,164,160	66,125,640
Ibrahim Bin Mussalam	Saudi Arabia	14,604,040	53,134,150
Arab Mining Co. Fujairah	United Arab Emirates	29,739,840	40,000,000
Other shareholders	GCC and others	182,210,470	194,793,200
		<u>563,288,650</u>	<u>820,000,000</u>

- (a) The above shareholding includes shareholding by key management personnel amounting to SR 2.4 million (2020: SR 2.2 million).
- (b) During 2018, in the Extraordinary General Assembly Meeting held on 28 October 2018, the shareholders authorised the Board of Director of the Company to repurchase the shares of the Company up to 10% of the total shares at a maximum price of SR 30 per share. The Company repurchased 2,490,445 shares at a price of SR 30 each and registered these shares as treasury stock of SR 74.7 million in 2019. The Company further repurchased 5,709,555 shares at a price of SR 10 each and completed the legal formalities in this regard during 2020.
- (c) The shareholders of the Company, in an extraordinary general meeting held on 23 March 2021 (corresponding to 10 Sha'ban 1442H), resolved to reduce the share capital of the Company from SR 820 million to SR 467 million through absorbing accumulated losses of SR 240,632,501 and reducing treasury stocks by 6,990,526 shares worth of SR 112,367,499. The legal formalities in this regard were completed on 10 May 2021 (corresponding to 28 Ramadhan 1442H).
- (d) Further, on 3 October 2021 (corresponding to 26 Safar 1443H), the shareholders of the Company, in an extraordinary general meeting, passed a resolution about the proposed increase in the Company's share capital from SR 467,000,000 to SR 563,288,650 through the transfer of SR 91,861,201 from the account of retained earnings and SR 4,427,449 from the account of statutory reserve. The legal formalities in this regard have been completed on 19 October 2021 (corresponding to 13 Rabi Al-Awwal 1443H).

At 31 December 2021

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14 EQUITY (continued)**14.2 Statutory reserve**

In accordance with the by-laws of the Company, the Company will transfer 10% of its net income for the year to the statutory reserve until it equals to 30% of the share capital. As mentioned in note 14.1 (d), SR 4,427,449 was used to increase the share capital during the year. The reserve is not available for distribution.

15 LOANS AND BORROWINGS

	<i>2021</i>	<i>2020</i>
Saudi Industrial Development Fund (SIDF) (note 8)	295,797,751	343,117,871
Tawarroq	33,333,332	50,000,000
	329,131,083	393,117,871
Less: Current portion shown under current liabilities	(108,666,668)	(86,666,668)
Loans and borrowings under non-current liabilities	220,464,415	306,451,203

- 15.1 The loan is obtained from Saudi Industrial Development Fund (SIDF) agreement dated 1 September 2010 for Al Masane project. This loan is secured by mortgage on the Company's property, plant and equipment and by guarantee of each shareholder. The loan is repayable in thirteen semi-annual installments in six years. However, subsequently in July 2018, the Company and SIDF reached to an agreement to amend the original loan agreement as per the Company's request to reschedule the payments in eleven semi-annual installments.

In June 2020, the Company and SIDF reached an agreement to again amend the original loan agreement as per the Company's request to reschedule the payments in seven semi-annual installments payable from May 2021 till April 2024.

The Company obtained another loan facility amounting to SR 94.3 million from Saudi Industrial Development Fund (SIDF) agreement dated 28 June 2020 for its new Mount Guyan Project payable in thirteen semi-annual installments starting from May 2022 to March 2028. This loan is also secured by mortgage on the Company's property, plant and equipment and by guarantee of each shareholder.

- 15.2 In December 2019, the Company obtained credit facilities/financing loan from one of the local commercial banks amounting to SR 110,518,400 which includes payment guarantees, financing the purchases & selling of commodities (Al Tawarroq).

These facilities are guaranteed by joint and several personal guarantees of some of the shareholders covering total facilities. The outstanding loan to be paid over twelve equal quarterly installments starting from March 2021 and ending on December 2023.

- 15.3 Loans and borrowings bear finance charges ranging from 2.7% to 4.7% per annum (2020: 2.7% to 4.7% per annum). Under the terms of both facilities agreements, the Company is required to maintain certain financial covenants, among other items. The Company is in compliance with these covenants as at 31 December 2021 (2020: compliant).

- 15.4 All loans and borrowings of the Company are shariah compliant.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

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15 LOANS AND BORROWINGS (continued)

The undiscounted outstanding loans/facilities maturities are as follows:

Year	2021	2020
2021	-	86,666,668
2022	108,666,668	108,666,668
2023	114,166,668	114,166,664
2024	66,500,000	66,500,000
2025	15,000,000	15,000,000
Thereafter	28,300,000	28,300,000
	332,633,336	419,300,000

16 PROVISION FOR MINE CLOSURE COST

	2021	2020
At the beginning of the year	30,012,302	16,625,347
Additions for the year	3,492,524	12,805,068
Unwinding of discount for the year	943,987	581,887
At the end of the year	34,448,813	30,012,302

17 EMPLOYEE BENEFITS

General description of the plan

The Company operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The movement in EOSB for the year ended is as follows:

	2021	2020
Balance at the beginning of the year	6,902,591	4,475,706
<i>Included in statement of profit or loss</i>		
Current service cost	2,412,751	2,200,529
Interest cost	173,546	130,186
	2,586,297	2,330,715
<i>Included in statement of other comprehensive income</i>		
Actuarial loss	860,719	1,298,421
Benefits paid	(949,944)	(1,202,251)
Balance at the end of the year	9,399,663	6,902,591

Actuarial assumptions

The following were the principal actuarial assumptions applied at the reporting date:

	2021	2020
Discount rate	3.25%	2.70%
Future salary growth / Expected rate of salary increases	3.00%	2.00%
Mortality rate	Age-wise	Age-wise
Employee turnover / withdrawal rates	Age and service	Age and service

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

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17 EMPLOYEE BENEFITS (continued)

The quantitative sensitivity analysis for principal assumptions is as follows:

	<i>2021</i>	<i>2020</i>
Discount rate:		
+1% increase	(830,082)	(738,031)
-1% decrease	970,335	577,088
Salary increase rate:		
+1% increase	865,298	503,142
-1% decrease	(757,784)	(687,425)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The weighted average duration of the defined benefit obligation is 9.5 years (2020: 9.5 years).

The following is the breakup of the actuarial loss:

	<i>2021</i>	<i>2020</i>
Financial assumptions	389,277	132,780
Experience adjustments	471,442	1,165,641
	860,719	1,298,421

The following payments are expected to the defined benefit plan in future years:

	<i>2021</i>	<i>2020</i>
Within the next 12 months (next annual reporting period)	908,429	631,029
Between 1 and 5 years	2,550,820	1,764,782
Beyond 5 years	9,782,665	6,593,699
Total expected payments	13,241,914	8,989,510

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

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18 TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 60-day terms. For terms and conditions with related parties, refer to note 28. For explanations on the Company's liquidity risk management processes, refer to note 30.

19 ACCRUALS AND OTHER NON-FINANCIAL LIABILITIES

	<i>2021</i>	<i>2020</i>
Accrued expenses	22,836,795	11,403,295
Vacation accruals and others	8,459,713	5,044,262
Capital gain tax withheld from ex-shareholder (see note below)	2,628,130	9,667,829
	33,924,638	26,115,386

This represented capital gain tax withheld from ex-shareholder by the Company in relation to the buy-back of treasury shares in the year ended 31 December 2019. The shareholders who sold their shares were assumed to have recognized profits associated with the transactions. As a result, these ex-shareholders owed ZATCA capital gain tax of SR 9.7 million as at 31 December 2020. Since these are foreign shareholders, the capital gain tax liability is recorded as payable by the Company and collected from the shareholders. During the year ended 31 December 2021, the Company paid ZATCA SR 7 million against the capital gain tax on behalf of the selling foreign shareholders.

20 ZAKAT AND INCOME TAX

20.1 ZAKAT

Charge for the year

	<i>2021</i>	<i>2020</i>
Zakat relating to current year	12,405,653	2,307,918
Zakat relating to prior years	(3,560,822)	-
	8,844,831	2,307,918

The zakat charge is based on the following:

	<i>2021</i>	<i>2020</i>
Equity	804,696,405	436,631,203
Opening provisions and other adjustments	31,758,131	41,440,229
Book value of long-term assets (net of related financing)	(521,596,385)	(401,512,919)
	314,858,151	76,558,513
Zakatable income for the year	171,584,236	48,580,321
Zakat base	486,442,387	125,138,834

Movement in zakat provision during the year

The movement in the zakat provision for the year is as follows:

	<i>2021</i>	<i>2020</i>
Balance at the beginning of the year	2,307,918	4,475,659
Net charge for the year	8,844,831	2,307,918
Payments during the year	(2,307,918)	(4,475,659)
	8,844,831	2,307,918

At 31 December 2021

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20.2 INCOME TAX

The major components of income tax in the statement of profit or loss can be broken down as follows for the year ended 31 December:

	<i>2021</i>	<i>2020</i>
<u>Included in the statement of profit or loss:</u>		
Income tax expense for the year	13,803,562	5,865,538
Deferred tax credit during the year	(16,780,623)	(14,784,710)
	(2,977,061)	(8,919,172)
<u>Included in the statement of other comprehensive income:</u>		
Deferred tax relating to actuarial loss	(45,980)	(62,454)

Reconciliation of tax expense and the accounting profit for the year ended:

	<i>2021</i>	<i>2020</i>
Profit before zakat and income tax	203,132,539	82,192,453
Income tax expense as per tax rate of 20% applicable in KSA	40,626,508	16,438,491
Adjustments for amounts which are not deductible/(taxable) in calculating taxable income:		
Saudi shareholding not subject to tax – 72.65% (2020: 75.95%)	(29,775,168)	(12,485,034)
Others	(13,828,401)	(12,872,629)
At the effective income tax rate of 1.47% credit (2020: 10.85% credit)	(2,977,061)	(8,919,172)
Share of Non-Saudi shareholding	27.35%	24.05%

	<i>2021</i>	<i>2020</i>
Income tax relating to current year	9,090,672	5,865,538
Income tax relating to prior year	4,712,890	-
	13,803,562	5,865,538

The movement in the income tax provision during the year is as follows:

	<i>2021</i>	<i>2020</i>
At the beginning of the year	5,109,868	1,164,551
Provided during the year	13,803,562	5,865,538
Paid during the year	(12,619,746)	(1,920,221)
At the end of the year	6,293,684	5,109,868

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

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20 ZAKAT AND INCOME TAX (continued)**20.2 INCOME TAX (continued)**

Components of deferred tax are as follows:

	<i>2021</i>	<i>2020</i>
Carryforward tax losses	29,315,715	22,709,158
Difference in accounting and tax base of property, plant and equipment	(1,566,334)	(9,563,788)
Provisions	3,422,256	1,369,779
Employee benefits	502,130	332,015
Net deferred tax assets	31,673,767	14,847,164

The movement of the deferred tax asset for the year ended 31 December is as follows:

	<i>2021</i>	<i>2020</i>
As of 1 January	14,847,164	-
Deferred tax credit during the year recognised in statement of profit or loss	16,780,623	14,784,710
Deferred tax credit to other comprehensive income	45,980	62,454
As at 31 December	31,673,767	14,847,164

Status of assessments**Zakat and income tax status:**

Zakat and income tax assessments have been agreed with the Zakat, Tax and Customs Authority ("ZATCA") up to 2012. The Company submitted the zakat and income tax return for the year 2020 and obtained the zakat certificate which is valid till 30 April 2022. The zakat and tax returns for the years from 2013 to 2020 are currently under review by the ZATCA.

21 PROVISION FOR SEVERANCE FEE

	<i>2021</i>	<i>2020</i>
Severance fees relating to current year	21,911,194	9,254,481
Severance fees relating to prior year	(1,710,573)	-
	20,200,621	9,254,481
	<i>2021</i>	<i>2020</i>
At 1 January	8,756,154	2,000,001
Provision during the year	20,200,621	9,254,481
Provision paid during the year	(8,756,154)	(2,498,328)
At 31 December	20,200,621	8,756,154

Severance fees is shown as part of cost of revenue in the statement of profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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22 REVENUE, NET

	<i>2021</i>	<i>2020</i>
Revenue from contracts with customers:		
Copper concentrate	239,844,681	188,736,950
Zinc concentrate	205,655,604	137,856,648
Precious metals	155,295,314	59,128,552
	<u>600,795,599</u>	<u>385,722,150</u>
Movement in provisional pricing adjustments during the year	(14,142,281)	(10,571,398)
	<u>586,653,318</u>	<u>375,150,752</u>

23 SELLING AND DISTRIBUTION EXPENSES

	<i>2021</i>	<i>2020</i>
Transportation	22,257,669	14,008,720
Advertising and promotion	6,383,827	2,533,842
	<u>28,641,496</u>	<u>16,542,562</u>

24 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2021</i>	<i>2020</i>
Employee costs	12,316,809	10,405,277
Management remuneration and benefits	3,201,912	5,780,278
Professional fees	4,714,326	1,015,761
Computer and office supplies	2,208,538	2,419,909
Others	-	358,655
	<u>22,441,585</u>	<u>19,979,880</u>

25 FINANCE COSTS

	<i>2021</i>	<i>2020</i>
Finance cost on loans and bank charges	12,166,588	5,377,067
Finance cost on lease liabilities	436,395	792,899
Unwinding on mine closure cost	943,987	581,887
	<u>13,546,970</u>	<u>6,751,853</u>

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26 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The calculation of diluted earnings per share is not applicable to the Company. Also, no separate earning per share calculation from continuing operations has been presented since there were no discontinued operations during the year.

The earnings per share calculation is given below:

	<i>2021</i>	<i>2020</i>
Net profit for the year	197,264,769	88,803,707
Weighted average number of ordinary shares	54,870,015	54,870,015
Earnings per share – Basic and diluted	3.60	1.62

26 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer. An operating segment is group of assets and operations:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

All of the Company's operations are located in Najran, Saudi Arabia. For management purposes, the Company is organized into business units based on the main types of activities and has two reportable operating segments, as follows:

- Al Masane mine segment represents extraction and production of the base metals i.e. copper and zinc concentrates and byproducts like precious metals i.e. gold and silver does;
- Mount Guyan mine segment represents extraction and production of the precious metals i.e. gold and silver does;
- Corporate is responsible for effective management and governance including funding of the projects. The presentation of Corporate information does not represent an operating segment.

No operating segments have been aggregated to form the above reportable operating segments. The Chief Executive Officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment and is considered to be the Company's chief operating decision maker. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. However, the Company's severance fees, zakat and income taxes are managed on corporate basis and are not allocated to operating segments. There was no operating and reportable segment for the year ended 31 December 2020 as Al Masane mine was the only operational mine during that year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

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27 SEGMENT REPORTING (continued)

	<i>Al Masane Mine</i>	<i>Mount Guyan Mine</i>	<i>Corporate</i>	<i>Total</i>
For the year ended 31 December 2021:				
Revenue				
External customers	490,911,613	109,883,986	-	600,795,599
Movement in provisional pricing	(15,062,597)	920,316	-	(14,142,281)
Revenue, net	475,849,016	110,804,302	-	586,653,318
Cost of revenue	(236,499,996)	(62,255,204)	(20,200,621)	(318,955,821)
Gross profit	239,349,020	48,549,098	(20,200,621)	267,697,497
Selling and distribution expenses	(28,641,496)	-	-	(28,641,496)
General and administrative expenses	-	-	(22,441,585)	(22,441,585)
Operating profit	210,707,524	48,549,098	(42,642,206)	216,614,416
Finance costs	(9,084,174)	(4,462,796)	-	(13,546,970)
Other income	-	-	65,093	65,093
Profit before zakat and income tax	201,623,350	44,086,302	(42,577,113)	203,132,539
Zakat and income tax	-	-	(5,867,770)	(5,867,770)
Net profit for the year	201,623,350	44,086,302	(48,444,883)	197,264,769
Segment assets	744,893,377	221,916,603	145,451,218	1,112,261,198
Segment liabilities	272,124,938	94,984,728	96,715,454	463,825,120

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company. Pricing policies and terms of these transactions are approved by the Company's management. The following are the details of major related party transactions during the year:

<i>Related party</i>	<i>Relationship</i>	<i>Nature of transaction</i>	<i>Transactions</i>	
			<i>2021</i>	<i>2020</i>
Arab Commercial Enterprises for Travel	Other related party	Travel charges	3,100,085	2,020,333
Najran Mineral Water	Other related party	Water charges	53,130	51,030

In addition to guarantees provided by shareholders as disclosed in note 15, the following is the detail of related party balances payable at the year-end:

	<i>2021</i>	<i>2020</i>
<i>Amount due from/(to) related party</i>		
Najran Cement	-	1,569
Arab Commercial Enterprises for Travel	(593,846)	(982,833)

Key management compensation

Compensation for key management is as follows:

	<i>2021</i>	<i>2020</i>
Salaries and other benefits	9,780,764	10,201,349
End of service benefits	744,619	203,767
	10,525,383	10,405,116

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29 CONTINGENCIES AND COMMITMENTS**Contingencies**

At 31 December 2021, the Company has bank guarantee amounting to SR 44.4 million relating to the mine closure provision (2020: SR Nil) issued in the normal course of business.

Commitments

At 31 December 2021, the Company has future commitments amounting to SR 100.4 million (2020: SR 16.2 million).

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company's principal financial liabilities comprise loans and borrowings, lease liabilities, trade payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables and cash and cash equivalents.

The Company's activities expose it to a variety of financial risks: market risk (including commission rate risks, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Company's financial performance.

Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Commission rate risk

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company's commission rate risks arise mainly from its loans and borrowings, which are at floating rate of commission and are subject to re-pricing on a regular basis. The Company monitors the fluctuations in commission rate.

Commission rate sensitivity

The following table demonstrates the sensitivity of the Company to a reasonably possible change in commission rates, on that portion of loans and borrowings affected. With all other variables held constant, the impact on the Company's profit before zakat and tax for the year ended 31 December 2021 and 2020 will be as follows:

	<i>Increase / decrease in basis points</i>	<i>Effect on profit before zakat and tax</i>
2021	+100	(3,291,311)
	-100	3,291,311
2020	+100	(3,931,179)
	-100	3,931,179

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyal and United States Dollars.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations as the majority of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not expose to foreign currency exposure.

Commodity price risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces which is mainly copper, zinc, silver and gold which it sells into global markets. The market prices of copper, zinc, silver and gold are the key drivers of the Company's capacity to generate cash flow. The Company is predominantly an unhedged producer to provide its shareholders with exposure to changes in the market price of copper, zinc, silver and gold. The analysis is based on the assumption that the copper, zinc, silver and gold prices move 10% with all other variables held constant.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)*Commodity price risk (continued)*

	<i>Effect on profit before tax for the year ended 31 December 2021 increase/(decrease)</i>	<i>Effect on profit before tax for the year ended 31 December 2020 increase/(decrease)</i>
Increase / (decrease) in the Copper price		
+10%	23,079,903	18,381,108
-10%	(23,079,903)	(18,381,108)
Increase / (decrease) in the Zinc price		
+10%	19,780,790	13,439,673
-10%	(19,780,790)	(13,439,673)
Increase / (decrease) in the Gold price		
+10%	15,326,593	5,196,744
-10%	(15,326,593)	(5,196,744)
Increase / (decrease) in the Silver price		
+10%	478,045	497,551
-10%	(478,045)	(497,551)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed as per the Company's established policy, procedures and control relating to customer credit risk management. Outstanding trade receivables are regularly monitored, and any credit concerns highlighted to senior management. The Company currently has only one major customer which account for sales of approximately SAR 445.4 million for the year ended 31 December 2021 (2020: SAR 326.6 million). Trade accounts receivable are shown net of impairment based on expected credit loss model as required by IFRS 9.

An impairment analysis is performed at reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity if the cost of such activity is expected to be higher than the benefit of doing so. The Company does not hold collateral as security. The letters of credit and other forms of security, if any, are considered integral part of trade receivables and considered in the calculation of impairment.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Company's policy. Investments of surplus funds are made only with commercial banks with sound credit ratings.

The Company's maximum exposure to credit risk for the cash and cash equivalents, trade and other receivables as at 31 December 2021 and 2020 is equal to the respective carrying amounts.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is the contractual undiscounted maturity analysis of the financial liabilities of the Company. The Company does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**Liquidity risk (continued)**

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

2021	<i>Within 1 year</i> SR	<i>1 to 5 years</i> SR	<i>More than 5</i> <i>years</i> SR	<i>Total</i> SR
Loans and borrowings	108,666,668	208,166,668	15,800,000	332,633,336
Lease liabilities	2,107,673	1,644,182	-	3,751,855
Trade payables	18,052,017	-	-	18,052,017
	128,826,358	209,810,850	15,800,000	354,437,208
2020	<i>Within 1 year</i> SR	<i>1 to 5 years</i> SR	<i>More than 5</i> <i>years</i> SR	<i>Total</i> SR
Loans and borrowings	86,666,668	304,333,332	28,300,000	419,300,000
Lease liabilities	3,830,204	2,802,543	-	6,632,747
Trade payables	16,554,026	-	-	16,554,026
	107,050,898	307,135,875	28,300,000	442,486,773

31 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital, statutory reserve and retained earnings attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus debt. The Company includes within debt, current and non-current portion of borrowings and lease liabilities.

	<i>2021</i>	<i>2020</i>
Debt – lease liabilities and loans and borrowings (including current portion)	332,660,853	399,173,181
Equity	648,436,078	451,986,048
Capital and debt	981,096,931	851,159,229
Gearing ratio	33.91%	46.90%

32 FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

All financial instruments measured at fair value use level 1 valuation techniques in both years. During the year ended 2021 and 2020, there were no movements between the levels.

The management assessed that cash and cash equivalents, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair values of the Company's loans and borrowings are determined by using DCF method using discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 December 2021 and 2020, the carrying amounts of loans and borrowings were not materially different from their calculated fair values.

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

33 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of changes in liabilities arising from financing activities are as follows:

	<i>1 January</i> <i>2021</i>	<i>Additions</i>	<i>Cash flows</i>	<i>Other</i>	<i>31 December</i> <i>2021</i>
Lease liabilities	6,055,310	362,550	(3,324,485)	436,395	3,529,770
Loans and borrowings	393,117,871	-	(75,530,487)	11,543,699	329,131,083
Total liabilities from financing activities	399,173,181	17,722,550	(96,214,972)	11,980,094	332,660,853
	<i>1 January</i> <i>2020</i>	<i>Additions</i>	<i>Cash flows</i>	<i>Other</i>	<i>31 December</i> <i>2020</i>
Lease liabilities	8,155,123	1,156,234	(4,048,946)	792,899	6,055,310
Loans and borrowings	318,647,472	-	65,792,000	8,678,399	393,117,871
Total liabilities from financing activities	326,802,595	120,596,234	(57,696,946)	9,471,298	399,173,181

The 'Other' column includes the effect of finance charges on unwinding of loan and lease liabilities. The Company classifies interest paid as cash flows from operating activities.

34 COVID – 19

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organization qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company to re-assess its judgments and the key sources of estimation applied.

During the year ended 31 December 2021, management has assessed the overall impact on the Company's operations and business aspects, and considered factors like demand from customers, seamless products delivery processes, collections protocols, uninterrupted material supply, working capital projections, etc. Based on this assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2021. The situation surrounding COVID-19 and its impact on global economic conditions may continue to impact the Company's business, results of operations and financial condition in 2022. The situation remains uncertain and therefore it is difficult to predict with certainty the length of time that COVID-19 will impact Company's business and overall potential impact of COVID-19 on Company's business, operations and financial condition.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

35 COMPARATIVE INFORMATION

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year. These changes have been made to improve the quality of information presented. Such reclassification changes do not affect previously reported profit or equity.

Reclassification in the statement of profit or loss and other comprehensive income for the year ended 31 December 2020 is summarised below:

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As currently reported</i>
Cost of revenue	(240,637,173)	(9,254,481)	(249,891,654)
Severance fees	(9,254,481)	9,254,481	-

36 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2021, which would have a material impact on the financial position of the Company as reflected in these financial statements.

37 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 18 Sha'ban 1443H, corresponding to 21 March 2022G.

9- Rights of Shareholders

9.1- Shareholders' proposals and observations regarding the Company and its performance

The Board of Directors shall be notified, through the Chairman of the Board, of the shareholders' proposals and their notes regarding the Company and its performance, or any other proposals. Note that the Company provided several channels to communicate with shareholders on its website.

