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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022

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

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Building a better working world

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al Masane Al Kobra Mining Company (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2022, 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 2022, 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Revenue recognition The Company's revenue from sales of metals (copper, zinc, gold & silver) during the year was amounting SR 583 million. Individual sales transactions represent significant amounts. The Company's sales are initially recorded on provisional prices which are subject to change. Final prices are determined on the basis of specified future time period after shipment, based on average or ruling market prices in accordance with the terms of contractual arrangement. We determined this to be a key audit matter since determination of future average or ruling market price, at the reporting date, involve significant judgment and estimation by the Company's management. ***Refer to note 4.17 to the financial statements for the significant accounting policy, note 3.1.5 for the critical accounting judgements, estimates and assumptions and note 22 which details the disclosure of revenue.***	Our audit procedures included, among others, the following procedures: (i) Assessed the Company's accounting policy for revenue recognition for compliance with IFRS. (ii) Evaluated the Company's controls for recognizing revenues at appropriate prices and in the correct accounting period. (iii) Assessed the reasonableness for management estimation of the provisional pricing. (iv) On a sample basis, tested sales transactions against sales contracts, invoices and shipping documents to assess that revenues have been recognized at appropriate prices and in the correct accounting period. Further, we tested the final adjustments of the customers to the provisional invoices. (v) Ensured that adequate disclosure has been made in the financial statements.
Depreciation/amortisation of mine properties and property, plant and equipment The carrying value of mine properties and property, plant and equipment amounted to SR 341 million and SR 396 million as at 31 December 2022; which represents 47.6% of the total assets. The Company applies straight line depreciation/amortisation policy for mine properties over the useful life of mines and a unit of production depreciation policy for majority of property, plant and equipment. The management uses expert for the determination of the useful life of mines and the estimation of mineral reserve quantities which requires significant judgment and estimation. We determined this to be a key audit matter since the mineral reserves impact management's estimate of useful life and depreciation rate of mine properties and property, plant and equipment. ***Refer to note 4.5 to the financial statements for the significant accounting policy, note 3.2.1 for the critical accounting judgements, estimates and assumptions and note 7 & 8 which details the disclosure of mine properties and property, plant and equipment respectively.***	Our audit procedures included, among others, the following procedures: (i) Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. (ii) Reviewed the report of the management expert to understand the changes in reserves estimates during the year. (iii) On sample basis, tested that the updated reserves quantity has been appropriately applied to the calculation of depreciation/amortisation. (iv) Evaluated the management's assessment of useful lives of mine properties and property, plant and equipment considering change in reserve quantities. (v) Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.

Report on the Audit of the Financial Statements (continued)

Other information included in The Company's 2022 Annual Report

Other information consists of the information included in the Company's 2022 annual report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Company's 2022 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Company's 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements

The Board of Directors 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 Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors 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.

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

Report on the Audit of the Financial Statements (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 the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Abdullah Ali AlMakrami
Certified Public Accountant
License No. (476)