9.2- A description of the Company's dividend distribution policy

The Company's annual net profits shall be allocated as follows:

- Ten percent (10%) of the net profits shall be retained to form a statutory reserve. The Ordinary General Assembly may discontinue such retention if the reserve reaches 30% of the paid capital.
- The Ordinary General Assembly may, based on a proposal by the Board, retain a percentage of the net profits not more than (10%) to form an additional reserve to be allocated for supporting the Company.
- The Ordinary General Assembly may resolve to retain other reserves to the extent that serves the Company's interest or ensures, as far as possible, consistent distribution of dividends to shareholders. The Assembly may also deduct from the net profits amounts to establish social institutions for the Company's employees or to assist existing institutions.
- Out of the balance of the profits, if any, there shall be paid to the Shareholders an initial payment of not less than 5% (five percent) percent of the paid-up capital.
- Subject to provisions in Article (24) herein, and Article (76) of Companies Law, 10% (ten percent) of the remaining amount shall be paid as compensation to the Board of Directors with a maximum of (SAR 500,000) Five Hundred Thousand SAR, provided that entitlement of such remuneration shall be in proportion to number of sessions the member has attended.
- The company may distribute interim dividends to its shareholders on a semi-annual or quarterly basis, in accordance with the regulatory controls and procedures issued in implementation of the Companies Law.

The reporting of Ore Reserve and Mineral Resource estimates by AMAK complies with the principles of transparency, materiality, and competence in the JORC Code for the estimation, classification, reporting, review, and presentation of this report.

The Mineral Resources and Ore Reserves terminology used in this report follows the definitions in the JORC Code. Additional terms are defined in the Glossary.

Qualifications / Competent Persons

The review has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code, 2012 Edition ("JORC Code"). This project has been overseen and managed by Guy Dishaw who takes overall responsibility for the work completed.

Guy Dishaw (P.Geo (CP)), a Principal Mining Geologist at SRK, who has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person ("CP") as defined in the JORC Code for the Mineral Resource and. Guy was assisted in the Mineral Resource review by Laura Donegan (CGeol), a Resource Geologist.

Guy Dishaw has undertaken three site visits to Al Masane. The first was undertaken in April 2016 and consisted of underground mapping of all exposures at Sadaah and Al Houra which informed both the 2016 Al Masane MRE and the MRE update for the Sadaah deposit in 2017. The second site visit was conducted in October 2016 at the beginning of the underground drill program. The third visit was conducted in March 2022 and verified the data collection procedures, inspection of drill core, geological mapping, and underground and surface mine visits.

Al Masane Al Kobra Copper, Zinc , Gold , Silver Mine

Mineral Resource Statement for Al Masane Al Kobra Mine, Kingdom of Saudi Arabia, as of December 2021.

Audit Committee report to the AGM

For the fiscal year ended 31 December 2021 AD

In the Name of Allah, the Most Grateful, the Most Merciful

M/s. Shareholders of Al-Masane Al-Kobra Mining Company

Peace and mercy of Allah may be upon you,

In accordance with Article 104 of the companies law and Article 91 of the CMA Corporate Governance Regulations, the Audit Committee of AlMasane AlKobra Mining Company (**the "Company"**) submits to the company's shareholders its following report for the fiscal year ended 31 December 2021:

First: Financial statements and external auditors

- Review and evaluate the proposals submitted for the purpose of appointing the external auditor for the fiscal year 2021 AD and select the best among them.
- Provide a recommendation to the Board of Directors and the AGM to appoint the external auditor for the fiscal year 2021 AD.
- Review the external auditor's plan for the annual audit of the fiscal year 2021 AD.
- Analyse the Company's interim financial statements and annual financial statements and discuss them with the company's management and external auditor and express the necessary opinions, observations and recommendations before presenting them to the Board of Directors.
- Examine the applicable accounting policies and give the opinion and remarks in order to ensure that they are appropriate to the nature of the company's activities and its commitment to the application of the approved international accounting standards.
- Review and discuss the remarks contained in the company's external auditor's reports and follow up on the updates.
- Recommend the quarterly and annual financial statements for approval.

تقرير لجنة المراجعة إلى الجمعية العامة العادية

عن السنة المالية المنتهية في 31 ديسمبر 2021م

بسم الله الرحمن الرحيم

السادة/ مساهمي شركة المصانع الكبرى للتعدين

الموقرين

السلام عليكم ورحمة الله وبركاته،

وفقاً للمادة رقم 104 من نظام الشركات والمادة 91 لائحة حوكمة هيئة السوق المالية، تقدم لجنة المراجعة لشركة المصانع الكبرى للتعدين ("الشركة") إلى مساهمي الشركة تقريرها التالي عن السنة المالية المنتهية في 31 ديسمبر 2021م:

أولاً: القوائم المالية والمراجعين الخارجيين

- مراجعة العروض الخاصة بتعيين المراجع الخارجي للعام المالي 2021م واختيار الأفضل من بينها.
- اعتماد التوصية لمجلس الإدارة والجمعية العامة العادية بتعيين مراجع الحسابات الخارجي للعام المالي 2021م.
- مراجعة خطة المراجع الخارجي للمراجعة السنوية للعام المالي 2021م.
- دراسة القوائم المالية الأولية والقوائم المالية السنوية ومناقشتها مع إدارة الشركة ومراجع الحسابات الخارجي وإبداء الرأي والملاحظات والتوصيات اللازمة بشأنها قبل عرضها على مجلس الإدارة.
- دراسة السياسات المحاسبية المتبعة وإبداء الرأي والملاحظات فيها للتأكد من ملائمتها مع طبيعة أنشطة الشركة والتزامها بتطبيق معايير المحاسبة الدولية المعتمدة.
- دراسة ومناقشة الملاحظات الواردة بتقارير مراجع الحسابات الخارجي للشركة ومتابعة ما تم بشأنها من مستجدات.
- المراجعة والتوصية بإعتماد القوائم المالية الربعية والسنوية.

- Review the management letter with the external auditors for the fiscal year ended 31 December 2021.

- الإطلاع على خطاب الإدارة (Management Letter) مع المراجع الخارجي عن السنة المالية المنتهية في 2021/12/31م.

Second: Internal audit

ثانياً: المراجعة الداخلية

- KPMG Al Fozan & Partners Audit for fiscal year 2022.
- Review the periodic report for internal audit and evaluate the achievements and developments achieved, as well as follow up the results of the audit work quarterly.
- Assess the extent to which management responds to internal audit remarks and recommendations.

- مراجعة خطة عمل المراجع الداخلي شركة كي بي أم جي الفوزان وشركاه محاسبون ومراجعون قانونيون KPMG للعام المالي 2022م.
- مراجعة التقرير الدوري للمراجعة الداخلية وتقييم ما تم تحقيقه من انجازات وتطورات، وكذلك متابعة نتائج أعمال المراجعة بشكل ربع سنوي.
- تقييم مدى استجابة الإدارة للملاحظات وتوصيات المراجع الداخلي.

Third: Committee meetings for 2021

ثالثاً: إجتماعات اللجنة عن عام 2021م

The committee held (5) five meetings during fiscal year 2021.

عقدت اللجنة (5) خمسة إجتماعات خلال العام المالي 2021م.

Fourth: Audit Committee Formation

رابعاً: تشكيل لجنة المراجعة

The company AGM, held on 25 November 2021, approved the appointment of the audit committee members for a period of (3 years) starting from the date of the meeting, namely:

أقرت الجمعية العامة العادية للشركة والتي عقدت في 2021/11/25م على تعيين اعضاء لجنة المراجعة لمدة (3 سنوات) تبدأ من تاريخ انعقاد الجمعية وهم:

- 1-Mr.Waleed Ahmed Bamarouf as Chairman (Independent - From Outside the board)
- 2.Mr. Abdulsalam bin Abdullah Aldraibi as a member (independent)
- 3.Mr. Hassan Yassin Altakrouri as a member (non-executive - from outside the board)
- 4.Mr. Mansour bin Nasser Alsharif as a member (independent - from outside the board)
5. Mr. Mehaideb bin Saleh Almehaideb as a member (independent - from outside the board)

- 1 - الأستاذ /وليد بن احمد بامعروف رئيساً (مستقل - من خارج المجلس)
- 2 - الأستاذ /عبد السلام بن عبد الله الدريبي عضواً (مستقل)
- 3 - الأستاذ /حسن بن ياسين التكروري عضواً (غير تنفيذي - من خارج المجلس)
- 4 - الأستاذ /منصور بن ناصر الشريف عضواً (مستقل - من خارج المجلس)
- 5 - الأستاذ /مهيدب بن صالح المهيدب عضواً (مستقل - من خارج المجلس)

In the committee meeting held on 13 March 2022, Mr. Waleed Ahmed Bamarouf was unanimously voted to be appointed as Chairman of the Audit Committee.

وفي إجتماع اللجنة التي عقدت بتاريخ 2022/03/13م، تم التصويت بالإجماع على تعيين الأستاذ /وليد احمد بامعروف رئيساً للجنة المراجعة.

WB

Fifth: Conclusion:

Based on the reports submitted to the Committee by internal and external auditors, the audit Committee does not find any significant observations affecting the company's business in those reports and that the company's internal control and risk management systems have been properly designed and effectively implemented.

Allah the Arbiter of Success,

Date: 22/4/2022 AD

Waleed Ahmed Bamarouf
Audit Committee Chairman

خامساً: الخاتمة:

بناءً على ما تم عرضه على اللجنة من تقارير المراجعين الداخليين والخارجيين، فإن لجنة المراجعة لا ترى في تلك التقارير أية ملاحظات جوهرية تؤثر على سير أعمال الشركة وأن نظم الرقابة الداخلية وإدارة المخاطر في الشركة قد تم إعدادها على أسس سليمة وتم تنفيذها بفاعلية.

والله الموفق،،،

التاريخ: 2022/4/22م

وليد بن أحمد بامعروف
رئيس لجنة المراجعة

Meeting No. (1) 2022 AD - Audit Committee

Place: Via video conferencing program (Zoom)

Date: 10/08/1443 AH.

Corresponding to: 13/03/2022 AD

اجتماع رقم: (1) 2022م - لجنة المراجعة

المكان: عبر تقنية الاتصال المرئي (زووم)

التاريخ: 10/08/1443هـ

الموافق: 13/03/2022م

Subject: Approving the recommendation of the Audit Committee regarding the selection of one of the candidates in order to examine, review and audit the financial statements for the second, third quarters and annual of the fiscal year 2022 and the first quarter of the fiscal year 2023 and submit it to the AGM.

الموضوع: اعتماد توصية لجنة المراجعة بخصوص اختيار أحد من المرشحين وذلك لفحص ومراجعة وتدقيق القوائم المالية للربع الثاني والثالث والسنوي للعام المالي 2022م والربع الأول من عام 2023م ورفعها للجمعية العامة العادية

The audit committee reviewed the proposals submitted to audit the company's financial statements for the second, third quarter, and annual of the fiscal year 2022 and the first quarter of 2023, where 4 audit offices were invited to submit their proposals, and 3 of them sent their proposals according to the scope of the approved work.

قامت لجنة المراجعة بدراسة العروض المقدمة لمراجعة حسابات الشركة للربع الثاني والثالث والسنوي للعام المالي 2022م والربع الأول من عام 2023م، حيث تمت دعوة 4 مكاتب مراجعة لتقديم عروضها، وتم الحصول على عروض من 3 منها وذلك بحسب نطاق العمل المعتمد.

Accordingly, the audit committee analyzed and compared the proposals submitted taking into account a number of criteria in the evaluation process and to the selection of the most appropriate proposal, and after deliberation and discussion among the members of the Audit Committee, based on the above, the Committee decided:

عليه تم تحليل ومقارنة العروض المقدمة مع الأخذ في الاعتبار عدد من المعايير لعملية التقييم واختيار العرض الأنسب، وبعد التداول والمناقشة بين أعضاء اللجنة، وبناءً على ما تقدم قررت اللجنة ما يلي:

1. Based on the technical evaluation and the experience of the auditors in the mining sector in general, the company's work, and competitive prices in the provision of audit services and advisory services, the Committee recommends to the Board of Directors to appoint:

1. بناءً على التقييم الفني وخبرة مراجعي الحسابات في قطاع التعدين بشكل عام، وأعمال الشركة بشكل خاص، والأسعار التنافسية في تقديم خدمات المراجعة والاستشارات الزكوية والضريبية توصي اللجنة مجلس الإدارة بترشيح كل من:

A. Ernst & Young & Co. with a total fee of SAR 465,000. Not inclusive of tax.

أ. أرنست ويونغ وشركاهم محاسبون قانونيون (E&Y) بإجمالي أتعاب قبل الضريبة قدره 465,000 ريال سعودي.

B. RSM Allied Accountants with a total fee of SAR 340,000 Not inclusive of tax.

ب. المحاسبون المتحدون آر إم إس (RMS) Allied Accountants بإجمالي أتعاب قبل الضريبة قدرها 340,000 ريال سعودي.

C. PKF Al Bassam with a total fee of SAR 299,000 Not inclusive of tax.

ج. بي كي أف البسام PKF Al Bassam بإجمالي أتعاب قبل الضريبة قدرها 299,000 ريال سعودي.

WB

2. Provide a recommendation to the AGM to select one of the proposals submitted, to audit the company's quarterly and annual statements for the second, third quarters and annual of the fiscal year 2022 and the first quarter of the fiscal year 2023.

The audit committee recommends appointing what stated in no.(1) above to appoint Ernst, Young & Co. (E&Y), for its reputation and previous experience in the company's business field.

2. رفع التوصية إلى الجمعية العامة العادية لإختيار أحد العروض المقدمة، لتولي مراجعة حسابات الشركة الربعية والسنوية للربع الثاني والثالث والسنوي من العام المالي 2022م والربع الأول من العام المالي 2023م.

وتوصي لجنة المراجعة بناءً على ما جاء في الفقرة (1) بتعيين شركة أرنست ويونغ وشركاهم محاسبون قانونيون (E&Y) وذلك لسمعتها ولما تتمتع به من خبرة سابقة في أعمال الشركة.

Waleed Ahmed Bamarouf
Audit Committee Chairman

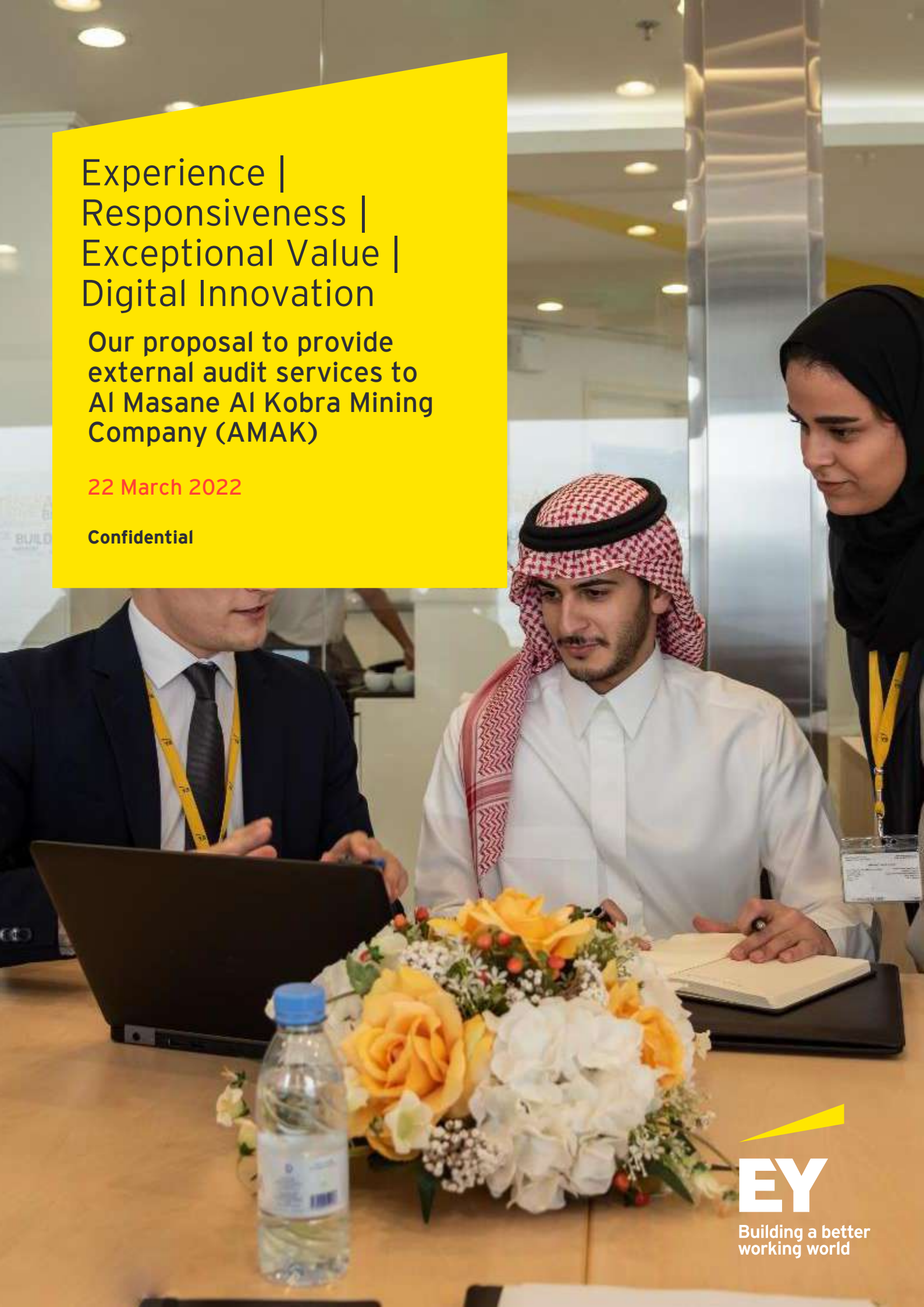
وليد بن أحمد بامعروف
رئيس لجنة المراجعة

Experience |
Responsiveness |
Exceptional Value |
Digital Innovation

Our proposal to provide
external audit services to
Al Masane Al Kobra Mining
Company (AMAK)

22 March 2022

Confidential



Building a better
working world

Building a better
working world





The EY Digital Audit: High-quality audit now available to the Company

By harnessing the connectivity and insight enhanced by technology, your management and finance teams can experience an audit that is more effective, and the Audit Committee can benefit from new perspectives and greater risk insights.



[Click here or scan QR Code to watch our video on Digital Audit](#)

Connecting

EY Canvas: The first totally online platform in the profession. Hosted on the EY private cloud, it connects our audit professionals together and with you, wherever the audit occurs.



[Click here or scan QR Code to watch video on EY Canvas](#)

Automating

EY Smart Automation is our global suite of automation solutions deployed through the EY Canvas Automation hub. It maximizes the use of robotics and advanced automation techniques to automate administrative and repetitive tasks



[Click here or scan QR Code to watch video on EY Smart Automation](#)

Analyzing

EY Helix: Our global audit analytics platform. It allows analytics to be embedded into every significant aspect of the audit.



[Click here or scan QR Code to watch video on EY Helix](#)

Our technology positions EY at the forefront of innovation

EY has harnessed the use of advanced digital technology across the end-to-end delivery of our audits and have developed a digital roadmap that continues to evolve our audit ahead of the market. Our recent recognition by the UAE Securities & Commodities Authority (SCA) and Institute of Chartered Accountants in England & Wales (ICAEW) in MENA evidences the fact.



An award winning firm:

- ▶ EY has been awarded the first SCA Financial Markets Innovation Award in its 2018 edition in the UAE. Our Innovation & Digital Audit projects were ranked #1 by the Innovation Committee of SCA
- ▶ EY has been named the Universum's World's Most Attractive Professional Services Employer for the fourth consecutive year (2019)
- ▶ EY MENA Assurance won the ICAEW 2019 MENA Excellence Award for Innovation for its EY Digital Audit. This award demonstrates how EY MENA has combined best in class audit professionals with strong data analyzers, powerful BOTs and integrated digital audit platforms to significantly enhance audit quality and enrich the value and insights to our clients
- ▶ EY recently won MENA's Most Innovative Knowledge Enterprise Award of 2019



Our industry leading digital audit platforms incorporate the latest advances in technology. These platforms are used by every EY audit professional in every location.

Value to the Company:

- ▶ **Quality** through the enhanced way we can look at your risk
- ▶ **Insight and perspectives** for your business strategy
- ▶ **Better project management, communication** and elimination of surprises
- ▶ **Operational benefits** and significantly reduced burden on your teams when supporting the audit



Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994
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Private and confidential

Mr. Waleed Bamarouf
Chairman of Audit Committee
Al Masane Al Kobra Mining Company
P.O. Box 96, Najran, Kingdom of Saudi Arabia

22 March 2022

Proposal For External Audit Services

Dear Mr. Bamarouf,

Thank you for giving us the opportunity to submit our proposal to provide audit services to Al Masane Al Kobra Mining Company (AMAK) ("the Company") for the year ending 31 December 2022, 2023 and 2024.

We believe that the combination of our strong local presence and our industry experience, in conjunction with our global and regional resources, represents a winning combination that will enable us to deliver world-class services. We would like to point out that our working style focuses on directness, clarity, an emphasis on value, and our eagerness to listen and act on your concerns.

EY has a proud history that stretches back more than 150 years globally, along with a presence in the Kingdom of Saudi Arabia since 1974. Over that time, we have based our reputation on quality, trust and integrity. With NextWave - our new Global strategy and ambition, EY is committed to doing its part in building a better working world. The insights and quality services we deliver help build trust and confidence in the capital markets and economies around the world. In response to the ambitious Vision 2030 set forth by the Kingdom we at EY recognized the potential and opportunity inlaid within and aligned our services to better complement and bolster the objectives set forth by Vision 2030.

We did and will always rely on the national employees as an integral part of building EY's career across the kingdom. The nationals represent almost half of the firm's employees. We always set our employees as a priority by coaching them and implementing them in the proper engagements which shape their knowledge and experience.

Within our proposal we have reflected the reasons why we believe you should appoint EY as its external auditor. Selecting EY will provide the Company with:

- ▶ A team you can rely on
- ▶ Industry leadership to reflect best practices
- ▶ Strong assurance leveraging market-leading digital innovation techniques
- ▶ A smooth transition process to ensure no disruption

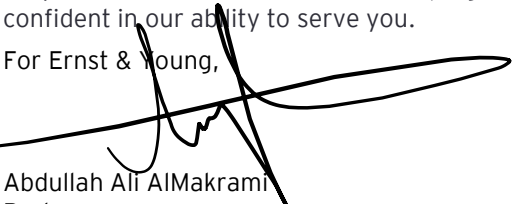
The goal of this document is to clearly demonstrate our commitment to the Company, and to make it absolutely clear that EY is the right firm to provide audit services to you. In addition to setting our audit service to the highest quality standards, we make a clear difference by providing a smart digital audit using the latest technologies in data analytics and robotics.

Our support during the pandemic is focused on realigning client's digital strategies to a largely virtual model. We have successfully integrated our audit approach leveraging our strategic alliances to tap the full value of digital at work, thus enabling the client targets as well.

We continue to support our clients in many industries around the world and across the region by following the Government guidelines like facility sanitization, updating workplace policies, employee travel guideline and also keeping everyone safe.

We are in the process of completing our risk management procedures and will advise you promptly of any matters, should they arise. We look forward to developing a solid and mutually beneficial relationship with the Company, and we are confident in our ability to serve you.

For Ernst & Young,


Abdullah Ali AlMakrami
Partner
Certified Public Accountant
License No. 476

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Section 1

Executive Summary



Executive summary



At EY, we are committed to building a better working world – with increased trust and confidence in business, sustainable growth, development of talent in all its forms, and greater collaboration.

We want to build a better working world through our own actions and by engaging with like-minded organizations and individuals. This is our purpose – and why we exist as an organization.

We want to use our global reach and scale to facilitate the conversation on the challenges facing economies and the capital markets.

Our research and insights provide broad and robust perspective, helping you stay informed and up-to-date on important current and emerging issues affecting your business and industry.

To harness the value of a working in a virtual environment, we have a number of different tools and platforms, ensuring delivering robust through a suite of virtual collaboration tools, picking the right tool for the right job.

What we promise to deliver ...

Deep industry insight locally and globally



Our extensive experience in auditing other major global sector companies has given us knowledge of issues unique to your industry – experience that is both valuable to the Company and provides assurance to the markets and regulators.

Our local team is linked in, and works closely with, our global practice and will work with our colleagues who audit existing markets to bring our firm's experience to you. This allows us to call in experts, as and when the need arises.



Executive summary (contd)

Exceeding the expectation

Because we are leaders in audit transitions and have mastered the process.

No disruption from rotation...

Because our team includes subject matter experts, our platforms produces Data Analytics reports and EY Atlas knowledge library is shared with you.

Because we provide you with differentiated value, share technology efficiencies with you and have no transition or hidden costs.

Insightful and smart...

Fair and competitive fee...

Fully connected...

With the current need to conduct more business remotely, our Digital Audit can minimize or eliminate the need for face-to-face meetings. Our data-driven approach allows us to connect with your teams virtually to capture data and conduct our audit procedures effectively. We are already prepared to leverage our experience with remote collaboration and virtual communication tools for effective project execution to deliver the audit. Through our Client Portal, your Management will remain connected in real-time to EY Canvas, our Global Audit Platform

EY Digital Audit: The Audit of the Future

Market Leadership & Sector Expertise...

Because we not only deliver a conventional audit, but also enhance it with the power of our Data Analyzers, Robotics (RPAs) and digital audit platforms.

Because we audit the major Automotive companies, listed entities and core businesses in the Saudi Arabia and MENA.

Highest Performing & Integrated Team...

Because our talents have wide experience in the Automotive sector supported by subject matter experts.



Executive summary (contd)

Exceeding the expectation

Digitally driven and globally consistent audit



- ▶ EY's industry leading digital audit platforms incorporate the latest advances in technology.
- ▶ EY delivers a true analytics driven audit with EY Helix applications available across the end-to-end operating cycle of a business and fully embedded into our Global Audit Methodology
- ▶ Our core platforms, EY Canvas and EY Helix, deliver full global connectivity and interoperability. Through the use of Robotics Process Automation, EY serves to further drive innovation in the way our audits are delivered.
- ▶ A consistent audit globally, performed to International Standards.

Value to the Company

- ▶ Consistency of approach, co-developed with you, decision making in the hands of the team, and regular interaction with Management and the Audit Committee giving you confidence that there will be no surprises at year-end.
- ▶ You will have access to 'EY Canvas' which drives a centrally-led audit with real-time information and it differentiates from other audit platforms as it is used internally by all EY audit professionals; and externally with your team to communicate and coordinate all activities with you.
- ▶ We have significantly reduced the burden on your teams when supporting the audit through our use of Robotics Process Automation (RPA). We implement RPA to run manual and routine activities, as well as labor intensive work.

Robust audit with unmatched sector expertise

- ▶ We will tackle issues upfront; pragmatically discussing the judgements you are making whilst remaining robust in our viewpoint on areas that really matter.
- ▶ Our use of data analytics in key areas means perform substantive procedures using 100% of a population of data supporting an account balance or process and focus attention on anomalies, not relying on random sample testing
- ▶ Our exposure with leading companies in the sector means that we understand the dynamics of the sector and the underlying drivers, issues, challenges of the leading players in the industry.



Value to the Company

- ▶ No surprises and timely conclusion on key audit matters with decision making in the hands of the Engagement Partner and the team.
- ▶ Better assurance from data analytics with greater coverage and risk focus.
- ▶ Unrivalled transition experience meaning no surprises, minimal disruption and confidence in your reporting timetable.

Value for money



- ▶ With central control and a single point of contact we will keep our teams focused in their approach.
- ▶ A clear commitment and process to keep fees fair and at a competitive level.

Value to the Company

- ▶ Abdullah AlMakrami's commitment to transparent fee discussions gives you confidence that we will be fair in all our fee quotes.
- ▶ Bring you value in excess of the fee we charge.



Executive summary (contd)

Exceeding the expectation

Team



- ▶ We have selected our key team members for their industry knowledge, technical competency and service excellence. They are energetic and enthusiastic at the prospect of working with you.
- ▶ We recognize that our strength is our people, and the continuity of engagement resources is crucial to delivering quality services. We strive to maintain this continuity as a matter of policy. To that end, EY has employed key techniques to address staff retention.

Value to the Company

- ▶ You have partners and managers that have 'been there and done it' with clear roles meaning nothing is left to chance. You will have a team that works closely with you throughout the year and avoids surprises.
- ▶ Team stability is fostered by our commitment to maintaining a work environment that attracts and retains top professionals.
- ▶ Our presence at your local office means you have real time access to our subject matter and sector experts to ensure you receive immediate attention to your business agenda. EY's 'one team, one solution' approach means our Audit is consistent and we will mobilize and deploy the right people, with the right skills, at the right time at your doorstep

Insightful



- ▶ We will tell you what we think based on what we see and hear across the business.
- ▶ You will have access to specialists as part of our audit service in areas of the business important to your strategy and risk management.
- ▶ While all major accounting firms state that they have an integrated audit, at EY we know we raise the bar. We started from scratch several years ago, anticipating where the accounting and auditing standards-setters were heading, and designed a single platform for our audit.
- ▶ We analyze much more than just the financial statements, internal control, and information technology processes. We also scan the risks of the industry and the effort required in critical areas.

Value to the Company

- ▶ We will bring a fresh perspective on your data with a focus on opportunities for improved control and increased efficiencies.
- ▶ Our Engagement Partner will give you a point of view on what they see in completing the audit work; we will give direct feedback on people, processes and systems to allow you to make the most of these valuable assets.
- ▶ Our methodology covers the key effort areas, allowing the appropriate team members to focus on the appropriate pieces of the audit.
- ▶ Data Analyzer reports are produced with deeper insights.
- ▶ Access to EY Atlas – cloud-based platform for accessing accounting and auditing content including external standards, EY interpretations and thought leadership.

Mitigating the COVID-19 Disruption



- ▶ In response to the COVID-19 pandemic, governments have launched public health measures to curb the spread of the virus. Such measures have led to:
 - ▶ Reduction in domestic and international business travel
 - ▶ Work-from-home policies for some workers and physical-distancing-at-work measures for others
- ▶ EY teams are already prepared to continue delivering on client service commitments despite these measures

Value to the Company

- ▶ You will have an audit team with strong culture of flexible and remote working.
- ▶ Information will remain secure – even when working remotely – because all team members have encrypted laptops
- ▶ Our teams will be connected with you daily via video-conferencing platforms (Go- To-Meeting, Microsoft Teams, etc.)



Executive summary (contd)

Smart digital audit

Connected, Automated, Smart ...

Performing a smart digital audit requires the shift from traditional methods of auditing and, at EY, we are instilling digital at our core – our people – across all levels and functions.



At EY in MENA, We have applied Data Analytics (DA) to approximately 70% of our eligible audit engagements

Embracing data analysis to transform your audit

- ▶ Analytics at EY is not about tools looking for issues. It's about our auditors considering what the analyzed data means and assessing its implication to the audit
- ▶ Data analytics enables focusing on the right risk, revealing hidden patterns, identifying anomalies and providing greater business insights
- ▶ Future audit is available today with EY's integration of data analysis into multiple aspects of the audit

Bringing in unparalleled Auditing excellence with Robotics

- ▶ EY continues to invest in leading technology world over, to bring you the highest quality audit
- ▶ We are the first in the region to use Robotic Process Automation (RPA or 'BOTS') to support our audit for repetitive, high-volume tasks such as:
 - ▶ Data transformation
 - ▶ Automatic comparison of different data sources
 - ▶ Handling confirmation processes
 - ▶ Sampling

In 2020, our RPAs were used more than 32,000 times in engagements in MENA

Next generation of digital technologies

- ▶ Also internally EY has invested remarkably in automation to drive speed, quality and accuracy

Staying connected with our communities...virtually

EY is driving "Flexibility of Workplace"

- ▶ EY has worked on creating a Rapid Response kit that aims to drive productivity and collaboration in an engaging way to support employees when working remotely and how best to upskill our employees on leveraging available tools to make the transition to remote ways of working as seamless as possible



Section 2

The team you can trust



Our core team to serve the Company

Our proposed audit team members' and their skills and qualifications are directly relevant to the requirements needed to conduct the the Company audit

We have an integrated team coordinated and based locally, including leading industry specialists with first-hand experience in the sector.

Key benefits

- ▶ Passionate, enthusiastic and committed to the Company
- ▶ Flexible and pragmatic people who will continue to push and challenge the Company in order for you to get the most out of this engagement
- ▶ Partner availability at all times
- ▶ Interactional conversation with one point of contact at all times
- ▶ Specialists for deeper assurance and wider solutions
- ▶ Continued long-term commitment from all partners and team members

Meetings with our market specialists

We understand the Company's need for sector experts and we will ensure periodic scheduled meetings with our teams to exchange insight and knowledge. In addition to the embedded specialist sector knowledge in the core team, our network of professionals have extensive experience in their respective sectors and you will be able to discuss market issues with these professionals on an ongoing basis.

Our service commitment

Our service commitment is centred on our most critical objective of performing a high-quality audit of the Company financial statements. Additionally, we strive to deliver exceptional client service and recognise that service quality extends well beyond execution of our audit methodology. It is driven by the quality of our team and the effectiveness and value of our communications with Management. Our overall service commitment to the Company is aligned with our EY Assurance Service Delivery Approach.

Communications

We have consistently heard that timely and proactive communication and effective consultation on technical matters are very important elements to a mutually successful audit services relationship. Our team understands this level of importance and has the necessary level of experience, technical knowledge and specific knowledge of your business and industry, to facilitate timely communication on matters important to you.

Our team members believe in an open and frequent communication style with Management. That means accessibility to engagement executives; pre-meetings with Management; and periodic updates. Our goal is to become your trusted advisor and work directly with Management so that the Company achieves its potential.



Section 3

Fair and transparent fees



Fair and transparent fees





Fair and transparent fees

- ▶ The Company is a Priority Account for EY. Our philosophy throughout our service relationship with you will be to provide quality services for a fair and competitive fee. We strive to keep our fees at a reasonable level, consistent with professional standards and market trends. The intent of our fee structure is to demonstrate our capabilities and commitment to establishing a long-term relationship with the Company
- ▶ Billings will be made based on a mutually agreed schedule of billing
- ▶ We will define our expectations in terms of the cooperation required from you

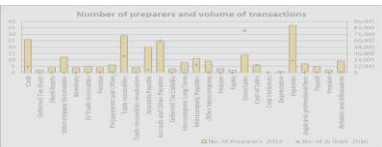
Value dimension

- ▶ We understand that you take your relationship with your independent audit provider very seriously and are looking for a firm that has the ability and desire to form a long-lasting business relationship
- ▶ Successful relationships link value received to fees paid. While we realize fees are a component in your decision, we anticipate you will, first and foremost, select the firm that is most qualified to serve you, and offers the greatest quality and audit service
- ▶ A fair fee arrangement should help you achieve your expectations. This requires an understanding of how fees and value correlate and the resultant impact on risk, as well as a clear articulation of how value is defined, tracked, measured and communicated


Audit of Financial Statements


Data Analytics Insights



Management Letter



Access to Knowledge Portal



Fair Value Fees



Fees

Our fees are charged on the basis of time occupied and expenses incurred having regard to the degree of responsibility involved and the experience and skill required for the audit of the financial statements of the Companies. The fee estimate assumes we will receive appropriate assistance from your staff in preparation of schedules and other matters, and that this assistance is on a timely basis.

Audit and review	Fee (SAR)
Statutory audit of financial statements for the year ending 31 December 2022	325,000
Quarterly reviews (30 June 2022, 30 September 2022, and 31 March 2023) per quarter	50,000

Audit and review	Fee (SAR)
Statutory audit of financial statements for the year ending 31 December 2023	340,000
Quarterly reviews (30 June 2023, 30 September 2023, and 31 March 2024) per quarter	50,000

Audit and review	Fee (SAR)
Statutory audit of financial statements for the year ending 31 December 2024	358,000
Quarterly reviews (30 June 2024, 30 September 2024, and 31 March 2025) per quarter	50,000

Note 1:

The above fee covers the statutory audit and quarterly reviews of the financial statements of the Company, and is based on our current understanding of company size and status which is becoming public listed.

Note 2:

The above fees exclude VAT and other applicable taxes which will be billed separately, and does not include travel expenses.



Appendix A

Detailed CVs

Abdullah AlMakrami

Lead Engagement Partner

Tel : +966 12 221 8400
Mobile : +966 55 579 4940
Email : Abdullah.AlMakrami@sa.ey.com



Background

- ▶ Abdullah re-joined EY in 2009 and is based in Jeddah office
- ▶ Holds a bachelor degree in accounting with concentration in finance from The American University in Cairo
- ▶ Holds a Master of Science degree in Accounting (MSA) from Boston College, Boston, USA
- ▶ He is a licensed member of the Saudi Organization of Certified Public Accountants (SOCPA), and is a Certified Public Accountant (CPA) licensed by Massachusetts Board of Public Accountancy since 2010

Role on the audit

- ▶ Abdullah will be the engagement senior principal on the engagement. He will be responsible for contact with the Company. He will also ensure that the service requirements of the Company are met, ensure delivery of audit services in a planned, efficient and timely manner.
- ▶ He will meet with Those Charged With Governance to understand the expectations and assess the governance over the financial reporting process.
- ▶ He will also be licence partner on the engagement

Professional experience

- ▶ Abdullah has assimilated over 13 years of a wide and diversified experience with multinational and local industries, which include:
 - ❖ Joint Stock & privately held investment & asset management companies
 - ❖ Consumer products and retail sector
 - ❖ Real estate Investments, construction and hospitality sectors
 - ❖ Manufacturing, transportation, information technology, and advertising
- ▶ International experience: Abdullah was seconded to EY USA for two years (2012 & 2013), where he was involved in audits of companies in diverse industries such as Railroad transportation services, Clinical research, manufacturing, insurance (broker-dealers) and contracting.
- ▶ Specialized in the Consumer Products & Retail (CPR) sector from market & accounting perspectives
- ▶ Participated in major learning and professional training programs for local and international EY employees as well as for SOCPA sponsored programs

Thodla Hari Gopal

Partner, Engagement Quality Reviewer

Tel +9714 3129 115
Mobile +97150 455 9418
Fax +9714 332 4004
Email thodla.hari-gopal@ae.ey.com



Background

- ▶ Hari began his career in the Middle East practice of EY in 1992.
- ▶ He is a Graduate of University of Madras, India and is a Chartered Accountant (Fellow Member of the Institute of Chartered Accountants of India)
- ▶ Hari has gained extensive experience in assurance and advisory business services.
- ▶ His client portfolio services, mainly covers a variety of industries including Real Estate and construction, oil & gas and related support service industries.
- ▶ He has been involved in a number of non-assurance engagements including due diligence and feasibility studies and lectured on various internal and external IFRS courses.

Professional experience

- ▶ Hari is responsible for a large portfolio of audit clients mainly specializing in Real Estate and Construction including:
 - ▶ Real Estate:
 - ▶ Nakheel PJSC
 - ▶ Limitless LLC
 - ▶ Jumeirah Golf Estate LLC
 - ▶ Al Hamra Real Estate LLC
 - ▶ Dubai International Real Estate LLC
 - ▶ Al Hamra Hotels
 - ▶ Landmark Hotels
 - ▶ Al Hathboor Real Estate LLC
 - ▶ Green Coast Real Estate
 - ▶ Al Naboodah Real Estate
 - ▶ IMG Theme Park LLC
 - ▶ Long term contracting entities:
 - ▶ Al Hamra Construction LLC
 - ▶ Costain
 - ▶ Al Naboodah Construction LLC
 - ▶ Petrofac Limited
 - ▶ Saipem
 - ▶ J Ray McDermott Inc CH2 Hill
 - ▶ Drydocks World Dubai
 - ▶ Dodsall Engineering and Construction Limited

Mir Nadeem Asghar

Partner, Independent Technical Reviewer

Tel: + 966 13 849 9500

Fax: + 966 3 882 7224

Email: Nadeem.Asghar@sa.ey.com



Background

- ▶ Nadeem is a fellow member of the Institute of Chartered Accountants of Pakistan (ICAP).
- ▶ Nadeem will be Independent Technical Reviewer for the engagement. He will ensure that the team delivers world-class service to the Company. He will perform an independent quality review of the audit work of the engagement team and advise on the technical accounting and auditing issues.

Professional experience

- ▶ Nadeem is a Fellow member of the Institute of Chartered Accountants of Pakistan. He has worked with 2 of the global big 4 professional firms over a period of 25 years.
- ▶ Nadeem has worked on a wide variety of clients on audit, taxation, finance and advisory assignments. Nadeem has experience of clients engaged in manufacturing, industrial products, financial services, petrochemicals, retail, trading, contracting (including construction and construction management), medical services and oilfield services.
- ▶ Nadeem has also worked on variety of non audit assignments including due diligence, internal controls and internal audits.
- ▶ Nadeem is one of the key resources for our Global Audit Methodology. He has lectured and attended various E&Y seminars including IFRS and Advanced Audit & Accounting. He is actively involved in training of the firm's staff.

Muhammad Wakeel

Engagement Manager

Mobile : +966 59 388 8932
Email : muhammad.wakeel@sa.ey.com



Background

- ▶ Wakeel is a Member of the Institute of Chartered Accountants of Pakistan (ICAP) and has Master of Commerce degree from University of Punjab – Pakistan
- ▶ Wakeel will be responsible for supporting the engagement partner in managing the deliverables and for ensuring execution of detailed audit field work.
- ▶ He will be a key point of contact for your management team working with Engagement Executives to ensure the audit process is efficient and coordinated and critical accounting issues are considered and dealt with in a timely manner.

Professional experience

- ▶ Wakeel have over thirteen years experience of working in KSA and Pakistan on a wide range of clients with globally diverse operations
- ▶ After working for eleven years in Pakistan, he joined EY Jeddah office in start of 2015
- ▶ During this period, he has gained extensive audit experience in the following sectors:
 - ▶ Consumer products
 - ▶ Construction and contracting
 - ▶ Hospitality and leisure
 - ▶ Manufacturing
 - ▶ Home appliances
 - ▶ Electronics
 - ▶ Trading
 - ▶ Retail, shipping and utility industries

Mirza Ashraf

Associate Principal - Tax
Email: mirza.ashraf@sa.ey.com



Background

- ▶ Mirza is an Associate Principal with EY MENA practice based in Riyadh
- ▶ Mirza is a member of Institute of Chartered Accountant of Canada
- ▶ Mirza is a Certified Public Accountant from Colorado, USA
- ▶ Mirza has presented a number of workshops on Saudi Arabian tax aspects to major construction companies, banks and financial institutions
- ▶ Mirza has over eighteen years of experience in Tax and Zakat in KSA and also in other jurisdictions.
- ▶ Mirza's current portfolio comprises major contracting, engineering and defense companies, banks and financial institutions.
- ▶ Mirza has extensive involvement in tax advisory assignments of various entities
- ▶ Mirza has been involved in assisting clients in business planning, contract reviews and tax compliance services.

Professional experience

- ▶ Mirza has extensive experience in compliance and tax advisory work.
- ▶ Mirza has experience in financial model review from a tax and zakat perspective. Also he has been working directly with clients and their legal advisors on new ventures, mergers and acquisitions and valuation of financial feasibility projects.
- ▶ Mirza has been involved in number of consultancy and advisory engagement for foreign multinationals, many of which are operating successfully in Saudi Arabia.
- ▶ Mirza has been involved in controversies and assisted the clients in successfully winning the cases before appellate authorities.
- ▶ Mirza has led several due diligence assignments.
- ▶ Mirza has been involved in discussions with the senior executives of Saudi tax department in successfully presenting the client cases.

Kamran Khan

Senior Manager - Tax

Email: kamran.khan@sa.ey.com
Phone: +966 598191918



Background

- ▶ Chartered Accountant - Associate member of the Institute of Chartered Accountants of Pakistan
- ▶ Kamran has more than 9 years of experience in the tax practice. He joined the tax department of EY Saudi Arabia in 2013 and is actively involved in providing tax compliance and advisory services to domestic and multinational companies.

Professional experience

- ▶ Kamran is a member of a team advising both existing and potential foreign investors in structuring all aspects of their Saudi Arabian operations and joint venture arrangements.
- ▶ Prior to joining EY Saudi Arabia, Kamran worked for PWC Pakistan (A.F. Ferguson & Co.) from 2009 - 2013 where he actively involved in supervision of statutory audits and dealing with personal and corporate tax clients which includes advisory services, compliance services and representation before the tax authorities including representation before appellate authorities.

Jawad Shaikh

Executive Director - Assurance and Advisory Business services

Tel : +966 122218400
 Mobile : +966 122218528
 Email : jawad.shaikh@sa.ey.com



Background

- ▶ Jawad is a Associate Principal in Ernst & Young's Consulting Services based in Saudi Arabia, providing Information Technology Consulting and Assurance services to clients in Automotive, Manufacturing, Retail, Trade, Contracting, Distribution, Oil & Gas, Utilities, Banking and Government sectors.
- ▶ With over 18+ years of professional experience, Jawad has been working with Ernst & Young since April 2001. Before joining E&Y, Jawad worked at PwC in Pakistan (1996-2001)
- ▶ Jawad has an MBA in international business, Bachelor in Computer Sciences, CISA, ITIL Foundation and has Oracle Certified Developer (OCP)

Professional experience

- ▶ Project Management of the SAP GRC implementation at a leading University. The scope of the engagement was to implement SAP GRC Access Controls for all University Processes along with their SAP implementation partner. The project involved risk analysis, rule design, risk remediation, and risk mitigation activities.
- ▶ Led and executed a system selection exercise for a leading commercial auto leasing company in Saudi Arabia.
- ▶ Managed the development of functional requirements and technical specification of an eMemo application for a leading bank in KSA. As part of the engagement, defined the business communication rules, conducted gap analysis of current and future processes and also performed a change impact analysis for organizational roles affected by the implementation of the new system.

Professional experience (contd.)

- ▶ Conducted Oracle 11.5.10 Implementation that involved implementation of Oracle Financials, Order Management, Purchasing and Inventory modules for a leading electronics distributor in the KSA
- ▶ Managed and conducted a focused diagnostic of a leading Bank's IT environment to develop an IT Road Map with initiatives ranging from in-house development to outsourcing to co-sourcing over the next 3 to 5 years taking into consideration the most suitable mix of leading standards i.e. VAL IT, CobiT, ITIL, ISO 20000, and ISO 27001 as applicable
- ▶ Conducted Information Systems Audits including application integrity audits on systems ranging from Oracle 11i, SAP, JD Edwards, BaaN, MS Dynamics, PeopleSoft, ACCPAC, etc. at clients in diverse industry sectors
- ▶ Developed Balanced Scorecards, IT Organization Structure, Job Description, and IT Policies and Procedures for a leading Automotive distributor in KSA.
- ▶ Managed Oracle Integrity Review for Oracle R12 at a leading carpet manufacturing company covering the Order to Cash, Procure to Pay and Payroll business cycles. Application controls were assessed in terms of the inputs, processing and output controls. Conflicting roles and responsibilities were identified with suggestions for improvement and risk mitigation were provided.
- ▶ Project managed and conducted Third Party Application Integrity Audit Of Plant Settlement System (Billing) And Fuel Demand Model for three leading Utility Providers. Developed a mathematical model to calculate power, fuel and water tariffs to audit the Billing and Fuel Demand system. Reviewed application controls enabled in the Billing and Fuel Demand system with respect to data input, processing, and output controls.

Atif Hameed

Manager, Technology Risk Services

Tel : +966 12 221 8379
 Mobile : +966 540342055
 Email : atif.hameed@sa.ey.com



Background

- ▶ Atif is Manager in EY Technology Risk Consulting group with extensive experience of IT and IS auditing.
- ▶ He has earned exposure of serving numerous clients in financial and non financial services sector in the MENA region. Prior to join EY, Atif has led Internal audit department in BDO Bahrain.
- ▶ His extensive career includes 5 years of consulting with EY-MENA (2015 to date) and 4 years with BDO-Bahrain (2011-15). He has also worked for KPMG (2006-10) Pakistan, KSA and Oman offices.
- ▶ Atif's professional qualifications include Fellow of Certified Chartered Accountant (FCCA-UK), Certified Internal Auditor (CIA-USA), and Certified Internal Control Auditor (CICA-USA). Earlier, he earned his Bachelor degree from prestigious institution of Pakistan.

Professional experience

- ▶ Atif has Involved in IT internal audit outsourcing and co-sourcing engagements and carries in-depth knowledge and experience of review, analysis, design and structural internal controls in business processes with multiple engagements including Oil and gas, energy, construction, Retail, hospitality and manufacturing sector
- ▶ Review of Security and Logical Access on SAP ERP, Unix, Linux, Windows, Open VMS, AS / 400, Oracle Financials, HP-UX, AIX, Solaris, Oracle, SQL Server
- ▶ Performed IT effectiveness review of a large group in Saudi Arabia. This comprehensive review was conducted to assess effectiveness and integration of various IT domains including IT planning and budgeting, IT strategy development, IT project management, IT governance, change management, IT operations and information security.

Professional experience

- ▶ Managed a portfolio of IT Audit and IT Risk Assurance clients and tracked progress in terms of engagement economics and revenue. The type of projects include SOX Compliance Review, IT General Control Review, IT Application Control Review.
- ▶ He is well versed with risk based IS audits and consulting including design and review of IT security policies and Standard Operating Procedures (SOPs) and performing controls risk assessments.
- ▶ He has led various cyber governance projects in Saudi Arabia and across Mena.
- ▶ Conducted Enterprise Risk Assessment and Risk and Control effectiveness Assessment for various industry to assess the maturity of organization's risk and control effectiveness. Also facilitated the management in determining how effectively the relationship between risk, control and performance is managed.
- ▶ Managed and developed the IT organization structure, roles, responsibilities, IT Policies and associated procedures for a leading Company in the Bahrain. Also developed Business Continuity Plan and IT Disaster Recovery Plan for the same organization.
- ▶ Managed an IT Asset Management for a large financial institution, which included review in the areas of IT hardware and IT Software.
- ▶ Managed and conducted IT Risk Assessment for a leading hotel in Bahrain. Also, conducted an IT internal audit for the group of hotels covering applications reviews, BCM and Network reviews.
- ▶ Managed and conducted IT Security Assessment based on the controls surrounding the 11 domains under ISO27001 for a leading Healthcare provider in KSA.
- ▶ Coordinated and executed IT Audits across MENA and International locations for multiple leading companies.