Jeddah: 22 Sha'ban 1444H
14 March 2023G

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شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2022	2021
ASSETS			
NON-CURRENT ASSETS			
Mine properties	7	**340,880,660**	276,927,421
Property, plant and equipment	8	**395,950,754**	426,891,258
Right-of-use assets	9	**8,550,573**	7,869,659
Long term deposits		**76,755**	675,039
Deferred tax	20	**29,159,977**	31,673,767
TOTAL NON-CURRENT ASSETS		**774,618,719**	744,037,144
CURRENT ASSETS			
Inventories	10	**82,876,916**	71,349,271
Trade and other receivables	11	**162,369,248**	182,649,939
Advances and prepayments	12	**146,613,755**	39,505,206
Cash and cash equivalents	13	**381,391,908**	74,719,638
TOTAL CURRENT ASSETS		**773,251,827**	368,224,054
TOTAL ASSETS		**1,547,870,546**	1,112,261,198
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14.1	**660,000,000**	563,288,650
Share premium	14.4	**508,589,751**	-
Statutory reserve	14.2	**32,359,592**	19,726,477
Retained earnings		**35,269,168**	84,862,352
Treasury shares	14.1	**(16,021,322)**	(19,441,401)
TOTAL EQUITY		**1,220,197,189**	648,436,078
NON-CURRENT LIABILITIES			
Loans and borrowings	15	**104,972,205**	220,464,415
Lease liabilities	9	**2,091,622**	974,478
Provision for mine closure cost	16	**30,480,022**	34,448,813
Employee benefits	17	**10,988,909**	9,399,663
TOTAL NON-CURRENT LIABILITIES		**148,532,758**	265,287,369
CURRENT LIABILITIES			
Loans and borrowings – current portion	15	**102,648,000**	108,666,668
Lease liabilities – current portion	9	**955,108**	2,555,292
Trade payables	18	**26,957,734**	18,052,017
Accruals and other non-financial liabilities	19	**28,808,071**	33,924,638
Provision for zakat and income tax	20	**14,227,606**	15,138,515
Provision for severance fees	21	**5,544,080**	20,200,621
TOTAL CURRENT LIABILITIES		**179,140,599**	198,537,751
TOTAL LIABILITIES		**327,673,357**	463,825,120
TOTAL EQUITY AND LIABILITIES		**1,547,870,546**	1,112,261,198

M Ghoarh

Finance Director	Chief Executive Officer	Chairman of the Board

The attached notes from 1 to 35 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	***2022***	*2021*
Revenue, net	22	**582,768,703**	586,653,318
Direct costs		**(374,408,470)**	(318,955,821)
GROSS PROFIT		**208,360,233**	267,697,497
Selling and marketing expenses	23	**(24,824,990)**	(28,641,496)
General and administrative expenses	24	**(39,588,532)**	(22,441,585)
OPERATING PROFIT		**143,946,711**	216,614,416
Finance costs	25	**(12,042,497)**	(13,546,970)
Other income		**10,705,361**	65,093
PROFIT BEFORE ZAKAT AND INCOME TAX		**142,609,575**	203,132,539
Zakat expense	20	**(11,381,929)**	(8,844,831)
Income tax (expense)/credit, net	20	**(4,896,500)**	2,977,061
NET PROFIT FOR THE YEAR		**126,331,146**	197,264,769
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to statement of profit or loss in subsequent periods:			
Re-measurement gain/(loss) on defined benefit plans	17	**1,382,493**	(860,719)
Deferred tax relating to actuarial gain/(loss)	20	**(87,271)**	45,980
		1,295,222	(814,739)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**127,626,368**	196,450,030
EARNINGS PER SHARE:			
Basic earnings and diluted earnings per share attributable to ordinary equity holders of the Company	26	**2.02**	3.60

M. Sawaih

Finance Director | Chief Executive Officer | Chairman of the Board

The attached notes from 1 to 35 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	*Share premium*	*Statutory reserve*	*Share-based compensation reserve*	*Retained earnings / (accumulated losses)*	*Treasury shares*	*Total*
Balance as at 1 January 2021	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**
Net profit for the year	-	-	-	-	**126,331,146**	-	**126,331,146**
Other comprehensive income for the year	-	-	-	-	**1,295,222**	-	**1,295,222**
Total comprehensive income for the year	-	-	-	-	**127,626,368**	-	**127,626,368**
Increase in share capital (note 14.1 (d))	**96,711,350**	**512,570,155**	-	-	-	-	**609,281,505**
Transaction costs (note 14.1 (d))	-	**(3,980,404)**	-	-	-	-	**(3,980,404)**
Current period charge (note 14.6)	-	-	-	**6,730,631**	-	-	**6,730,631**
Treasury shares issued to employees (note 14.6)	-	-	-	**(6,730,631)**	**3,310,552**	**3,420,079**	-
Dividend (note 14.3)	-	-	-	-	**(167,896,989)**	-	**(167,896,989)**
Transfer to statutory reserve (note 14.2)	-	-	**12,633,115**	-	**(12,633,115)**	-	-
Balance as at 31 December 2022	**660,000,000**	**508,589,751**	**32,359,592**	-	**35,269,168**	**(16,021,322)**	**1,220,197,189**