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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The MENA practice of EY has been operating in the region since 1923. For over 97 years, we have grown to over 7,500 people united across 21 offices and 16 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

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AL MASANE AL KOBRA MINING COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

Proposal for audit and quarterly review services - 2022

Allied Accountants Professional Services Company (“RSM”, “RSM Saudi Arabia” or “RSM Allied Accountants”)

March 2022

Contact personnel:

Mohammed Al Nader

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Proposal Letter

9 March 2022

We are delighted to have the opportunity to propose our audit and review services for Al Masane Al Kobra Mining Company (the “Company”).

(Refer to page no. 4 for details of services)

RSM is among the major professional firms providing audit, tax and consulting services in the Kingdom of Saudi Arabia. We have continued to invest in our people and processes in order to meet the demands of our clients who operate in almost all sectors of the economy domestically and abroad.

Our proposal, which is detailed over the following pages, mirrors the approach we will take for your audit – a true partnership which features robust communication, a joined-up team bringing you fresh ideas and innovative thinking, with the underlying support from across the firm to help you grow the business.

We are very excited to present our ideas on how we envisage working together, but most importantly the benefits you will get from appointing RSM.

Key features of our proposal

Our team

We have picked a team for their powerful combination of credentials, skills, working style and enthusiasm. They have unprecedented experience of auditing several sectors and large conglomerates. They fully understand business risks and will be able to advise you on the matters of significant judgement. The team will be duly supported by specialists and subject matter advisors.

Working with those charged with governance

We will play our part in ensuring that the Company has an effective risk management process and in supporting those charged with governance role by providing clear opinions and insights on topics that directly impact your ability to manage risk and uncertainty.

We will work with others to provide coherent, understandable views that lead to practical recommendations.

Specialist Panel

We have already set up a team of specialists for the companies who will sit alongside the core audit team, and meet with you on a regular basis to provide insight and facilitate audit team’s responsiveness to the Company requests. The panel comprises some of our most experienced Partners/Directors in their respective fields who would be there to help you.

Value

A competitive fee

We will be the best value, not measured just on price but also on the level of quality and insight, knowledge and people we will bring to the table.

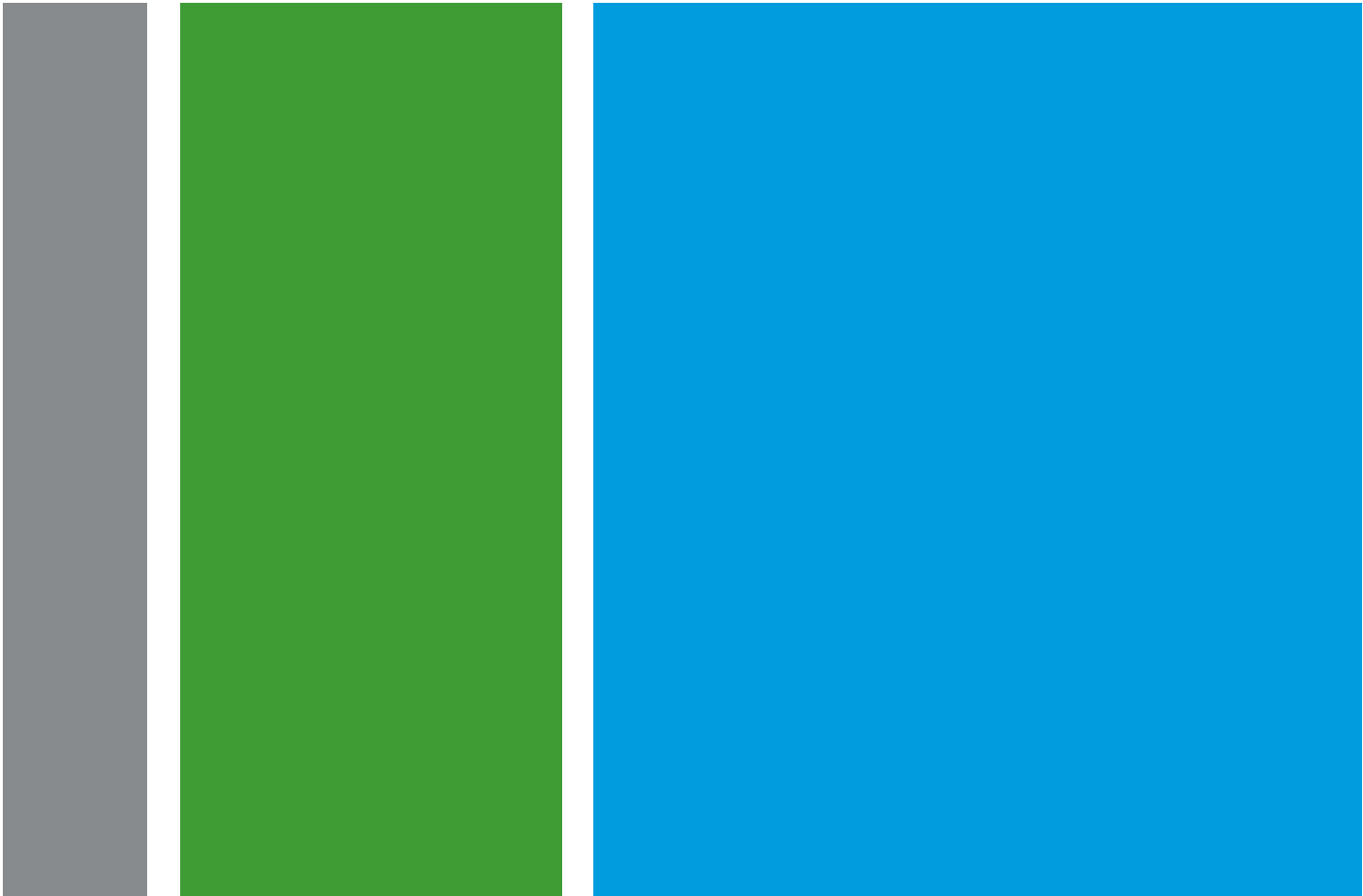
Our proposal aims to bring to life the solutions and benefits that working in partnership with us can bring to the Company.

We look forward to the opportunity to continue to build a long-term relationship with you.

In the meantime, please feel free to contact us with any questions.

Mohammed Al Nader
Managing Partner





Scope of Work



Scope of work

We will perform audit service for the financial statements of the Company for the year ending 31 December 2022, and the interim review services for interim periods ending 30 June 2022, 30 September 2022 and 31 March 2023 as detailed below.

Audit

Our principal objective will be to express an opinion whether the financial statements taken as a whole present fairly the financial position of the Company, results of their operations and their cash flows in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Our audit will be carried out in accordance with International Standards of Auditing (ISA) and, accordingly, will include such test of the accounting records, selection of items on a test basis, evaluation of accounting policies adopted by management and accounting estimates and such other auditing procedures that we consider necessary in the circumstances.

Quarterly review

We shall perform reviews of your quarterly interim financials in accordance with the ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", endorsed in the Kingdom of Saudi Arabia. Accordingly, our review will be limited primarily to analytical procedures applied to financial data and enquires of Company personnel on financial and accounting matters. Our reviews will be substantially less in scope than an audit in accordance with the ISA that are endorsed in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole; accordingly, we will not express such an opinion.

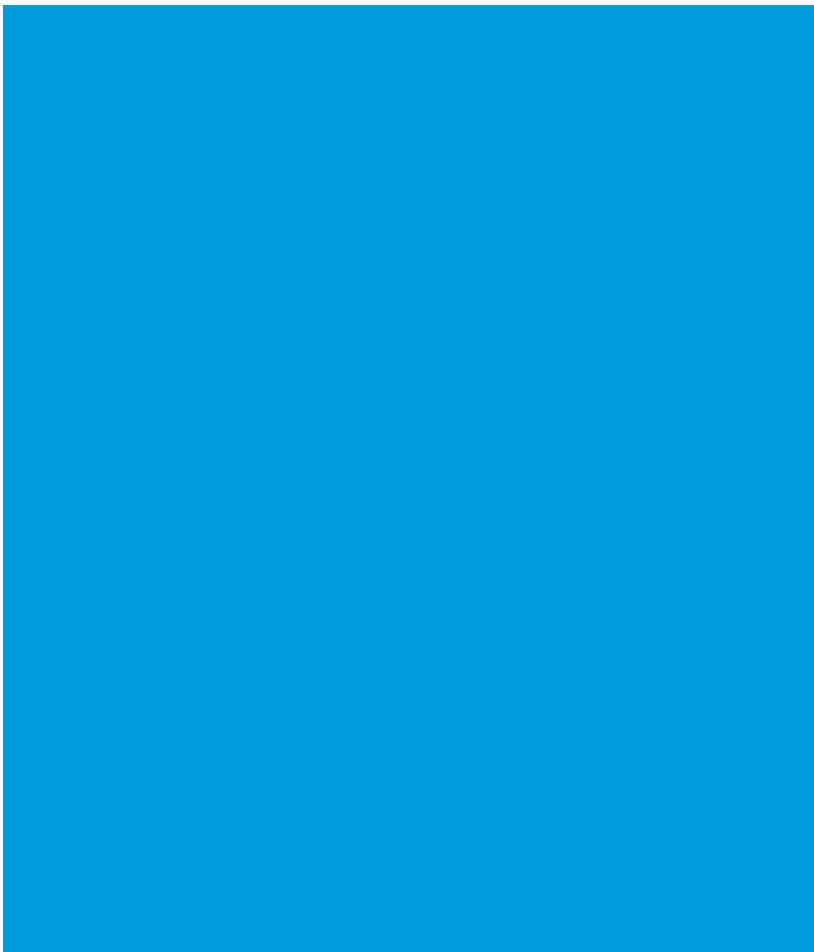
Qawaem filing

It is **RSM's** responsibility for the electronic filing of the financial statements in the Qawaem System at the Ministry of Commerce and Investment (the "Ministry") in accordance with the resolution of the Ministry No. 353/S dated 18/2/1436H, requires the electronic filing of the financial statements in the Qawaem System which is applicable for all statutory financial statements signed subsequent to the date of the mentioned resolution.

Also,

It is our normal practice to write a management letter at the conclusion of our audit, setting out our comments on the systems and controls, together with suggestions for improvements and other matters relevant to the financial statements which merit management's attention and necessary action. Our aim is to offer constructive comments with the objective of assisting our clients to manage their business more effectively.





RSM International



THE RSM INTERNATIONAL NETWORK

The **RSM** network connects member firms through common methods and processes, including commonly agreed and applied quality standards. This connection provides comfort to **RSM** member firm partners and their clients that the quality of service and advice to referred clients will be to a consistently high standard, everywhere in the world.

Many RSM member firms are among the top firms in their respective countries and possess some of the best professional resources and experience available. The member firms have a broad client base, from large listed and international companies to smaller, Owner-Managed Businesses in the public and private sectors. In addition to traditional assurance services, RSM possesses significant resources and experience in tax, transaction support, risk advisory, internal audit and corporate recovery and insolvency.

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

REQUIREMENTS OF MEMBER FIRMS

RSM member firms agree to adopt and align with the following policies and procedures as a requirement of membership:

- ❑ RSM Quality Assurance and Risk Containment Policies and Procedures.
- ❑ RSM Audit Manual and its methodology
- ❑ RSM Ethics and Independence Policies.
- ❑ RSM Assurance Services Training and CPD Policies.
- ❑ RSM Member Firm Inspection Programme Policies and Guidelines.
- ❑ RSM Anti-bribery and Corruption Policies and Procedures

MANAGEMENT AND GOVERNANCE

The organisational structure of RSM International is aimed at executing the RSM global strategy – the Power of Focus – and providing member firms with the platforms to develop business together in a high-quality manner. The structure also reflects the network's geographic coverage, ensuring representation from all key regions.

REGIONAL OPERATION

Currently, the key regions of RSM International are Africa, Asia Pacific, Europe, Latin America, North America and Middle East/North Africa (MENA).

Regional Leaders are devoted to the development of the region and work with the member firms in that region on a daily basis.

The current Regional Leaders are:

Africa	Europe	MENA
Clive Betty	Gregor Schmidt	Bassam Dahman
Asia Pacific	Latin America	North America
Jason Yau	Eileen Turkot	RSM US LLP International Office

RSM INTERNATIONAL'S COMMITMENT TO QUALITY

Quality is the absolute cornerstone for RSM International and as such every member firm is required to meet a number of obligations in relation to quality. To ensure consistent practices and standards among member firms, RSM International has developed a number of global methodologies, policies and practices which are compliant with International Standards (where applicable). These have been developed by specialists and leaders at member firms and the Global Executive Office, under the oversight of the RSM Transnational Assurance Services Executive Committee.

Every member firm is required to conduct an internal inspection over the quality of services delivered and compliance with network policies and procedures as well as their own incremental policies and procedures each year. RSM International organises global observations of these inspections on a cyclical basis, not to exceed every three years. If a firm's annual inspection or the cyclical global observations highlight significant non-compliance, a follow-up review is scheduled to check progress on issues raised. Significant non-compliance can result in a number of sanctions being imposed on the firm, including up to termination of the firm's membership in RSM International.



THE RSM INTERNATIONAL NETWORK

RSM is a leading provider of audit, tax and consulting services to global leaders.

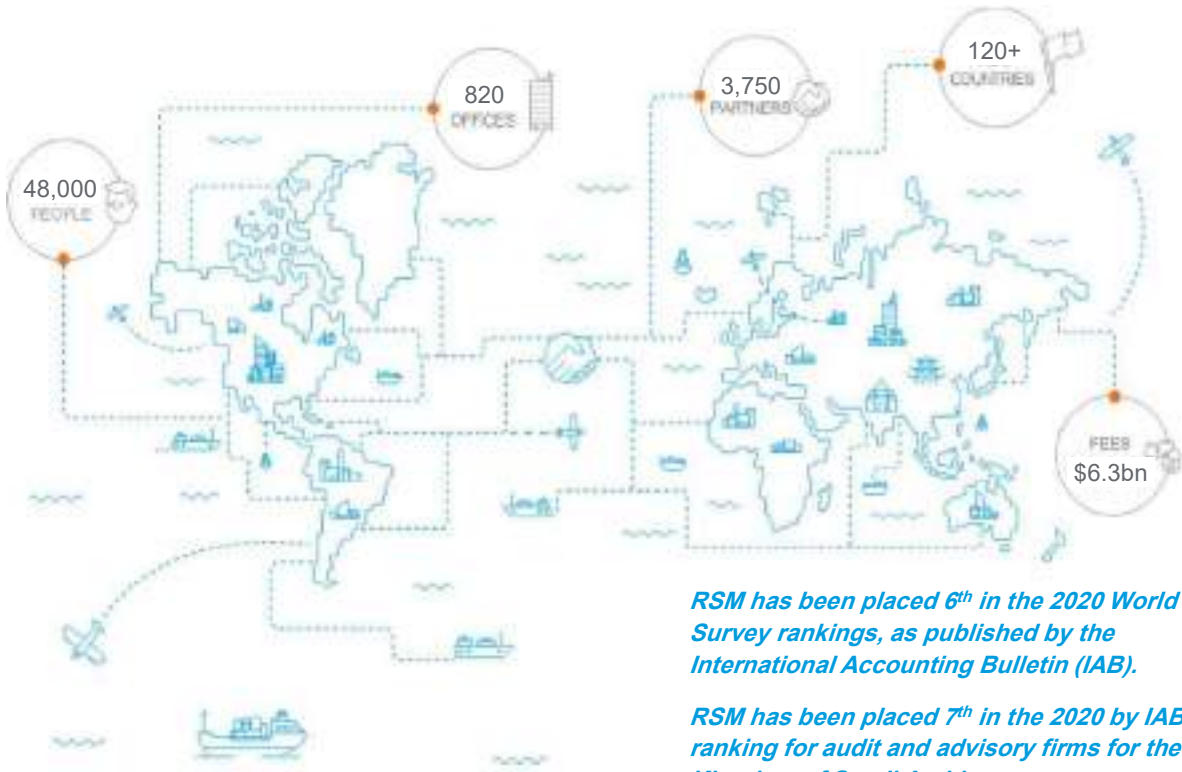
Middle East and North Africa

The ongoing political and social changes in the Middle East and North Africa continue to present both challenges and opportunities. RSM draws on its deep experience of the financial landscape across the region to anticipate change, business trends and help clients to enable change.

We believe in providing all of our clients with a consistent service going above and beyond their expectations, wherever they are in the world. That means providing both full-service local support and coordinating with RSM network firms around the world to unlock the international knowledge and insights of our most experienced senior professionals.

As an integrated team, we share skills, insight and resources, as well as a client-centric approach that's based on a deep understanding of your business. This is how we empower our clients to move forward with confidence and enable them to achieve their full potential.

THE FIVE C'S OF RSM



RSM has been placed 6th in the 2020 World Survey rankings, as published by the International Accounting Bulletin (IAB).

RSM has been placed 7th in the 2020 by IAB ranking for audit and advisory firms for the Kingdom of Saudi Arabia.



Bringing “ The Power of Being Understood”

The business world is evolving rapidly. Through advances in technology, communications and infrastructure, business barriers are disappearing and each day we become ever more global. In this fast-paced environment, you need an adviser that thinks ahead and rapidly responds to your changing needs. At RSM, we build strong relationships based on deep understanding of what matters most to our clients.

It is our strong, collaborative approach that differentiates us. We will strive to truly understand you, your strategies and your aspirations and endeavour to be considered the adviser of choice to your business. By sharing the ideas and insights of our most senior professionals, we bring our expert local and global knowledge and resources to your environment, so you feel understood and empowered to move forwards with confidence.

This is the power of being understood.

This is the RSM experience and our commitment to you.

Vision

To be the adviser of choice to middle market leaders globally.

Purpose

To deliver The Power of Being Understood to our clients, Colleagues and communities.

Distinguishing Beliefs

A set of principles through which we can realize our vision and empower all our clients to make confident decisions, being accessible, responsive and adaptive.

Collaboration

Building strong, collaborative and lasting relationships with all our stakeholders, being accessible, responsive and adaptive.

Understanding

Gaining a deep understanding of clients' needs, strategy and aspirations and striving to be an essential part of their business environment.

Ideas and Insight

Ensuring every client benefits from tailored thinking and the insight of our more senior experts, both locally and globally.

Values

As a network, we underpin our brand with the following VALUES that are integral to the way we act with each other and with clients;

Respect

We display respect in each interaction with:

- ✓ Clients
- ✓ Employees
- ✓ Partners

Integrity

We stay true to our beliefs:

- ✓ In decisions
- ✓ In negotiations
- ✓ In communications

Teamwork

We cultivate genuine collaboration:

- ✓ In our work groups
- ✓ Across member firms
- ✓ Across functions

Excellence

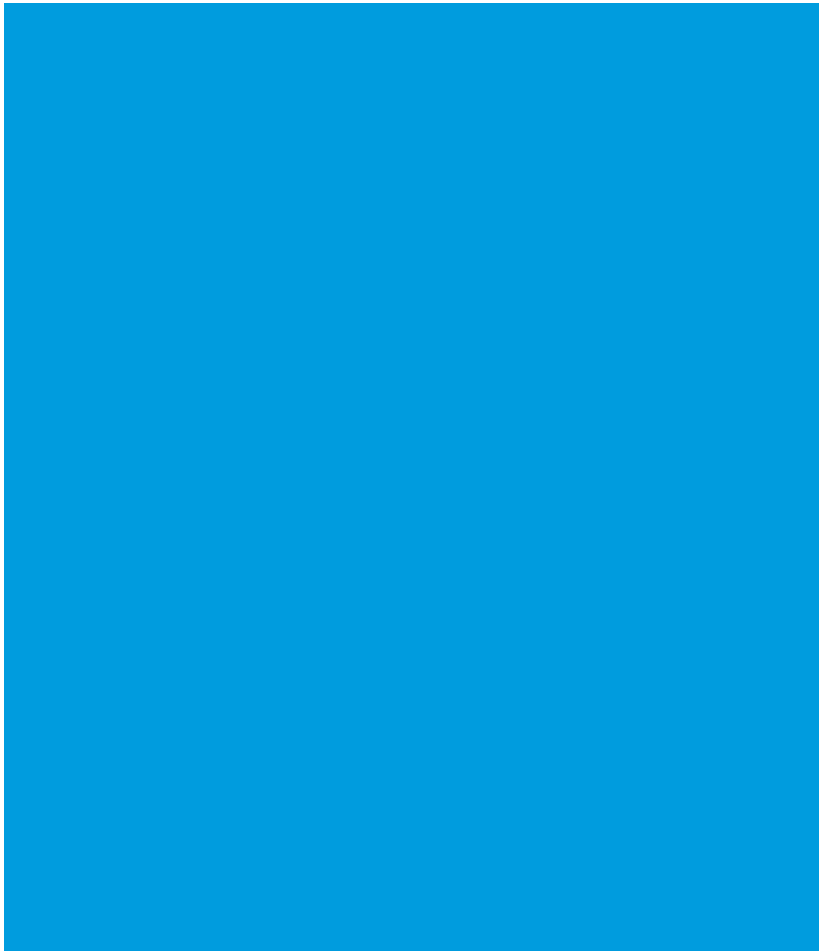
We achieve distinction through:

- ✓ Our standards
- ✓ Our operations
- ✓ The work we deliver

Stewardship

We make RSM a better place by:

- ✓ Developing our people
- ✓ Building our brand
- ✓ Supporting our communities



RSM Saudi Arabia



RSM Allied Accountants

RSM ALLIED ACCOUNTANTS

Allied Accountants Professional Services Company is one of the quality firms in the field of audit, tax & zakat and consulting services. Allied Accountants is member of RSM since 2009.

Commercial Registration No. 4030228773

License No. 323/11/168

CMA registration No. 190900 (dated 29/07/2019)

OUR EXPERIENCE

RSM has experience across multiple sectors and throughout the global market. We focus that diverse experience into a complete knowledge package of international best practices and expertise to provide you with an internationally competitive service. Additionally, RSM has had the pleasure of working with other organizations in the MENA region, and has a developed knowledge by offering audit services to customer-focused organizations within this geographic area.

Our professional staff across the world offering a full range of audit and assurance services. RSM will talk to management about their observations and findings during the audit to help the business improve its compliance and performance. Our professionals specialize in particular sectors and industries, to give a deeper understanding of the challenges that may be faced. Prior to commencing an audit, our audit teams will visit you to understand how your business operates, the risks it faces and how to work with you to complete an effective and high-quality audit.



Our audit methodology has been developed by our leading firms with public interest as priority. Of course we need to complete an audit in accordance with relevant international and national standards but our audit process is flexible, which enables our audit teams to modify their audit approach to better match the client needs and circumstances.

We work closely with our clients to meet their service expectations and we pride ourselves on being a responsive, pragmatic and approachable team.

We believe we are ideally placed to provide professional services for the following reasons:

- ❑ A team of experienced professionals will be assigned to serve you. Our team has extensive experience in providing audit, zakat & tax and consulting Services
- ❑ Team members are committed to provide high quality service throughout the project and possess thorough industry knowledge and exposure
- ❑ Our proposed fee is reasonable compared to the quality of services which we are committed to provide to Client.

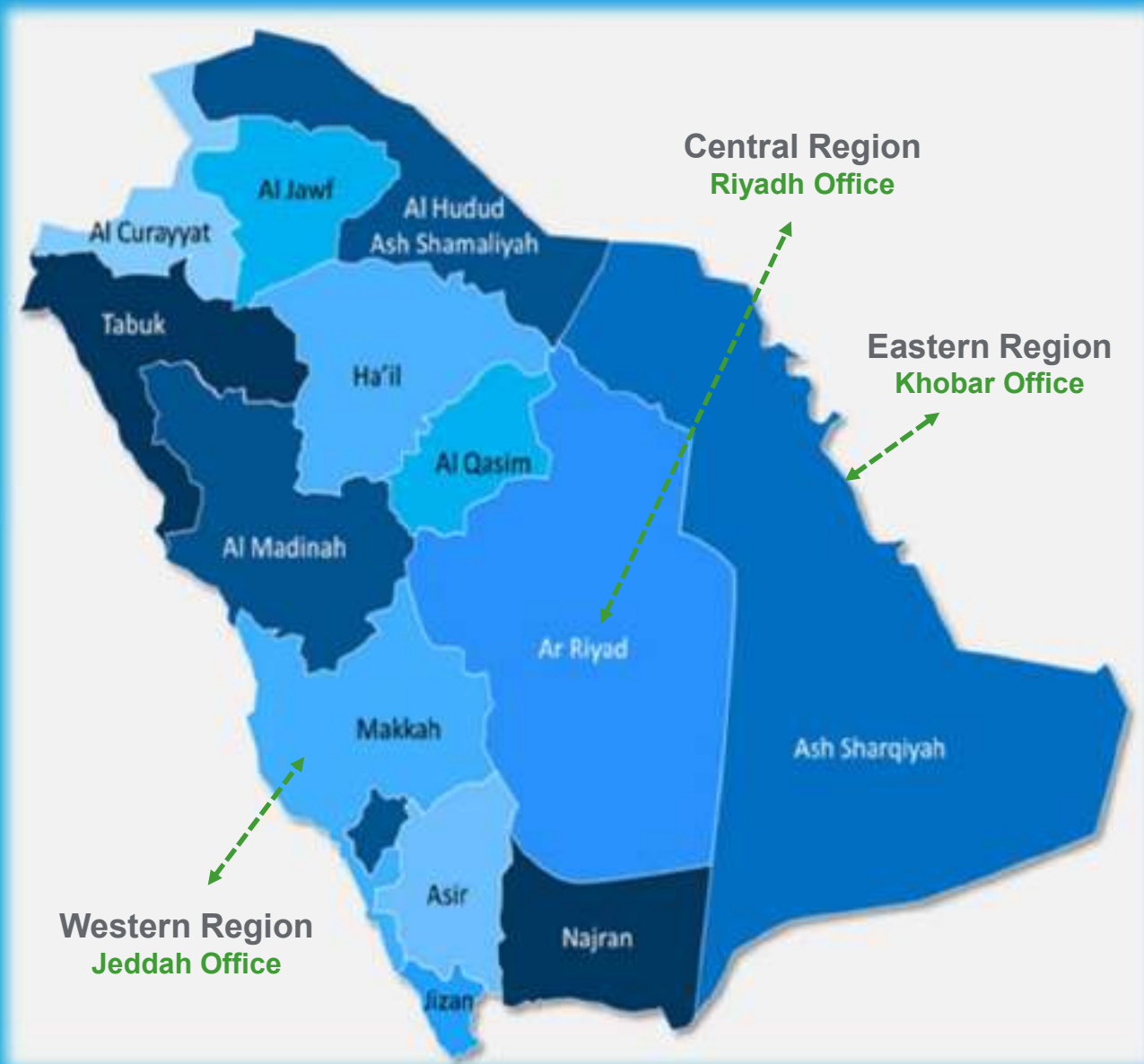
Details of Partners

- ❑ **Mohammed Farhan Bin Nader**
- ❑ **Abdul Hamid Nazer**

All partners are Certified Public Accountants (CPAs) registered with Saudi Organisation for Chartered and Professional Accountants (SOCPA).



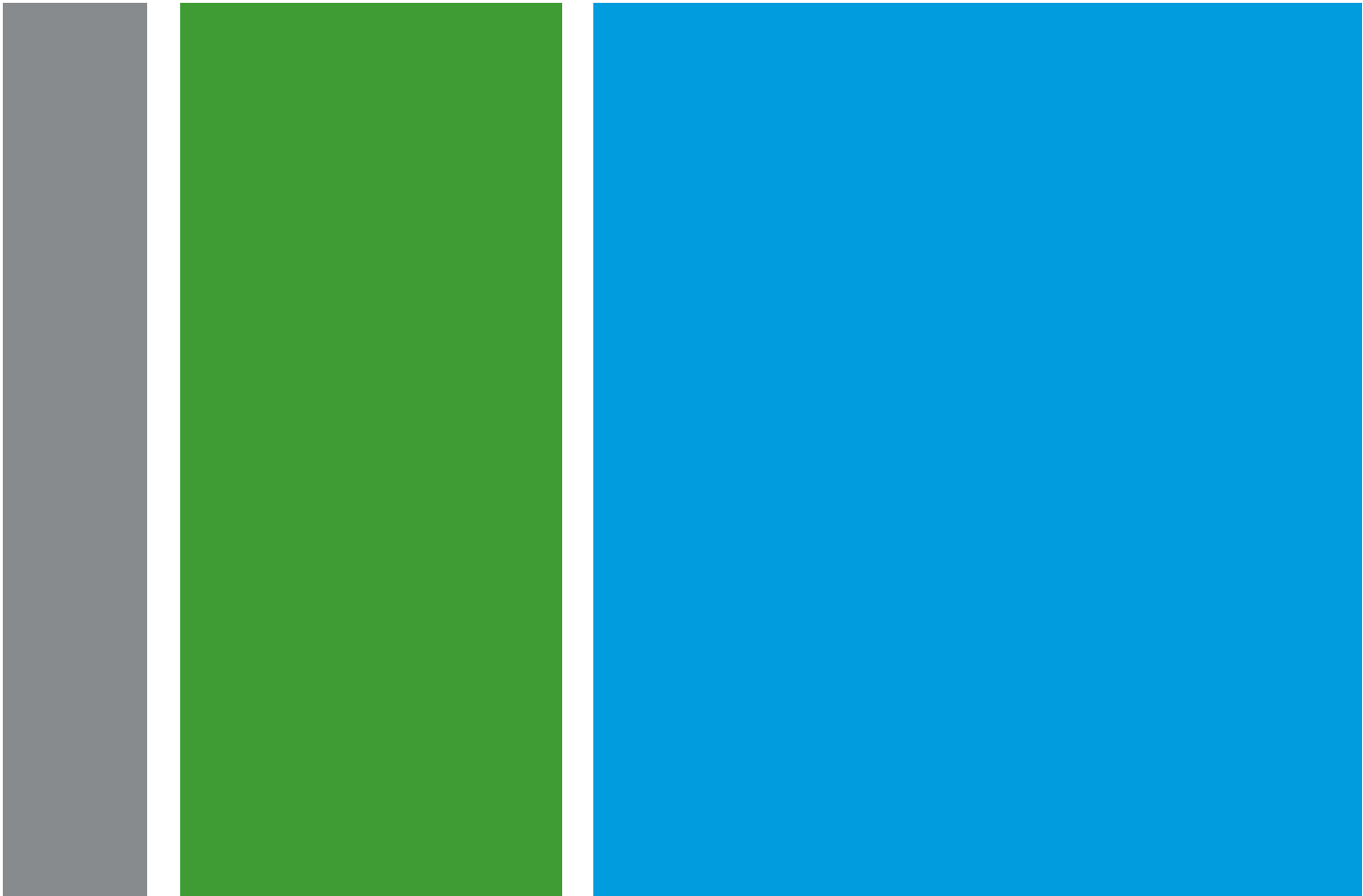
FIRM'S KEY STATISTICS



Over 220+ Partners and Staff

Operating from 3 Locations

Total revenue SAR 35.8m



Audit Methodology and Commitment to Quality



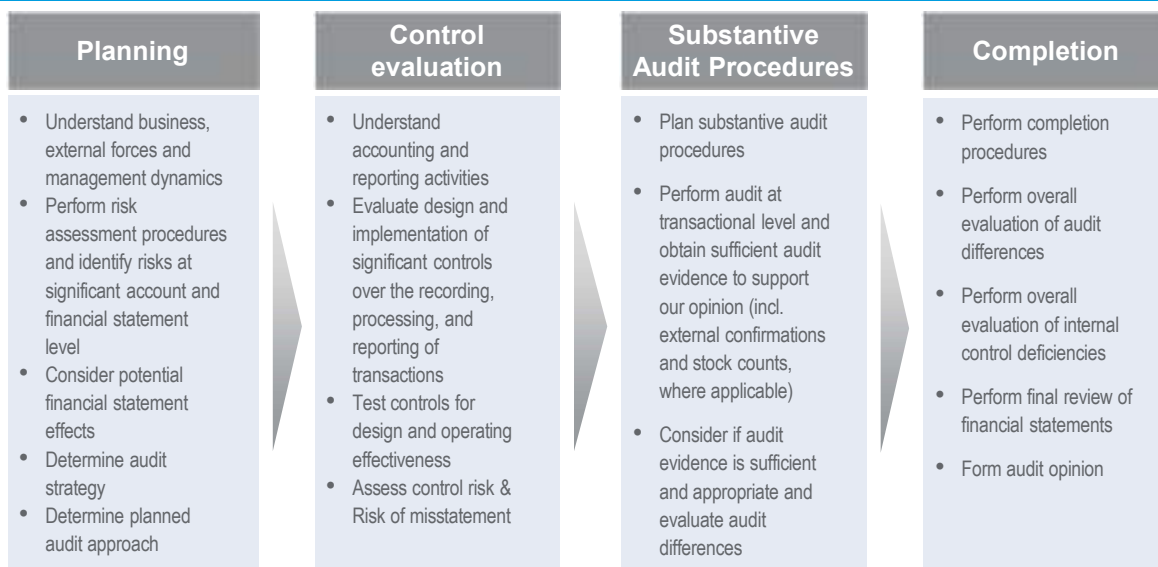
OUR AUDIT METHODOLOGY

Consistency – All audit professionals involved in the Company’s audit will use the same methodology. Applying a consistent approach globally promotes efficiency, regardless of the location where the audit is performed.

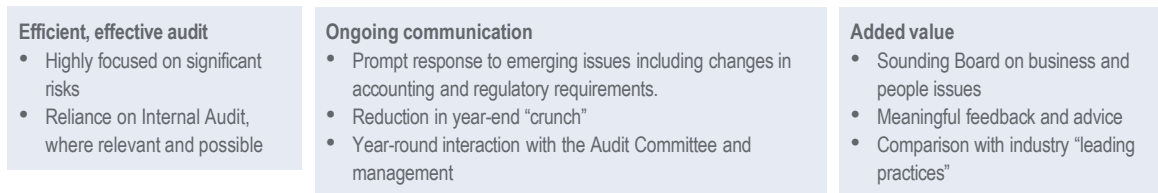
Industry knowledge – Access to industry knowledge facilitates our audit professionals’ ability to focus on what’s important to your business. Our global knowledge base allows us to provide you feedback on how your processes and controls compare with industry leaders.

ONGOING COMMUNICATION

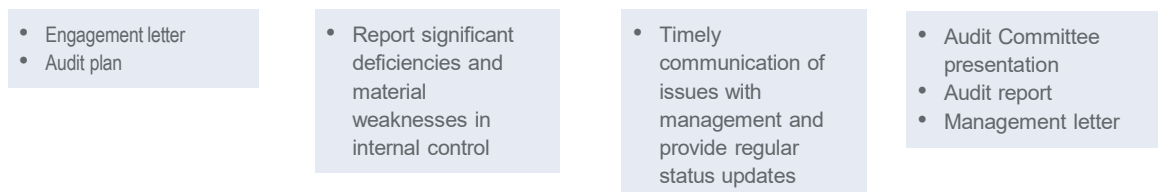
CLOSE COORDINATION



CLOSE COORDINATION



Outputs for you



COMMITMENT TO QUALITY

RSM Allied Accountants primary objective is the maintenance and enhancement of quality which leads to a sustainable and profitable business.

COMMITMENT

Our commitment is underpinned by our emphasis on professional and decisive leadership, IT capability and investment, effective training and personal development, the operations of the Quality Assurance Department (QAD) and being responsive to the findings of the firm's regulators. We are continually striving to improve our internal monitoring procedures and our response to external monitoring.

The firm aims to attain the highest standard of professional conduct through the cumulative effect of the following:

- Internal quality control procedures (at the point of delivery)
- Internal quality assurance by reviews of engagements and of principals' and staff's competence;
- Continuous training, informing and assessment of all principals and staff;
- Feedback from staff and RIs; and
- The external quality monitoring by the firm's regulators.

QUALITY AND CULTURE

It is vital that the firm is constantly assessing its messaging and the behavior of staff to ensure that quality culture permeates throughout the firm. The Management looks for signs that any aspects of culture need redressing and the Ethics team promotes and monitors adherence to independence and integrity.

All partners and staff are provided with access to the employee guide which sets out the firm's code of conduct the employee guide contains information covering all aspects of day to day working life and is available on the intranet as a reference tool, ensuring that both partners and staff always act in a professional manner.



ETHICS AND INDEPENDENCE

THE FIRM DEVOTES A HIGH DEGREE OF RESOURCE TO ETHICS

Ethics materials and personal advice are readily available to staff at all levels, covering the external ethical obligations to which the firm is subject as well as its own ethical policies and access to advice from the Ethics Partner or a member of the Ethics Team on request and at any time of day.

Staff receive regular short messages on ethics via front page intranet news alerts e.g. around gifts and hospitality. This is supplemented by an ad hoc newsletter, which goes to all staff directly from the Ethics Partner.

ETHICS PARTNER, ETHICS TEAM AND PANEL

The Ethics Partner keeps members of the Panel informed on operational and policy related issues and briefs its members on his expectations across all of the service lines. The Terms of Reference of the Panel acknowledge the Ethics Partner's entitlement to determine any matter related to the taking on, continuation of, and disengagement from an audit engagement for ethical reasons, an entitlement emphasised by the Ethics Partner's own Terms of Reference. The Ethics Partner prepares and distributes the agenda for Panel meetings.

The firm's ethical policies lies with the Ethics Partner, assisted by the Ethics Team. It is the Ethics Partner's function to act as the ultimate arbiter of the application of the ethical codes to any given set of circumstances and all partners and audit staff are apprised of the need to consult the Ethics Team on any issue, particularly of interpretation, that they are unclear about.

In addition to the above, there are internal reviews of independence practices Each year, a summary report in relation to the independence declarations that all principals and staff need to make is provided to the Ethics Partner.

POLICIES AND PROCEDURES

The firm has well-established systems and procedures in place to help safeguard the objectivity of staff and avoid conflicts of interest, whilst complying with ethical and other applicable standards.

Partners and staff are required to declare financial interests held by themselves, members of their immediate or close family or in their capacity as trustee in any client or affiliate.

Similarly, policies are in place providing guidance on business relationships and the purchasing of goods and services in the normal course of business. The annual declarations completed by staff, partners and consultants are monitored for any change in business relationships.

Compliance with the firm's audit rotation policy is monitored and is applied to all audit partners and senior members of staff involved in an audit.

There are clear guidelines for dealing with gifts, hospitality and sponsorship so that any self-interest threat is avoided and objectivity is not impaired. The firm has a clear and extensive gifts and hospitality policy in place to determine whether or not a gift or hospitality should be accepted and it is kept refreshed.



RISK MANAGEMENT

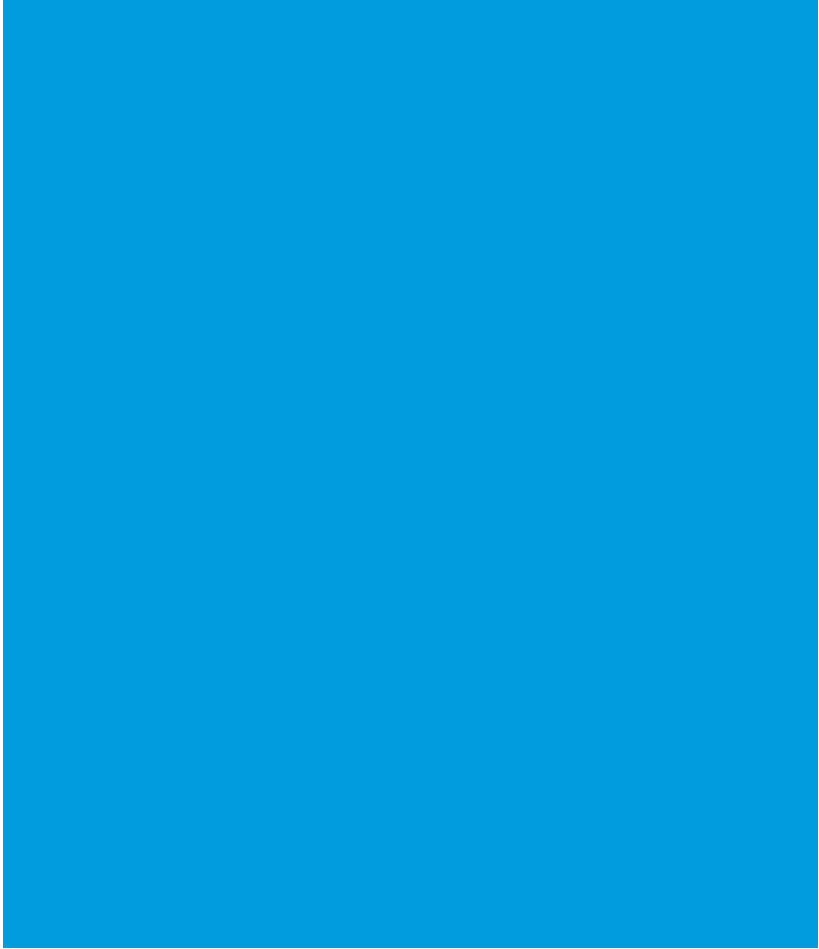
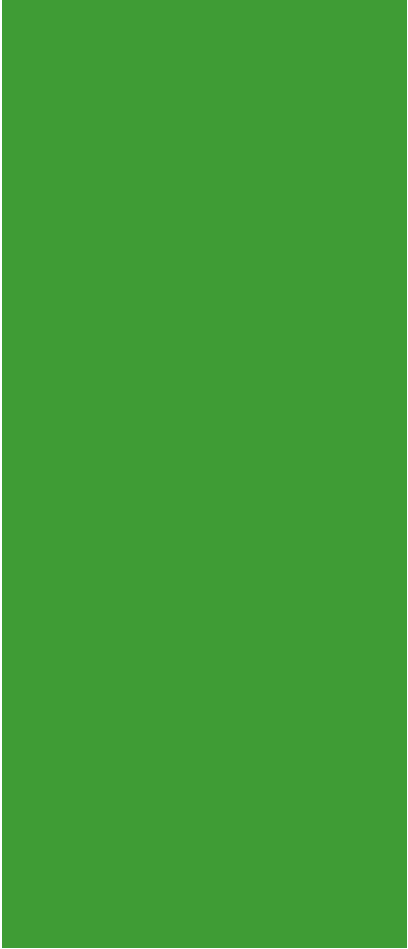
All staff and partners are expected to embody the values of the firm with regards to risk and follow correct procedures. The promotion of risk mitigation is a key theme at audit workshops and meetings.

RISK MANAGEMENT PROCEDURES

Across the firm, the management has primary responsibility for dealing with strategic and operational risk management including internal controls. The firm has also established an internal Risk Advisory Group which is led by the head of operations and comprises members from its Compliance, Legal and QA teams. Their work is to look at risk matters and internal controls within the firm and advise and support management to improve risk management strategy, operations and internal controls.

The firm requires the completion of the Client and Engagement Acceptance Programme (CEAP) for all new clients and additional and continuing engagements in relation to existing clients. The programme is designed to assist in identifying and managing risk, including the risk of breaching ethical standards, and incorporates an automated upward review and authorisation process. It forms an important element of the firm's procedures to enable the firm to obtain reasonable assurance that it, and its personnel, comply with those standards before undertaking or retaining an engagement. Compliance and QAD undertake frequent checks to ensure procedures are being followed appropriately. System is continually enhanced and extensive intranet guidance and training is provided to users.

A wide Risk Register has been compiled and is used by QAD in the performance of an internal audit function. The compilation of the Risk Register and the review of effectiveness of controls have made use of the FRC Guidance on Risk Management and Internal Control.



Audit Approach



OUR TRANSITION PHILOSOPHY

We realize that a change in the audit relationship can be a significant undertaking for Company of your size and complexity. The transition needs to be approached with great care and professionalism. Our team has significant experience in determining a smooth auditor transition, based on successful transition at many complex and non-complex organisations.

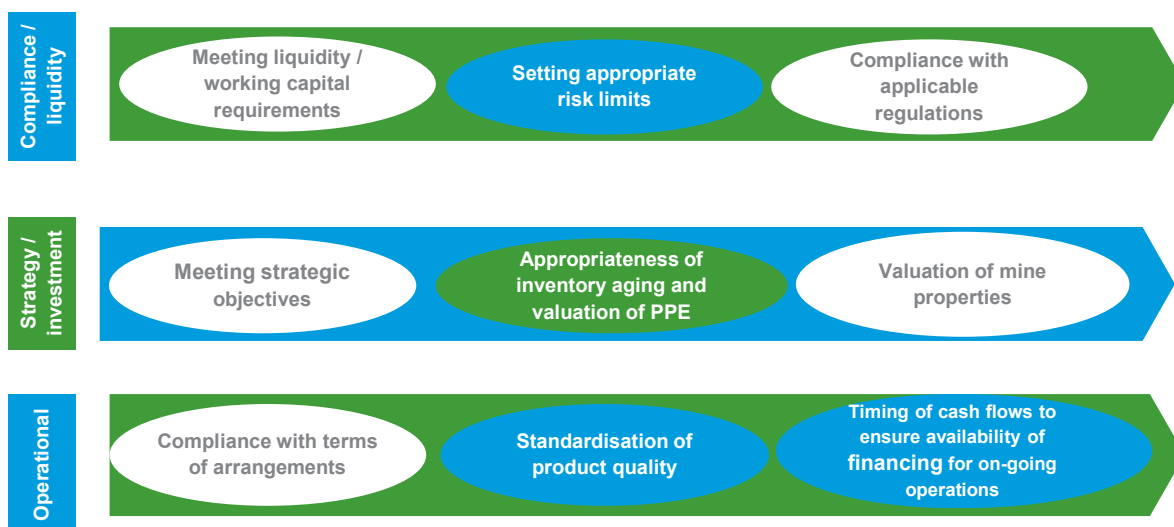


AUDIT APPROACH

Our audit will be aligned to your business drivers and challenges. We will ensure quality and timely delivery with an emphasis on proactive and pre-emptive advice and above all a quality audit opinion.

Risk assessment and impact on our audit approach:

Our audit is risk based and therefore knowledge of your business risks is the most essential part of our approach. Based on our understanding through meetings with senior management, review of annual financial statements and using our understanding of companies operating in similar industries, we have developed the following risk map that will be in core focus for the audit (*but not limited to*). The risk map identifies key risks and how these are translated into audit risk. We would discuss this in more detail during audit planning meetings.



AUDIT APPROACH

Delivering a proactive, timely, robust and 'no surprises' audit

Our robust risk-based audit approach uses a globally consistent methodology and leverages technology platforms to identify key focus areas and engage with clients proactively to address them. Some of the key elements of our audit approach, which enable us to deliver a 'no surprises' audit consistently are set out below:



We are geared to meet audit completion deadlines - even the most stringent timelines



We engage with you closely to anticipate issues ahead of time



We are proactive and provide prompt feedback on reporting and compliance



We have extensive experience in working in multiple locations



Our audit planning and approach is risk-based and focuses on what is relevant



Significant audit senior management presence throughout the engagement



Skills and proven experience in audit transition

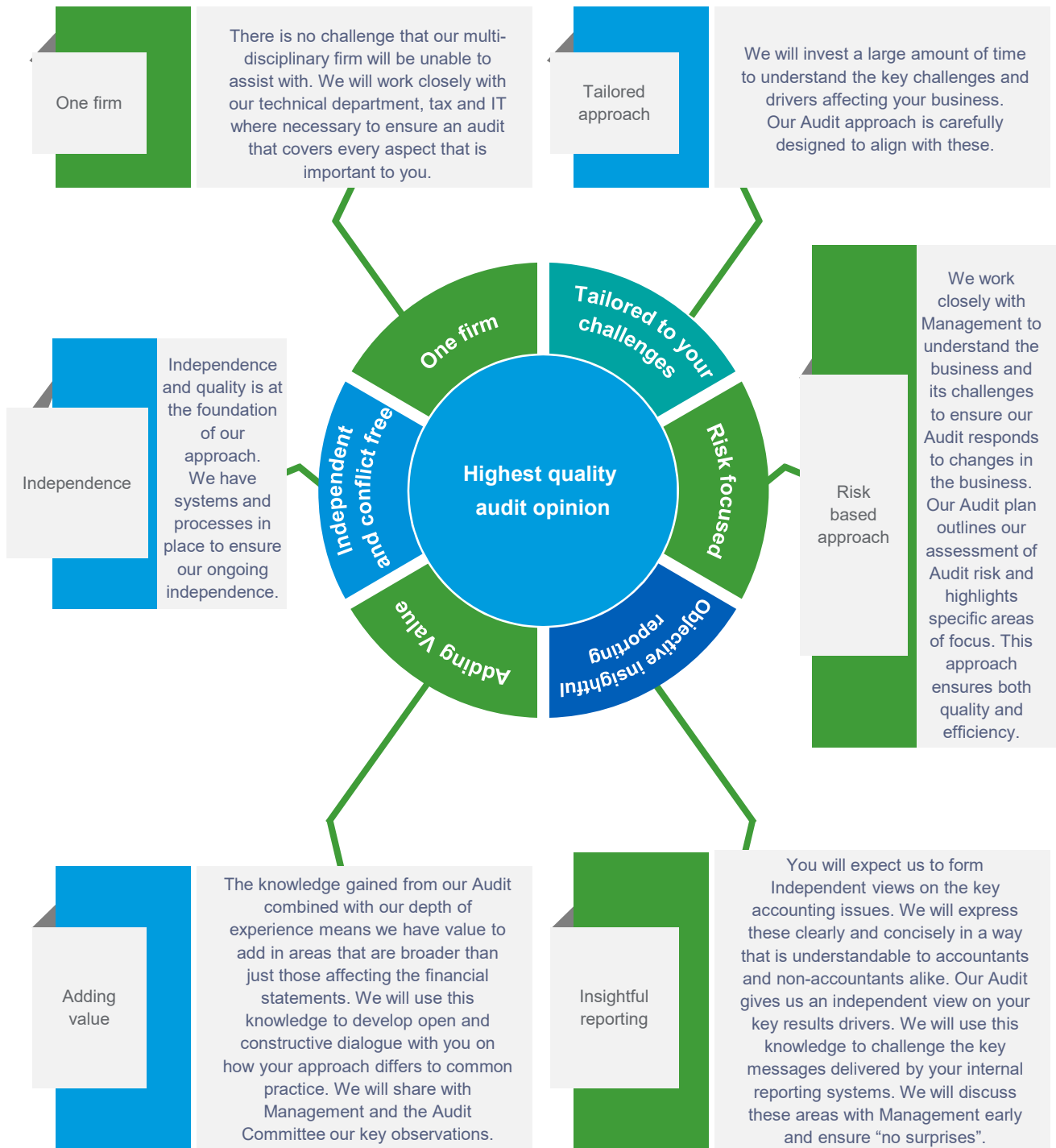
RSM delivered strong growth in 2019 but, for that to be sustainable, we must maintain a focus on quality and remain dedicated to ensuring that we also continue to meet and exceed the expectations of our rapidly growing, international client base."