M. S. Cwail
Finance Director

Chief Executive Officer

Chairman of the Board

The attached notes from 1 to 35 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021
OPERATING ACTIVITIES			
Profit before zakat and income tax		**142,609,575**	203,132,539
Adjustment to reconcile profit before zakat and income tax to net cash inflow from operating activities:			
Depreciation, depletion and amortisation	7&8	**107,498,086**	91,551,919
Amortisation of right-of-use assets	9	**1,939,183**	1,659,621
Provision for employee benefits	17	**4,009,515**	2,586,297
Provision for severance fees	21	**24,188,950**	20,200,621
Finance income on short term deposits		**1,054,103**	-
Share-based compensation expense		**6,730,631**	-
Finance costs		**12,042,497**	13,546,970
		300,072,540	332,677,967
Working capital adjustments:			
Long term deposits		**598,284**	(479,568)
Inventories		**(11,527,645)**	(8,411,382)
Trade and other receivables		**19,226,588**	(99,716,859)
Advances and prepayments		**(107,108,549)**	(17,639,480)
Trade payables		**8,905,717**	1,497,991
Accruals and other non-financial liabilities		**(5,116,567)**	7,809,252
Cash from operations		**205,050,368**	215,737,921
Zakat paid	20	**(4,175,418)**	(2,307,918)
Income tax paid	20	**(10,587,401)**	(12,619,746)
Severance fee paid	21	**(38,845,491)**	(8,756,154)
Employee benefits paid	17	**(1,037,776)**	(949,944)
Finance costs paid		**(10,504,906)**	(12,602,983)
Net cash flows from operating activities		**139,899,376**	178,501,176
INVESTING ACTIVITIES			
Additions in property, plant and equipment	8	**(24,722,332)**	(20,655,345)
Additions in mine properties	7	**(121,294,871)**	(51,420,933)
Net cash used in investing activities		**(146,017,203)**	(72,076,278)
FINANCING ACTIVITIES			
Issuance of share capital		**96,711,350**	-
Increase in share premium, net of transaction cost		**508,589,751**	-
Dividend paid		**(167,896,989)**	-
Proceeds from loans and borrowings		-	17,360,000
Payment of principal portion of loans and borrowings		**(121,510,878)**	(81,346,788)
Payment of principal portion of lease liabilities	9	**(3,103,137)**	(2,888,090)
Net cash from/(used in) financing activities		**312,790,097**	(66,874,878)
INCREASE IN CASH AND CASH EQUIVALENTS		**306,672,270**	39,550,020
Cash and cash equivalents at the beginning of the year		**74,719,638**	35,169,618
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**381,391,908**	74,719,638
SUPPLEMENTARY NON-CASH INFORMATION			
Additions in right-of-use assets and lease liabilities	9	**2,620,097**	362,550
Reduction of share capital	14.1(c)	-	353,000,000
Increase in share capital	14.1(d)	-	96,288,650
Adjustments/additions in deferred mine closure cost	7	**(5,028,254)**	3,492,524
Provision for mine closure cost	25	**1,545,124**	943,987

M. Sawail

Finance Director | Chief Executive Officer | Chairman of the Board

The attached notes from 1 to 35 form an integral part of these financial statements.

1. COMPANY INFORMATION

Al Masane Al Kobra Mining Company ("the Company" or "AMAK") is a Saudi 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 registered office of the Company was relocated 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 2021, 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). 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 dores from accompanying site Mount Guyan Surface.