"Our strategy for this year includes expansion into new markets, expanding our capabilities and footprint through aggressive M&A strategies, creating new products and services and identifying emerging new sectors - while delivering the service and expertise our clients expect."

Jean Stephen CEO of RSM international

AUDIT SUCCESS FACTORS

Our risk based audit approach is based on several elements which we believe contribute to a successful audit



VALUE ADDED

Advice beyond audit

We seek to provide our audit clients with advice beyond a statutory audit. Elements of this philosophy that would benefit the Company are listed below:

Thought Leadership and Newsletters:



- Access to newsletters and knowledge updates:
 - Accounting and Auditing Update
 - Voices on Reporting
 - First Notes

Working with regulators



- Close engagement with regulators
- Active participation in initiatives of the SOCPA, including membership of Committees and Working Groups
- Leadership on IFRS convergence initiatives

Training / Benchmarking



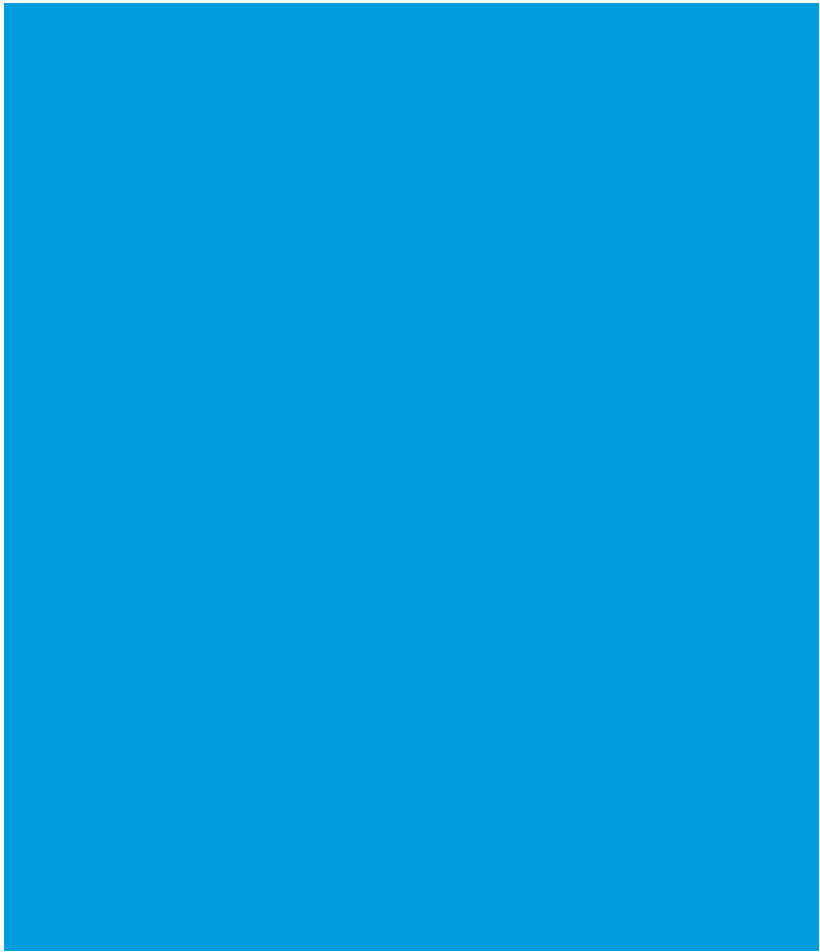
- Training and awareness sessions on regulatory, compliance and financial reporting developments
- Benchmarking of accounting policies with Saudi and global peers in the sector through Accounting Advisory subject matter experts

Other initiatives



- Access to the International Standards Group – specialists based in London
- Working with independent directors

Globally, RSM audit teams are coordinated or assisted by our Global Engagement Leaders, whose role it is to ensure the seamless delivery of high quality audit services to our global clients.



Our Credentials





Our experience

Audit & Assurance

sasco
 اتحاد الخليج الأهلية للتأمين التعاوني
 GULF UNION AL AHLIA COOPERATIVE INSURANCE
 BASIC CHEMICAL INDUSTRIES
 الصناعات الكيماوية الاساسية
 SVCP
 الشركة السعودية لإنتاج الأنابيب الفخارية
 SAUDI VITRIFIED CLAY PIPE CO.
 أبو مادي
 الراشد
 ALRASHED
 المزينية
 ALMOZAINI
 المنعم للتطوير
 Al Mansari Development
 اسمنت أم القرى
 Umm Al Qura Cement
 جازادكو
 شركة جازادكو للتطوير والتنمية
 Jazadko Development Co.
 DW
 Development Works
 شركة جازادكو للتطوير والتنمية
 مداين ستار
 نجمة المدائن
 Madaen Star
 الضحيان
 AL-DHUHAYAN
 أوقف الخليفة
 AL-KHALEEF
 السعدان
 شركة آل سعدان العقارات
 Al Soedan Real Estate
 محمد الحبيب
 Mohammad Al-Habib
 مسك
 MSK
 سيم
 SSEM
 Saudi Services for Electro-Mechanical Works Co. Ltd.
 الراشد - ابه يتونغ
 ALRASHID - ABETONG
 الحباب
 AL HABBAS
 جامعة الإمامة
 Al Yamamah University
 شركة هادي حمود آل همام القابضة
 Hadi Hamed & Hamam Holding Co.
 غرفة الرياض
 Riyadh Chamber
 الفخدي
 Al - Khalidi





Our experience

IFRS, ADVISORY, VAT, IKTVA & OTHERS



CLIENT FEEDBACK

It is vital that audits are robust and independent but they also need to deliver a useful product to business managers and audit committees. We regularly carry out face to face interviews with our clients. These are conducted by personnel who have not been involved with any aspect of the service.

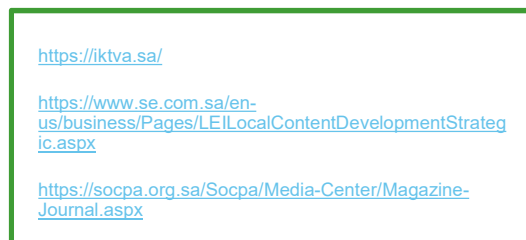
We frequently conducts reviews on audit clients. Clients were given the opportunity to comment on quality in delivery, staff competence and integrity.

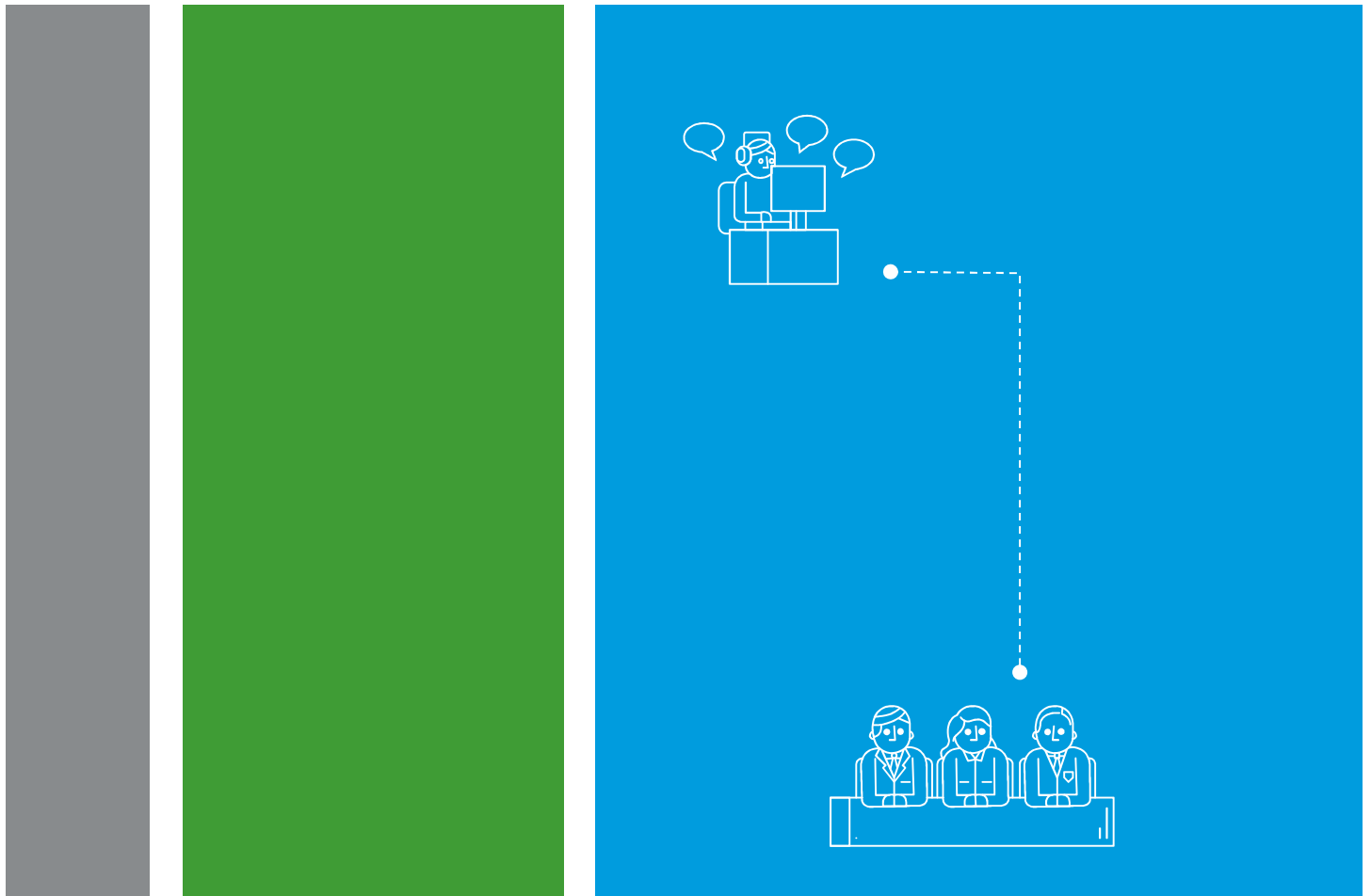
Each client interview is reviewed by the management and any issues on audit quality or service are addressed with the RI and the team. When particular themes emerge these are discussed and addressed the Management.

Key themes



OTHER ASSURANCE SERVICES





RSM Team For You





Mohammed Al Nader, SOCPA, CPA, MSc
Managing Partner
Kingdom of Saudi Arabia

Mobile # +966(55)228 4828

malnader@rsmsaudi.com

Mohammed is Managing Partner of RSM in Saudi Arabia. He has experience in providing a range of consultancy services in GCC. He has extensive experience in IFRS, US, and Canadian GAAP. He has worked with Big-4 auditing firms providing audit and advisory services to major banks, investment companies and clients from telecom and other industries.

Mohammed's portfolio includes some major listed and non-listed companies in the Kingdom of Saudi Arabia, such as Saudi Telecommunication Company (STC), Saudi Arabian Basic Industrial Company (SABIC), Al Bilad Bank, Riyadh Bank, and major capital companies in Canada, such as Merrill Lynch, State street, Permal Group, Alange Energy Corp (Oil and Gas, Public Company- Toronto Exchange Market) and Shell Chemicals.

He has led risk based compliance reviews / inspections of several regulated entities in Saudi Arabia mainly in the financial services sector. These projects were conducted on behalf of the respective regulators.

Mohammed is also member of audit committee and board of directors of various listed companies.

"I have personally ensured that the right team is available to serve you. You will get nothing less than total dedication from your audit team. I am satisfied that all the resources that you require are made available to you, and that you will see a continuous and on-going effort towards service improvement and delivering added value".

Mohammad Al Nader



Kamran Naseem, FCA
Assurance Leader
Kingdom of Saudi Arabia

Mobile # +966 (50) 167 8870
knaseem@rsmsaudi.com

Kamran is the Assurance leader of RSM in Saudi Arabia. He has over 20 years of experience in providing a range of assurance services in Saudi Arabia and Pakistan. He is a technology driven leader and always focused on exceeding the clients expectations by bringing in new ways to streamline the delivery, understanding the clients needs and delivering high value services.

He has previously worked with a Big-4 professional firm and provided assurance and related services to his clients. His client portfolio includes companies operating in petrochemicals, engineering and construction, retail, industrial manufacturing and other sectors. Few of his key clients were Saudi Kayan Petrochemical Company, Al Jubail Petrochemical Company, Saudi Petrochemical Company, Nesma & Partners Contracting Company Ltd, Sinopec Group, Saudi Arabian Bechtel Company, Al Rashed Group, Rawabi Vallianz Offshore Services, Nobel Drilling Company, Shelf Drilling Company, KCA Duetag Drilling etc.

He has also led various other assurance projects for the petrochemicals and other companies in Saudi Arabia including compliance testing of various agreements e.g. marketing and off take agreement, joint production etc., IFRS conversions, IFRS advisory etc.

"I have always brought a fresh perspective for my clients and worked closely with the senior management to understand their business needs and objectives. One of the key challenge for clients is auditor transition which I have ensured by deploying teams with the right skill set, early commencing the audit work and working closely with clients to avoid any surprises. I always believed that only the value adding service provider can survive in this competitive market and my clients have always appreciated the value added to them".

Kamran Naseem



Hesham Sabry M. Elbakry, CPA-DipIFR-MBA
Senior Director – Independent Quality Reviewer
Kingdom of Saudi Arabia

Mobile # +966 (50) 864 4190

helbakry@rsmsaudi.com

Hesham is a senior director in our Jeddah office at RSM in Saudi Arabia. He has over 20 years of experience in providing a range of assurance services in Saudi Arabia. Hesham is qualified, CPA and DipIFR beside his MBA from The University of Manchester. He is a value driven individual and is always focused on providing the clients with workable and smart solutions to ensure timely delivery, responding to the clients needs and delivering high quality results

He has previously worked with a Big-4 professional firm and provided assurance and related services to his clients. His client portfolio included companies operating in real estate, retail, hospitality, investment properties, holding investment, engineering, construction, retail, industrial manufacturing and other sectors. Few of his key clients were Dallah AlBarkah Holding Company and related subsidiaries, Bugshan holding company and related subsidiaries, Ismail Ali Abudawood Trading Company (P&G distributor), Food Manufactures Company (ULKER), L'Oreal Saudi Arabia, Halwani Brother Company, Basamah Industrial Company, Munief AlNahdi Group (MIZE), National Aquaculture group, AlKhomasya International for Real Estate, Development, AlSaad general Contracting Company, Rabya Trading and Agriculture Company, Etihad AlAfandi Company (traffic violation operator in western region), Intercontinental Travel Company, Jeddah Development and Urban Regeneration, Arabian Peninsula Trading Company (MARS), Arabian Gulf Manufacturers Company, Middle East Company for Manufacturing and Producing Paper (MEPCO), Magrabi Optical Company, etc.

He has also led various other assurance projects for the petrochemicals and other companies in Saudi Arabia including compliance testing of various agreements e.g. marketing and off take agreement, joint production etc., IFRS conversions, IFRS advisory etc.



Muhammad Hamood, FCCA, BSc

Senior Manager

Kingdom of Saudi Arabia

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mhamood@rsmsaudi.com

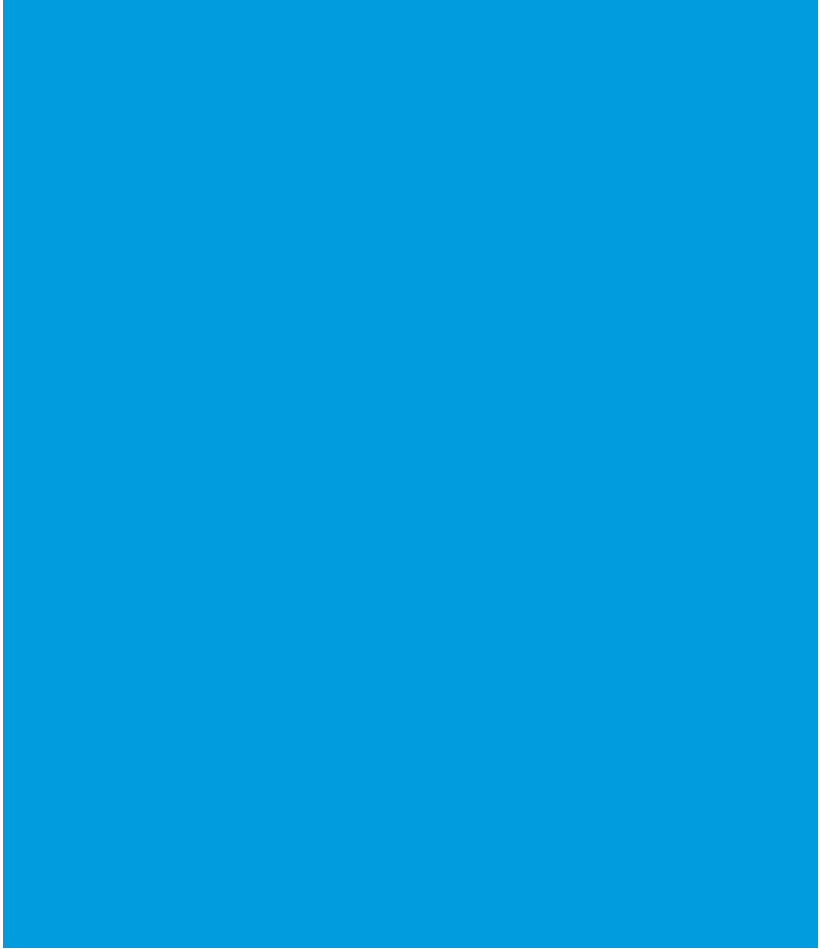
Hamood is a senior manager in our Khobar office at RSM in Saudi Arabia. He has over 8 years of experience in providing a range of assurance services in Saudi Arabia. He is a value driven individual and always focused on providing the client with workable and smart solutions to ensure timely delivery, responding to the clients needs and delivering high quality results.

He has previously worked with a Big-4 professional firm and provided assurance and related services to his clients. His client portfolio included companies operating in insurance, petrochemicals, engineering and construction, retail, industrial manufacturing and other sectors. Few of his key clients were Gulf Union Alahlia Cooperative Insurance Company, AXA Cooperative Insurance Company, Al Sagr Cooperative Insurance Company, Tecnicas Reunidas Saudia for Services and Contracting Company Ltd, Mondelez Arabia for Trading, Daelim Saudi Arabia Company, Farabi Petrochemicals Company, Rosen Saudi Arabia, International Ports Services Company, SPIE Oil & Gas Services, etc.

He has also led various other assurance assignments for the insurance and other companies in Saudi Arabia including agreed upon procedures, and other non-audit assurance engagements.

"I have always attuned myself and my team in a way that my clients consider the services provided to be highly valuable as they are deeply rooted with trust and mutual support. This helps both the engagement team and the clients in seamless transitioning to ensure timely completion of assignments with no late surprises. I believe in extending my support by being available for my clients in order to assist them on any technical and business matters even outside the engagement period as this goes beyond expectations and forms basis of long lasting positive relationships".

Mohammed Hamood



Commercial



COMMERCIALS

Our overriding philosophy is to provide with a high quality, value for money service. Our fees are based on the degree of skills and experience required for the engagement through combination of Senior Director level resources accompanied by Subject Matter Experts and consultants to ensure that tasks are done right at the first time.

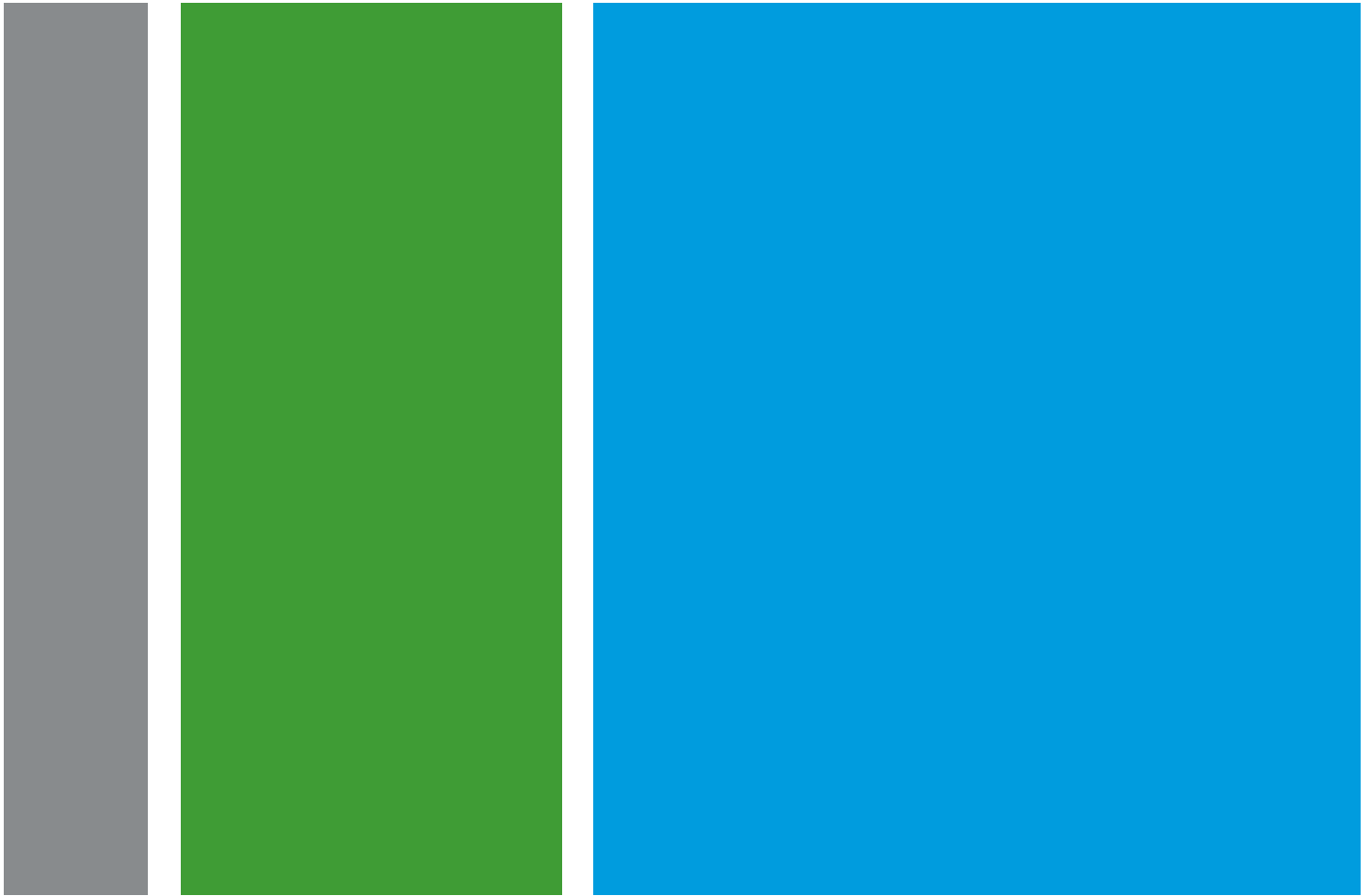
Generally, our fees are based upon hours of professional services at standard rates, according to the level of individuals assigned to the engagement, plus out-of-pocket expenses. However, based on the preliminary information made available to us, we estimate our total fees as follows:

Sr.#	Services	Fees (SAR)
	<i>Audit and quarterly review services</i>	
1	Audit of the financial statements for the year ending 31 December 2022	220,000
3	Quarterly reviews (per interim period)	40,000

Notes:

- The size and complexity of the business will not change significantly (Changes might cause a revision to quoted fees upon signing the engagement letter).
- Involvement of relevant auditor's experts/ industry specialists has not been considered, and may cause a revision to the quoted fee if considered necessary upon signing the engagement letter.
- You will provide key documents on the dates agreed and there will not be any significant delays beyond our control.
- We will be able to place reasonable reliance on the Company's internal controls, documents and records.
- Our proposed fee (exclusive of applicable **VAT**). Out of pocket expenses for travelling and stay in outstation areas etc. will be billed at actual).
- Our proposal is subject to our customary client evaluation procedures which are in progress and signing of a formal engagement letter.





Our Presence in Saudi Arabia

KINGDOM OF SAUDI ARABIA

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Khalidiyah District,
P.O. Box 756
Jeddah 23422 – 7490
Tel.: +966 12 6061405
Email: info@rsmsaudi.com

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Al Rawabi District, Khobar Dammam
Highway, Al-Khobar
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**THANK YOU FOR
CONSIDERING
RSM FOR THIS
OPPORTUNITY**

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THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



Proposal for Audit of Al Masane Al Kobra Mining Company

For the year ending December 31, 2022



Strictly Private and Confidential

March 9, 2022

To: Chief Executive Officer
Al Masane Al Kobra Mining Company
Jeddah, Kingdom of Saudi Arabia

PROVISION OF AUDIT SERVICES

Dear Sir,

We are pleased to present our proposal for audit of the financial statements of the **Al Masane Al Kobra Mining Company**, (hereinafter referred to as the 'Company'). We appreciate your interest in our professional services and look forward to the opportunity of working with you. Our proposal describes our understanding of your needs and proposes how we can assist you in meeting your requirement.

PKF International Limited is a member of the Forum of Firms - an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide. The forum comprises of over 2 firms. The member firms of PKFI deliver world-class assurance, advisory, tax, and consulting services, with more than 20,000 staff in over 480 locations in around 150 countries. The member firms serve some of the world's largest companies, as well as large national enterprises, public institutions, and successful fast-growing companies.

We feel that our firm is best equipped to respond to all of your service needs. Our strong local presence combined with the international strength of our affiliate, PKFI, will result in prompt effective responses to all of your local needs. We have a proven track record in delivering audits and advisory services to clients ranging from small, family owned businesses to multi-national and listed entities.

Our mission is to help our clients and people excel. This mission requires an uncompromising commitment to high professional and technical quality and service excellence. Through the varied disciplines and expertise our firm possesses, both at the local and international level, we believe that the quality of services we offer will exceed your expectations.

In this proposal we have described the scope of the work that we propose and our team of professionals. We believe that we are well qualified to serve as the independent auditor to the Company, all the members of our team also share the same commitment of providing outstanding service to you.

Yours faithfully/sincerely,

Al Bassam & CO.

Ibrahim Ahmed Al Bassam



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01

Executive summary

Executive Summary

We understand that the company is seeking to appoint an auditor, who will deliver an efficient, pro-active and value-for-money service, whilst building a long-lasting relationship with its auditor. You want a reliable service, delivered by a highly responsive and capable core team, with continuity wherever possible. We are confident that we can meet such requirements, and this proposal document explains why.

Al Bassam & CO. is focused on achieving a high-quality service where our clients have direct access to decision-makers. Our people are driven to build and maintain positive, personal relationships and to really understand the sectors in which our clients operate. Our approach to the company would be no different. Al Bassam & CO. can provide local expertise, with the support of a global family of firms, PKF.

Our approach to audit is risk-based, innovative and efficient. We focus on improving the audit process, year on year, and providing quality feedback to management on internal systems and controls.

We also add value to our clients through our approach to tax compliance and planning. We work with clients to provide awareness of pending changes in legislation and assess the impact on their business.

We are confident that the team we have included has the industry expertise, and the technical knowledge, to deliver the high-quality service that our current client base has become accustomed to.

Caveats:

- The proposal is subject to successful completion of our client on-boarding procedures.

Engagement Team

Mr. Ibrahim Ahmed Al Bassam will be Lead Client Service Partner for this engagement. He will bring a wealth of Local and International expertise to this engagement. He will be assisted by a team of professionals to lead the day-to-day activities related to this engagement.

Independence Declaration

We hereby confirm & declare that we are fully independent firm and are not related to Company's Management.

We are not aware of any reason / relation / case / situation / position that would cause any conflict of interest with the Company.

Communication

Frequent and thoughtful communication is a necessary part of building a strong working relationship. Our team places a real emphasis on less formal approaches as well. You can expect to hear from us often. Our formal procedures for communication with the Audit Committee/ Board of Directors and management will involve well-planned meetings.

Continuity

We want to provide you with continuity, particularly at the engagement management level. Specifically, for the life of this engagement, we will endeavor not to change our partners, nor transfer key managers.

Summary of Overall Approach

The leadership are at the root of our planning, be it industry knowledge, coordination and technological advancement, Al Bassam & Co. team assembled to serve you, reflects these strengths.

Audit Approach- An Audit that Focuses on Risks

Our risk-based audit approach focuses on the business risks inherent in industry and is designed to anticipated issues and add value at all levels for engagements. Our methodology focuses on management's responsibilities and performance as well as specific regulatory, operational and financial reporting concerns. Our audit approach emphasizes the need to identify and manage the risks inherent in organizations and its operations. This central focus allows us to economically allocate resources to audit, based on a risk assessment at the appropriate transactional and organizational unit.

Our investment

We believe that the Company should become our client because we are a qualified and responsive firm in the industry. We also understand the Company's desire to pay no more than it needs to for this engagement and respect your decision to test market conditions as part of the proposal process.

We are glad to underscore our professional interest in the opportunity to become the specialized, responsive business advisors that Company requires at this stage.

02

Your requirements & Professional Fees

Your Requirements

Summary and Discussion Of Scope Of Services

Our proposal is to carry out the following services to the Company:

- a) Statutory audit of financial statements of the Company for the financial year in accordance with International Financial Reporting Standards that are endorsed in Kingdom of Saudi Arabia;
- b) Statutory audit of financial statements of the subsidiaries for the financial year in accordance with International Financial Reporting Standards that are endorsed in Kingdom of Saudi Arabia;
- c) Review of financial statements of the Company for the periods ended June 30 and September 31, 2022 and March 31, 2023 in accordance with International Financial Reporting Standards that are endorsed in Kingdom of Saudi Arabia;
- d) Submission of annual zakat return for the Company and its Subsidiaries.
- e) AUP report on Chairman of the Board of Directors' Declaration for the year ended 31 December 2022
- f) Management Letter addressed to CFO and senior Management identifying control weakness.



Professional Fees

Our fees are charged on the basis of time occupied and expenses incurred having regard to the degree of responsibility involved and the experience and skills required for the assignment.

For the requested services as mentioned in this proposal, we estimate our fee to be as follows:

Service	Fees*
Audit of the financial statements for the year ending 31 December 2022	200,000
Quarterly reviews of the financial statements SR 33,000/Quarter	99,000
Report on Chairman of the Board of Directors' Declaration for the year ended 31 December 2022	25,000
Filing and presenting Zakat and Tax Return	40,000
Total	364,000

*** Fees excluding VAT**

- ❑ The above fee is based on the present dormant operational circumstances of the entity. Should the company resumes commercial operations during the period incremental fee charge will be mutually discussed and agreed.
- ❑ The proposed fees are based on the assumption that all information requested by ourselves is available on the first day of the assignment and are of a very high quality.
- ❑ It is our practice to request a 50% advance payment upon signing the Engagement Letter, 35% upon start the field work, and the remaining 15% upon issuance of draft.
- ❑ Out of pocket expenses, if any, would be billed on actual basis after being discussed with management.

03

Executing your audit



Our Approach And Reporting

The Audit and Reviews

Our audit approach evolves as we learn more about your business and its operations, and adapts to technological advances and changes in regulatory requirements. As a result, we constantly review and challenge the methods we are using, in order that we continue to provide a first-class service that adds value to your business.

We follow a risk-based approach and our substantive testing is supplemented, where possible, with IT audit and data analytics. These techniques allow us to review large populations of data and focus our audit testing on the exceptions identified. Our use of IT audit specialists within the business can increase the coverage of our audit testing and achieve efficiencies in the audit process. We also review the general IT environment of our clients and provide feedback to management on areas of potential improvement.

During the audit process, where opportunities are identified to improve internal controls, or potential areas where efficiencies could be gained, we will report these to management in our closing meeting and issue a management report detailing these thereafter.

Emphasis on Understanding Your Environmental Controls

Attaining and continually helping management to enhance confidence in the controls will be a primary objective of our engagement. Our audit effectiveness is much greater when we are able to rely on controls and financial management procedures at a level that permits greater attention to those items where risks and/or exceptions are identified. We will clearly report our findings to management and the board, and make recommendations as appropriate, at the earliest possible date.

For audit objectives where we plan to rely on controls to modify the nature, timing, and extent of our substantive procedures, our control evaluation includes:

- Evaluating the design and implementation of entity-wide controls;
- Understanding the relevant accounting and reporting activities for each audit objective, such as transactions processing, we look for significant risk points / places where errors could occur;
- Evaluating and testing any antifraud controls you have implemented;
- Evaluating selected controls over the significant risk points where material misstatements may occur;
- Performing a “walkthrough test,” tracing a transaction through the accounting activities and selected controls to confirm that we understand how your accounting activities and controls work; and
- Testing the operating effectiveness of selected controls.

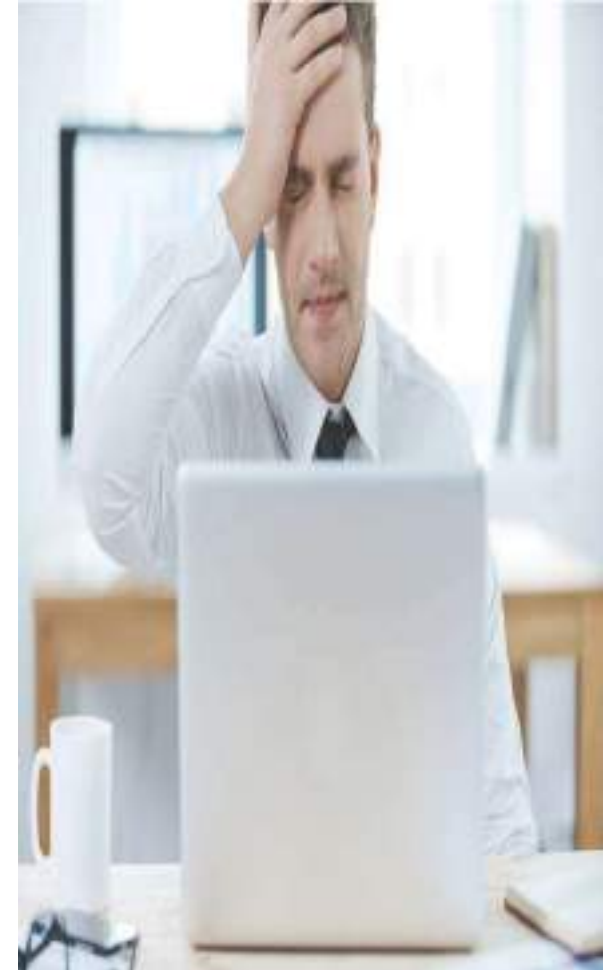
Our Approach And Reporting – Cont'd

Focus on Planning, Quality and Clear Communications

Through comprehensive audit planning and the tracking of scheduled audit activities, we are able to consistently achieve timely results whilst minimizing risks of surprises. Our audit team preliminarily identifies the areas where the risk of material misstatements in the financial statements is the highest. We will do this through structured interviews of upper management, finance team and others, analytical procedures, observation, and inspection to review activities, share observations, and expectations. Specifically, we may consider the financial reporting framework, business and industry, accounting policies and practices, financial performance and internal control.

We will also identify areas where estimates and management judgment could have a material impact on the financial statements. We analyse the significance of risks we have identified and determine our procedures accordingly. Our Planning Matrix links risk to significant accounts and related assertions in the financial statements, and Company's the assertions about these accounts into the audit objectives. These assertions are; completeness, existence, accuracy, value, ownership, and presentation. For each objective, the team assigns a risk level and preliminarily determines an effective combination of tests of internal control, analytical procedures, and tests of individual transactions and balances.

We build up our audit planning procedures properly in order to ensure that it is closely and appropriately aligned with Company's activities, processes and cycles, and we will endeavor to build sound working relationships, fully respectful of our imperatives related to objectivity and independence.



Our Approach And Reporting – Cont'd

We tailor our work to fit you and your business ...

Planning

Controls testing

Substantive testing

Completion

Our Activities

- Understand business, risks and areas of sensitivity and subjectivity
- Understand accounting and reporting activities
- Plan audit procedures
- Agree on audit timetable
- Identify and document key systems and processes
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Perform substantive audit procedures with a balance sheet approach
- Audit of statutory accounts process
- Report to management

Your involvement / our deliverables

- Audit planning meeting
- Audit information requests
- Early warning of any issues and areas of focus
- Report on control observations
- Discuss audit findings
- Audit completion meeting
- Insightful reporting on audit findings
- Audit report and audit opinion

A uniform approach by

- Submitting audit and review instructions to all PKF offices involved
- Define and communicate an agreed timeline for year-end audit
- Applying the PKF audit methodology as stipulated in the PKF Audit Manual
- Using uniform audit tools, e.g. audit software
- Compiling uniform audit documentation, e.g. summary of adjusted/unadjusted audit/review differences, inter-office audit/review memo

... working closely with you from the outset

Our Approach And Reporting – Cont'd

Management Letter

In addition to our audit procedures, we will endeavor to provide you with an added value service via the development and submission of a Management letter depicting areas of improvements whether from internal control perspective or accounting and financial matters.

The report will include the following:

1. Management Letter: Auditing Standards require that auditors should inform their clients either orally or by a formal letter. Our approach requires us to separately report any significant deficiencies relating to internal control structure noted during our audit and bring to your attention any material errors and irregularities or illegal acts of which we become aware of during our audit in the form of a letter which will be submitted, after discussion with Company's management, to the Audit Committee or the Board of Director of the Company.
2. Report on issues along with the recommendations for remedial action.

Audit Responsibilities, Limitations And Reporting Framework

We will conduct our audit in accordance with International Standards on Auditing “ISA”. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

International Standards on Auditing “ISA” require that we obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatements, whether caused by an error or irregularity. While an effective internal control structure reduces the likelihood that errors or irregularities (including misappropriation of assets) may occur and remain undetected, it does not eliminate that possibility. For that reason and because we use selective testing in our audit, a material misstatement may remain undetected and we cannot guarantee that material errors or irregularities, if present, will be detected.

Our audit should, therefore, not be relied upon to discover defalcations or other irregularities that may have occurred, but their discovery, if they exist, may result from the audit tests that we undertake, and we will report such cases.

Pursuant to professional standards, in the unusual event that we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report.

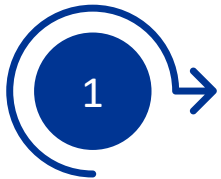
As part of our audit, we will obtain an understanding of the Company's internal control structure solely to plan the audit and determine the nature, timing and extent of our audit procedures. This understanding will not be sufficient to enable us to render a separate opinion on the effectiveness of the internal control structure over financial reporting.

The working papers, prepared in conjunction with our work, are the property of our firm, constitute confidential and proprietary information and will be retained by us in accordance with our firm's policies and procedures.

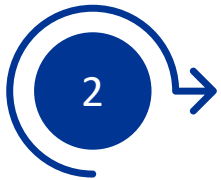
Management's Responsibilities And Representations And Regulatory Requirements

We remind you that, in accordance with Regulation No. 175 of the Saudi Companies' Regulations, it is the responsibility of the Company's management to prepare the financial statements including adequate disclosures. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the Company's assets.

Audit Objectives



- Independent opinion and report that adds credibility to financial information released by the Company



- Observation and recommendation on financial and internal control reporting, zakat, tax and business issues from senior professional who have in-depth understanding of your business and industry.
- Share our experience on industry best practice issues.



- Independent assurance that the financial statements are presented fairly and in accordance with IFRS for SMEs as endorsed in kingdom of Saudi Arabia
- Communicating areas of high audit risk and explaining the impact on audit approach
- Reporting significant internal control weaknesses identified during the course of the audit

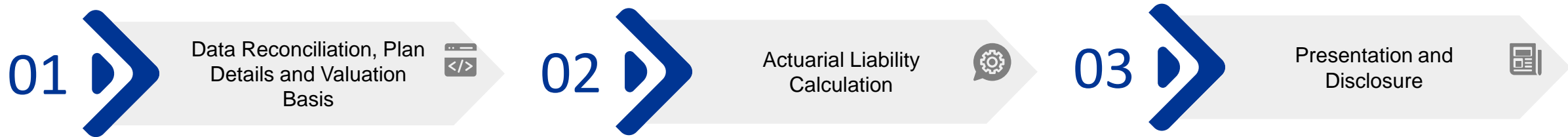
Fraud considerations

In accordance with Applicable Standards on Auditing, the Auditor has a responsibility to consider the risk of fraud in the audit. Hence, we will undertake specific procedures and report findings to the Company management in respect of financial reporting fraud. The following highlights the phases of our work on fraud:



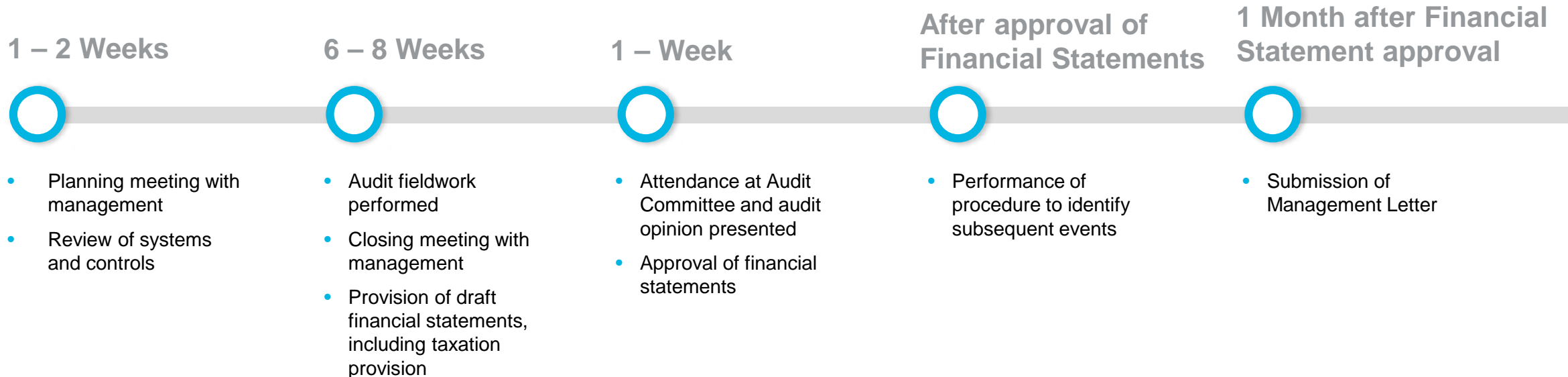
Actuarial Services under IAS 19

IAS 19 (the standard governing employee benefits) requires companies to make provisions for post-employment and other long term benefits. This involves an actuarial valuation of the employee benefit liabilities and determining the current year provisions together with the relevant disclosures. Our audit procedures will include reviewing the following procedures in place by the client:



Illustrative timeline

We have outlined below our proposed timetable for the audit engagement; however this is indicative and we are flexible depending on your requirements and preferences.



Quality Assurance

Our audit work is undertaken in accordance with relevant legal and regulatory requirements, International Standards on Auditing and our firm's internal audit policy. Our regular programme of internal reviews ensures compliance with this.

Furthermore, we have access to specialist technical resources and draw on these as and when required. Independent partner reviews are completed on a number of audit files throughout the year. As a member of PKF, we are also subject to the PKF Global Monitoring Programme, ensuring compliance and best practice. The results of such review processes are shared with staff, and learning opportunities are identified thereafter.

PKF International Limited is a member of the Forum of Firms - an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.



04

Our Profile

AL BASSAM & Co.

Established Late 2002 in Saudi Arabia and late 2005 in Bahrain. We have since then established ourselves as one of the leading firms in Saudi Arabia as evidenced by our wide portfolio of clients that includes many well-established companies across a spectrum of different industries.

In today's changing global economy, businesses need trusted advisers. Al Bassam & Co. (hereinafter referred to as "The firm" or "firm") provides experienced, comprehensive professional services to the industry as it responds to the challenges and opportunities of a changing economic, regulatory, and market environment. Firm keeps pace with regional developments and anticipates both country specific and global trends. We have helped clients to respond to change, playing an integral role in national regulatory reform and other initiatives.

We are the only non-Big three firm in the Kingdom currently auditing the Foreign Bank Branches. Further we are second largest firm engaged in auditing of the listed clients. We were the first firm in Kingdom to register from the Capital Market Authority to perform audit of the listed clients.

The dynamics of each industry demand the very best services to ensure sound project and organizational structures, solid financial packaging arrangements, comprehensive financial reporting information, and expert global tax planning and management strategy.

With our Lead client service partner and Engagement leader, the firm will have ready access to the global resources of PKFI, wherever and whenever they are needed.

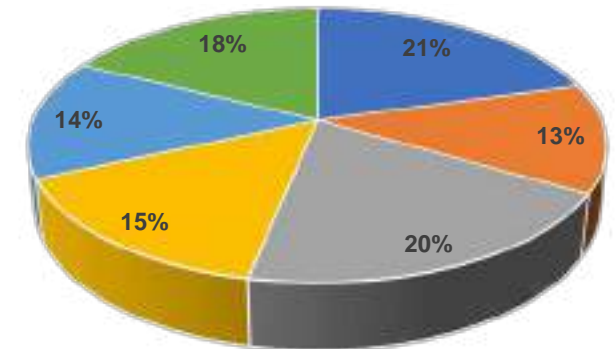
Our network of firms transcends geographic boundaries, enabling us to direct our resources to provide clients with services and solutions throughout the world.

We are confident that the team we have included has the industry expertise, and the technical knowledge, to deliver the high quality service that our current client base has become accustomed to.

Our Share of Listed Clients In The Saudi Market As Compared To The Big 3*

LISTED CLIENT PERCENTAGE

■ KPMG ■ PWC ■ PKF ■ EY ■ Crowe ■ Other



Firm Category	Big – 3	PKF	Big – 3	Big – 3	Non – Big 3	Others
Number of Listed Clients	48	46	35	30	33	41

AL BASSAM & Co. – Cont'd

Majority of our Partners , Directors and Managers are former Big 4 and carry formal qualifications from recognized accounting bodies i.e. American institute of certified public accountants (CPA) and Association of chartered certified accountants (ACCA);

Around 160+ Staff in Saudi Arabia including 9 partners and senior directors, 14 directors, managers and 66 professionals;

Located in the 3 Major Cities in Saudi Arabia (Riyadh, Jeddah & Eastern Province).

•UNIQUE QUALIFICATION

There are many reasons why we believe PKF is uniquely qualified to meet the needs of the Company reasons which differentiate our firm from other competitors are:

- Our team quality who has extensive expertise working in a number of countries;
- We have been the auditors of other businesses in the same industry for long time of years
- The provision of a 'no surprises' audit
- The total professionalism with which we approach our work

•AUTHORITY

- We will be proactive in keeping you informed, responding to your requests, addressing issues that need to be resolved and making sure that deadlines are met.
- Company will be part of PKF Family, a program through which we serve our largest and most valued clients. Among other benefits, this means that PKF's global network of resources can be accessed by Company at any time.

•Professionals who 'fit'

- We have a team in place for the audit, who have the ability to work effectively with you and with each other, and who remain totally committed to serving the Company into the future.
- Furthermore, we understand the need to adapt with the culture of the Company and to fit well within it. The members of our team will have a goal to develop highly productive relationships with management at all levels built on common values and mutual respect, while rigorously preserving their professional objectivity and independence at any times.



AL BASSAM & Co. – Cont'd

Increased interaction with those charged with governance

- The role of those charged with governance is significant and our Lead Client Service Partner will be continuously available to attend all the meetings if specific issues arise that require their presence. In addition to the Engagement manager presenting the key issues, PKF team will be available to provide their perspectives on local risks, issues and accounting developments.
- We will also keep the Company's senior management fully informed of developments.

Tools for Professionalism

Use of specialist knowledge

We use dedicated professionals in specialist areas as an integral part of PKF's audit process. This helps to ensure that you are provided with feedback based on an in-depth understanding of the risks and issues involved.

Independence

- PKF has been, and continues to be, independent of the Company.
- Our initial risk management procedures require us to seek formal approval from our risk management team prior to proposing for any non-audit related services.

No conflicts of interest

The team that will serve the Company is specialized in the particular industry. They are highly experienced in auditing and advising clients in these industries, yet they have no conflicts of interest.

Smooth transition

We are confident that our current knowledge of you and the market the Company operates in will translate directly into a smooth transition, a short learning curve and the rapid deployment of a value-added audit.

AL BASSAM & Co. – Cont'd

Enhancing our credibility by enabling our clients to meet their objectives through clarity in engagement, excellence in delivery, and committed fulfilment, nurturing talent, competence and continuous learning. In order to reach the goals of our mission we work on the following areas:

Continuous improvement

Continuous improvement is an integral part of our audit methodology. Our standard audit work papers all require improvement points to be documented throughout the audit and these form the basis of our audit debrief.

Training program

As part of our quality control policies and procedures, all our staff are obligatory required to complete at least 75 hours of technical, managerial, soft skills, and professional training on an annual basis.

Quality Review

As a member firm of PKF International, our firm is subject to periodical peer review from PKF. Also, we have been reviewed by SOCPA several times and last review were conducted in December 2017 with satisfactory outcome.

Performance measurement

Our performance will be measured in several ways:

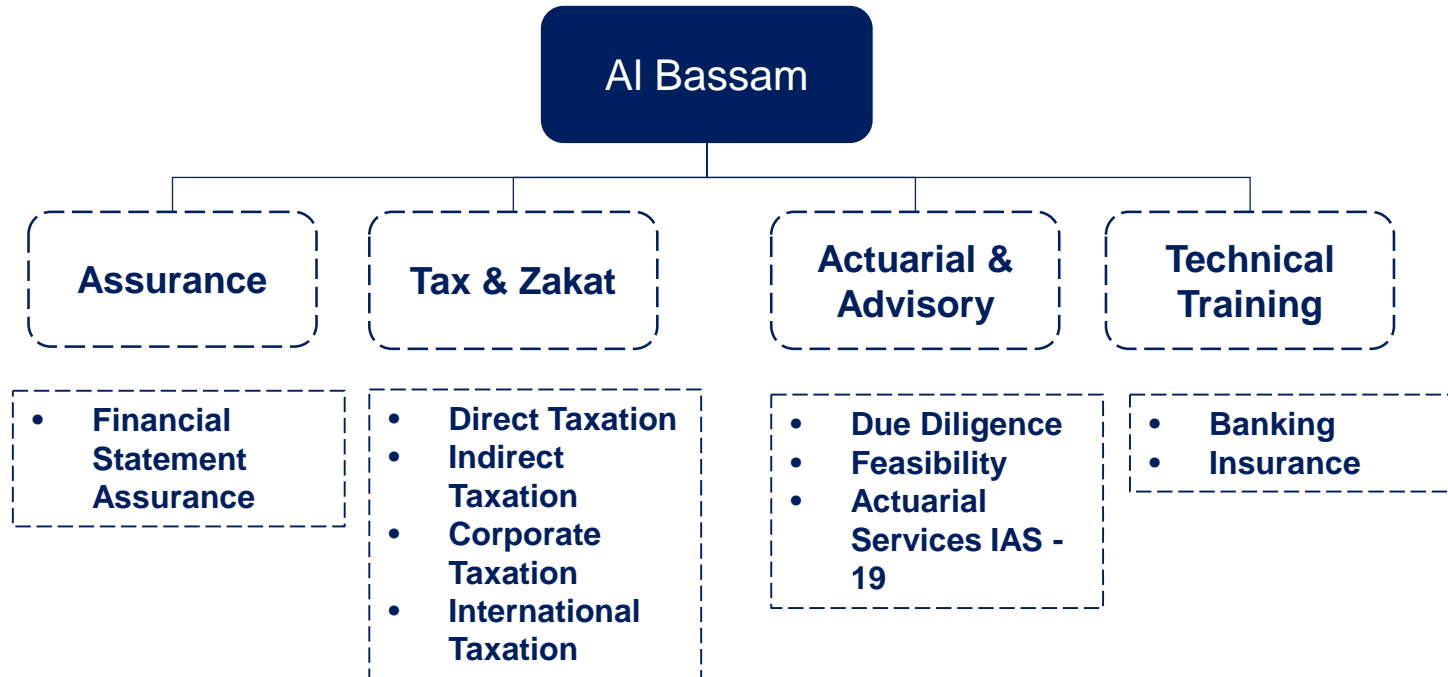
- Annual client service reviews incorporate a points scoring system covering various aspects of our performance,
- We will adopt a variety of measures to ensure the quality of our work.



Services offered by Firm

AI Bassam & Co. is specialized in providing the following professional services:

- ❑ Assurance services- Audit & review assignments;
- ❑ Tax and Zakat services;
- ❑ Actuarial & Advisory services- Financial due diligence, business plan and feasibility studies;
- ❑ Banking and insurance technical training.



ACCA Approved Employer - Platinum

Association of Chartered Certified Accountants

Founded in 1904, the Association of Chartered Certified Accountants (ACCA) is the global professional accounting body offering the Chartered Certified Accountant qualification (ACCA or FCCA). From Dec 2017, ACCA recorded that it has 200,000 members and 486,000 students in 180 countries. ACCA's headquarters are in London with principal administrative office in Glasgow. ACCA works through a network of over 100 offices and centers and more than 7,200 Approved Employers worldwide, who provide employee development.



Trainee Development - Platinum

Al Bassam & Co. – ACCA Approved Employer – Platinum Employer number - 26276962

The ACCA Approved Employer Programme recognizes employers' high standards of staff training and development. ACCA is committed to ensuring its students, affiliates and members have the right skills, ethics and competences to add value and drive businesses around the world forward.

Effective January 25, 2018 Al Bassam & Co. obtained a country wide approval as the “ACCA Approved Employer – Trainee Development, Platinum” status, which is the highest in this given category.

We would like to highlight, that we are the only firm within the tier 2 and the third firm amongst the big 4s to have obtained this prestigious recognition, and that even on a Country wide level.

With ACCA's presence of more than a century and core competencies in IFRS and ISAs, the qualification directly correlates with the present Saudi regulatory environment. As highlighted above, being one of the approved employers, is a significant achievement for us as a firm, and, reflects the quality of our staff and the work we deliver at our clients.

Saudization Percentage at Our Firm

The firm believes in promoting Saudi Talent and has been maintaining the required Saudization percentage as required by the Ministry of Labor and SOCPA guidelines.

Currently, our current Saudization percentage is 33% and the firm aims to increase this to 70% within in the next 5 years along with developing our Saudi Staff under National Development Program. The Executive Management of the firm has a Saudization of 60% based on 6 out of 10 partners being Saudi National.

Under the NDP the firm has launched two programs in order to develop and promote local talent.

- PKF SCOPA Program
- PKF ACCA Program

05

We've got what it takes



We've got what it takes

We have a proven track record in delivering audits and advisory services to clients ranging from small, family-owned businesses to multi-national and listed entities. We have built up an extensive level of experience and expertise and have selected a team that demonstrates these credentials. We believe in our people, and in giving you direct access to our decision makers.

We have specific experience of working with clients in the Banking and Financial sector and believe this knowledge will be invaluable in delivering a quality service to you. We understand the nature of your business, the challenges it faces, and the trends in the sector that you are currently experiencing.

Currently, we are providing statutory audit services to a large number of foreign bank branches in the Kingdom.

Our experience in the Banking sector is perhaps best demonstrated with reference to some of our current client base:



We've got what it takes – Cont'd

FINANCIAL INSTITUTION FOCUS AND EXPERIENCE

- Relevant Experience of our Firm in Banking and Insurance Industry

AUDIT CLIENTS IN BANKING

- First Abu Dhabi Bank – Saudi Arabian Branch
- Qatar National Bank – Saudi Arabian Branch
- Industrial and Commercial Bank of China – Saudi Arabian Branch
- Ziraat Bank
- Emirates NBD Bank – KSA Branch
- Standard Chartered Bank – KSA Branch
- Deutsche Bank – Riyadh Branch
- National Bank of Bahrain BSC – Riyadh Branch

SAMA- Agreed Upon Procedures

- Alinma Bank
- Emirates NBD – Saudi Arabia Branch

AUDIT CLIENTS IN INSURANCE SECTOR

- United Cooperative Insurance & Reinsurance (UCA)
- Al Sagr Cooperative Insurance & Reinsurance
- Trade Union Cooperative Insurance & Reinsurance
- Al Ahli Takaful Company
- Ace Cooperative Insurance
- ARABIA Insurance Cooperative Company
- Buruj Cooperative Insurance
- SALAMA
- Al Ahlia for Cooperative Insurance
- Arabian Shield Cooperative Insurance Company
- Alinma Tokio Marine Insurance Company
- Saudi reinsurance Company
- Amana Cooperative insurance Company
- Wala Insurance Company
- Al Jazira Takaful Company
- Gulf General Cooperative Insurance Company
- Saudi Enaya Cooperative Insurance Company

NON - AUDIT CLIENTS IN INSURANCE SECTOR

Reporting accountant for IPOs

- Medgulf Cooperative Insurance & Reinsurance
- Trade Union Cooperative Insurance & Reinsurance
- Al Sagr Cooperative Insurance & Reinsurance
- United Cooperative Insurance & Reinsurance (UCA)
- Saudi Re.
- Buruj Cooperative Insurance
- Al Rajhi Cooperative Insurance
- Solidarity Saudi Takaful

Internal Audit – Full outsourcing

- Sanad Insurance and Reinsurance

Internal Control GAP Assessment

- SALAMA
- Gulf Union Cooperative Insurance

Due diligence, valuation and other advisory services:

- Medgulf Cooperative Insurance & Reinsurance.
- Trade Union Cooperative Insurance & Reinsurance.
- Al Sagr Cooperative Insurance & Reinsurance.
- United Cooperative Insurance & Reinsurance.

We've got what it takes – Cont'd

FINANCIAL INSTITUTION FOCUS AND EXPERIENCE

- Relevant Experience of our Firm in Finance and leasing

AUDIT CLIENTS IN FINANCE AND LEASING

- Ijarah Financing Corporation
- Aljabr Financing Corporation
- Saudi Finance Company
- National Finance Company
- Own financing
- Saudi Lease Registry Company
- Gulf finance Company
- United finance Company

NON - AUDIT CLIENTS IN FINANCE AND LEASING

- Consulting and Financial Advisory Services:
- Al Amthal Financing Company (Complete internal Audit)
- Morabha Marina Financing Company (Credit Risk Modeling)
- Al Jasriah Financing Company (Credit Risk Modeling)
- Osoul Modern Financing Company (Credit Risk Modeling)
- Matager Financing Corporation (Credit Risk Modeling)
- National Instalment Company (Credit Risk Modeling)
- Taajeer Finance Lease Company (Credit Risk Modeling)
- Ajil Finance Company(Impairment Analysis under IFRS 9)

We've got what it takes – Cont'd

FINANCIAL INSTITUTION FOCUS AND EXPERIENCE

- Relevant Experience of our Firm in **Authorized Person and Investment Funds**

AUDIT CLIENTS

- Riyadh Capital
- 38 funds managed by Riyadh Capital included Riyadh REIT Fund.
- Al Jazeera Mawten REIT Fund.
- Al Mather REIT Fund
- 5 Private funds managed by Rajhi Capital
- 3 Private Funds Managed by Osoul & Bakhet Investments Company
- Maceen Capital
- Muscat Capital Funds
- Al Jazeera Funds
- Al Awwal Funds
- Alpha Capital
- Derayah Funds

NON - AUDIT CLIENTS

Consulting and Financial Advisory Services:

- Wasatah Capital (full internal Audit)
- Falcom Financial Services (full internal Audit)
- Wasatah Capital Basel / Pillar 2 - (ICAAP)
- Maceen Capital Basel / Pillar 2 - (ICAAP)
- Maceen Capital Basel / Pillar 3 Report
- NOMW Capital Basel / Pillar 3 Report
- FALCOM (Internal Audit)

NON - FINANCIAL INSTITUTION FOCUS AND EXPERIENCE

- Relevant Experience of our Firm in **Listed non financial entity**

AUDIT CLIENTS IN NON FINANCIAL SECTOR

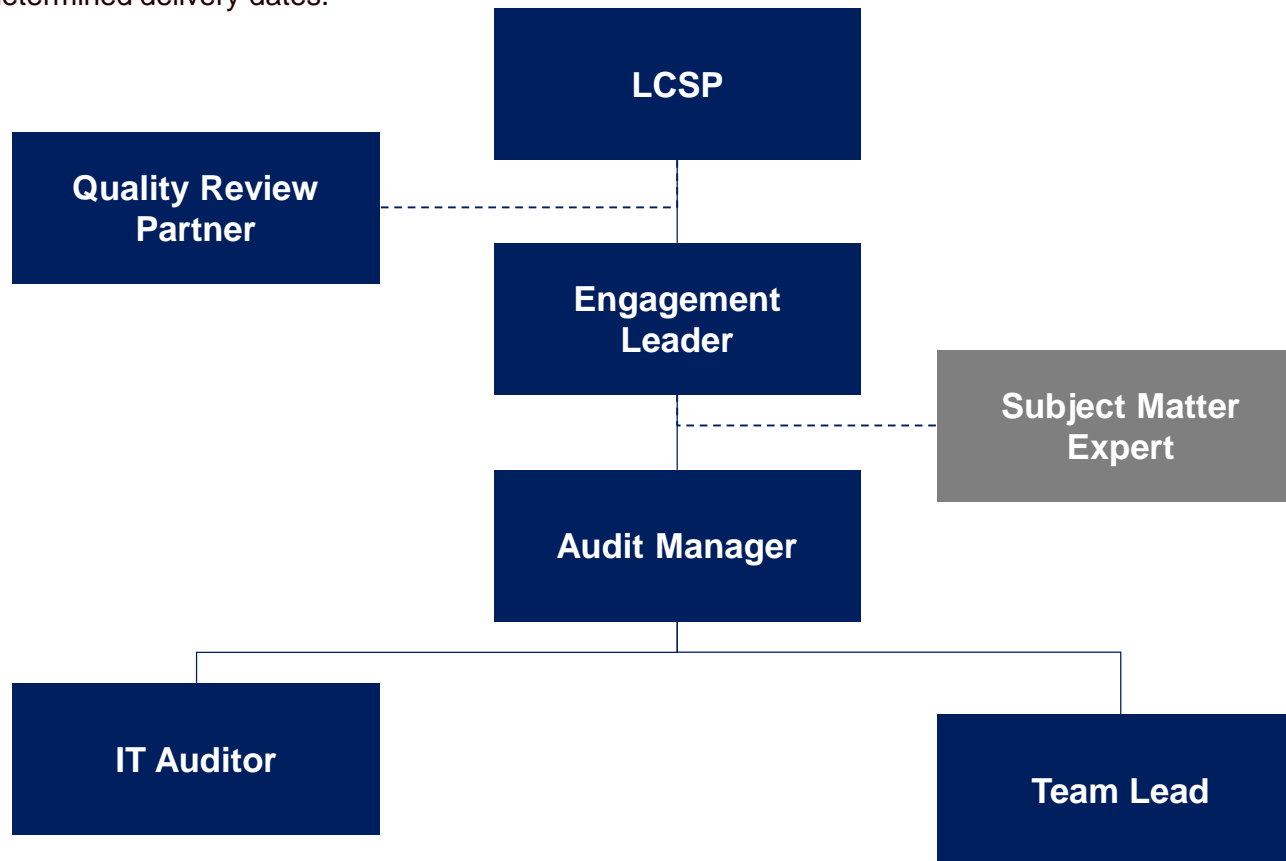
- Al Khaleej Training and Education Company
- Takween Advanced Industries Co.
- Saudi Ceramics Company
- Saudi Steel Pipes Company
- Nama Chemicals Company
- Saudi Paper Manufacturing Company
- Arab Sea Company
- Al Samani
- Al-Ahsa Development Co
- Al Sorayai Trading and Industrial Group
- United Electronics Co
- Arabian Pipes Company
- Herfy Foods services
- Al Omran Industrial Trading Company
- Saudi Advance Industries Company

06

Our people. Your team

Our people. Your team

- The Lead Client Service Partner and the Engagement Leader assure the quality of performance in each phase of the audit work and ensure that the reports are delivered promptly on or before the predetermined delivery dates.



Our people. Your team



IBRAHIM AL BASSAM

SENIOR PARTNER

Role

Ibrahim will be serving as the lead client services partner for the engagement.

Email: Ibrahim.Albassam@pkf.com

Phone: +966 11 256333

Mobile: +966 50 6825333

Education & Professional Background

Ibrahim is a Certified Public Accountant and a member of SOCPA (Saudi Organization of Certified Public Accountant). Further, he is also Certified Information Systems Auditor (CISA).

Experience

Ibrahim has more than 22 years of experience of providing professional services in Kingdom of Saudi Arabia and Bahrain. His experience include performing Audit and Assurance, Advisory, Due Diligence, Zakat and Tax services for wide range of industries such as Financial Institution, Transportation, Real Estate, Healthcare, Education, Hospitality, Contracting, Investment, Advertising, Manufacturing and Trading.

He has also served on a number of committees of SOCPA and participated as a team leader in various SOCPA Peer Review visits.

Certain Clients in region

- Saudi Post Corporation
- Al Othman Group of Companies
- Arabian Pipes Company (S.J.C.)
- Al Khaleej for Training and Education (S.J.C.)
- Al-Samaani Factory For Metal Industries (NOMU)
- Yamama Cement Company (S.J.C.)
- Adraj Group of Companies
- King Faisal Specialist Hospital and Research Center
- National Gas and Industrialization (GASCO)
- Al Arkan Group
- Al Judee Group
- Gecat limited Company
- Al Shifa Medical Company
- Ash Sharqiyah Development Company (S.J.C.)
- United Cooperative Company (S.J.C.)
- AlSagr Cooperative Insurance (S.J.C.)
- Sleep High
- Salman Group of Companies
- A.A. Al Qahtani & Sons Group
- Allianz Saudi Fransi (S.J.C.)
- Saudi Re(S.J.C.)
- Saudi General Investment Fund

Our people. Your team



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Phone: +966 12 652 5333

Mobile: +966 50 566 6424

AHMED MOHANDIS

TECHNICAL PARTNER

Role

Ahmed will be the QCR leader for the proposed engagement.

Education & Professional Background

Zaheer is a fellow member of SOCPA (Saudi Organization of Certified Public Accountant). He holds bachelors degree in accounting from Qassim University.

Experience

Ahmed has more than 25 years of experience in providing professional services in Kingdom of Saudi Arabia. His experience include performing Audit and Assurance, Advisory, Zakat and Tax services for wide range of industries such as Financial Institution, Transportation, Real Estate, Healthcare, Education, Hospitality, Contracting, Investment, Advertising, Manufacturing and Trading.

Certain Clients in region

- AL SORAYAI Trading and Industrial Group Company and its subseries.
- SNASCO Holding Company.
- Abdul Latif Banaja Holding Company.
- Abdul Latif Banaja Sofian Pharma.
- Abdul Latif Banaja Sofian Medical Services.
- Abdul Latif Banaja Sofian Logistic.
- Saudi Center for Pharmaceuticals.
- Banaja Trading Company .
- Aljazira Takaful Company (S.J.C.)
- Acig Company (S.J.C.)
- United Cooperative Assurance (S.J.C.)
- Gulf General Cooperative Insurance Company (S.J.C.)
- Saudi Enaya Cooperative Insurance (S.J.C.)

Our people. Your team



KHALED SHAABAN

ENGAGEMENT LEADER

Role

Khaled will be the engagement leader for the proposed engagement.

Experience

Khaled has more than 25 years of experience of providing professional services in Kingdom of Saudi Arabia and Egypt. His experience include performing financial advisory and audit for clientele engaged in transportation, real estate, healthcare, education, hospitality, contracting, investment, advertising, service and manufacture / trading in consumer products.

Khaled is a Senior Director in our firm and has been working in the profession for almost a decade. Prior to joining our firm in 2016, He has been working for Deloitte, PwC, KPMG and EY in Egypt.

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Mobile: +966 56 552 2205

Certain Clients in region

- Siemens Ltd. Company
- Pepsi Cola Egypt “Egyptian Bottling Company”
- Schlumberger Logelco (Petroleum Co)
- Afri Medical Company (Medical Industry).
- United Company For Paints and Chemicals - S.A.E.
- Nortel Networks Inc.
- SCIB Chemicals.
- Alico-Egypt- S.A.E.
- EMAAR Misr
- Grandview BVI (Private Equity Company owned 18 subsidiary)
- Beltone Financial Holding.
- Beltone Capital.
- Beltone Brokerage.
- Beltone Assets Management.
- Beltone Investments Banking.
- P&G Egypt.
- Citadel group.
- Egyptian International Beverage Co.
- Societe Arab International De Banque (SAIB)

Our people. Your team



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Phone: +966 11 2065333

Mobile: +966 58 3649144

JABRAN NOOR

SUBJECT MATTER EXPERT

Role

Jabran will be leading the role of Subject Matter Expert for the proposed engagement.

Education & Professional Background

Jabran holds a master degree in Economics from the University of Karachi. He is also a fellow member of Society of Actuaries USA, Institute of Actuaries UK and certified Professional Risk Manager from PRMIA Institute.

Experience

Jabran is currently working as Senior Director in our Riyadh office for actuarial services. Prior to joining our firm he was working for Munich Re in their Sydney office. Jabran also has a vast experience of working in the Middle East region including Bahrain and Dubai. He has held the position of Chief Actuary in State life Insurance Company in Pakistan for 4 years.

Jabran Noor has worked as an actuary with a wide range of organizations including large government insurer, growing private insurance company, insurance startup, actuarial consultancy and reinsurer. He has led teams in all aspects of actuarial activities ranging from product development, pricing, operations, strategic consultancy, economic capital, financial modeling, reinsurance, investment strategy and operations.

Our people. Your team



Mohammed Atif

ENGAGEMENT MANAGER

Role

Mohammed will be the engagement manager for the proposed engagement. Mohammed will be supported by a other team members.

Education & Professional Background

Mohammed is a member of The Association of Chartered Certified Accountants (ACCA) and Institute of Chartered Accountants of Pakistan (ICAP),. He also holds a Bachelor degree from the University of Central, Pakistan.

Experience

During his professional career, he gained rich experience as he was involved in financial advisory and audit for clientele engaged in real estate, healthcare, education, hospitality, investment, advertising, service and manufacture / trading in consumer products, mainly in insurance sector.

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Major clients in region

- Al Ahsa Development Company(S.J.C.)
- SAMSUNG Saudi Arabia
- Al Osais Contracting Company
- Al Berry United Food Company
- Rehal Al Sharq Logistic Company
- Al Arabi Factory for steel Work
- SRACO HR
- United Chemical Manufacturing Co. (SIDCO)
- Al Sale Estern Company
- Enco Corp Contracting Company
- Kubota manufacturing Company
- Al Ghanem Investment Company
- Khafji International Aviation Company
- Saudi Pan Gulf Company
- VITA food products
- Environment Solution Company
- Pan Gulf Building Material Compnay
- MIZAT Al Khaleej Group Companies
- AL Kheriji Investment Company
- Al Khwarizmi Actuarial Service Company
- AL Ghamdi Holding Company
- Dar Al Baraka investment Company
- Qurat Al Masharee Contracting Company
- Consumer Oasis trading Company
- Al Mutawaa contracting company
- Sirti Saudi Arabia
- Advanced Technology Marketing Co.

Appendix 1:

PKF International



About PKF

What differentiates PKF?

A global family

Our firm is connected to 220 firms within the PKF network by a shared commitment to quality, integrity and the creation of clarity in a complex regulatory environment. As a result, we can provide you with world-class, clear solutions in Assurance, Advisory, Taxation and Business Services anywhere in the world.

Global standards

PKF firms believe in creating a culture where client service comes first and are committed to delivering cost-effective solutions while adhering to global quality standards.

A personal approach

What truly sets us apart is the emphasis we place on listening to your unique circumstances. You get direct access to the decision-makers in our firm, and together we carve out the solutions you need, now.

A values-based approach

Our values reflect who we are and what we stand for. Our five core values are:



PASSION

We have an appetite for progress. We strive to exceed your expectations and provide opportunities to our people to grow personally and professionally.



TEAMWORK

We are advisers without borders. Member firms are independently owned and managed, but strong personal relationships allow us to work seamlessly. We treat our fellow members' clients as if they were our own.



CLARITY

We initiate clear and direct action and believe in being transparent at all times.



QUALITY

We apply the highest standards of quality to our work and are all party to the PKF Commitment.



INTEGRITY

We have shared standards and a mutual respect for entrepreneurs and influential leads, which extends our voice and reach. There is a strong sense of support and encouragement to make things happen together.

Proudly part of the global PKF family

We act together, sharing diverse ideas, niche expertise, specialist resources and deep relationships for everyone's benefit.



Over **220** firms



Over **480** offices worldwide



Operational in **150** countries



Ranks **15th** international accountancy network



20,000 professionals across the globe



Member firms generate **1.4 billion** in aggregate fee income

Too Good To Be Ignored

Competitive pricing	We will always be transparent in the way we work and how we price
World class service levels	As a top client for PKF you will be an extremely important client for the Company
A significant investment of time in the relationship	We will invest all the time necessary to understand your business and its processes
A fully coordinated, dedicated and highly qualified team	Your individually selected and highly qualified team will be coordinated by an experienced Partner and Manager
A robust and efficient audit process	We understand the importance of the audit process; delivering a robust audit, helping you to achieve 'good governance' and working to tight deadlines
Continuous communication leading to a "no surprises audit"	We will speak with you in a straight forward and candid way, take a transparent approach to our working relationship, and give you clarity on technical issues
Client satisfaction and improvement	You will be asked for feedback throughout the audit, ensuring we constantly refine our approach, and will also receive an annual face to face client service review

right people
right size
right solutions



Contact us

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