During 2021, the Company commenced the process for Initial Public Offering ("IPO"). The Capital Market Authority ("CMA") Board issued its resolution approving the Company's application for the offering of 19.8 million shares representing thirty percent of the Company's share capital on 22 December 2021 (corresponding to 18 Jumada Al-Ula 1443H). As at 29 March 2022 (corresponding to 26 Sha'ban 1443H), the Company's shares became listed on the Saudi Stock Exchange (Tadawul) in the Kingdom of Saudi Arabia. The Company's status changed from "A Saudi Closed Joint Stock Company" to "A Saudi Joint Stock Company" and the legal formalities in this regard have been completed.

As at the reporting date, the Company has two mines namely Al Masane underground mine and Mount Guyan mine. The Company is expanding its current activity by further developing the Moyeath orebody development project for the purpose of increasing the productive capacity of Al Masane underground mine.

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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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)

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.

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. Significant accounting judgements, estimates and assumptions (continued)

3.1 Judgements (continued)

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.

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 (2022: 5.34% and 2021: 2.82%). 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 Share-based compensation
In determining the fair value of an equity-settled award, an appropriate valuation method is applied. Service and non-market performance conditions are not taken into account in determining the fair value of the award, but during the vesting period the likelihood of the conditions being met is assessed as part of the Company’s best estimate of the number of awards that are expected to vest. Any market performance conditions and non-vesting conditions are taken into account in determining the award’s fair value.

3.2.10 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.

3.2.11 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.

3.2.12 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.

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.

4.3 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Exploration and evaluation assets (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Mine properties and property, plant and equipment (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Mine properties and property, plant and equipment

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 from 1 January 2022 for Al Masane Mine to 8.2 million metric tonnes (1 January 2021: 8.6 million metric tonnes) and for Mount Guyan Mine to 4.1 million metric tonnes (1 January 2021: 2.2 million metric tonnes). Further, the useful life of Mount Guyan mine is estimated to be till 31 December 2030 (2021: 31 December 2026) based on the best estimates. Such change in the UOP and useful life has been applied prospectively from 1 January 2022. The change in UOP and useful life resulted in change in depreciation and amortization charge for the current period by approximately SR 10.1 million. However, impact on future years cannot be calculated due to annual reviews of remaining useful life and reserves.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Leases (continued)

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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

i) Financial assets (continued)

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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

<u>*Financial assets at fair value through profit or loss*</u>
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

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

i) Financial assets (continued)

Impairment (continued)
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.

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).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

ii) Financial liabilities

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.

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 52% 63% 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of 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.

4.12 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.

Share-based compensation
The cost of an equity-settled award granted to employees is measured by reference to the fair value of the equity instrument on the date the award is granted. This cost is recognized as an employee benefit expense in the statement of profit or loss with a corresponding increase in equity. The cost of equity-settled award is recognized over the vesting period, which is the period over which the employees render the required service for the award and any non-market performance condition attached to the award is required to be met.

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).

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Provisions (continued)

(c) Rehabilitation provision (continued)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Zakat and tax (continued)

Withholding tax
The Company withhold 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.

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

Direct costs
Production costs and direct expenses are classified as direct costs. 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 direct costs or selling and distribution expenses. Allocation of overheads between direct costs, 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 standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). 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. These amendments had no impact on the financial statements of the Company.

5.2 Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations 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 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the year.

5.3 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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. These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment.

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the financial statements of the Company as it is not a first-time adopter.

5.5 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

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. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the year.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

5.6 *IAS 41 Agriculture – Taxation in fair value measurements*

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. These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date

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 Amendments to IAS 8: Definition of Accounting Estimates

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's financial statements.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

6.4 Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*

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.

6.5 Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

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

(All amounts in Saudi Riyals unless otherwise stated)

7 MINE PROPERTIES

		Producing mines				
	Mine under construction	*Intangible assets*	*Mining assets*	*Underground mine development asset*	*Deferred mine closure cost*	*Total*
Cost:						
As at 1 January 2021	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**
Additions during the year	76,474,912	-	33,791,891	11,028,068	-	**121,294,871**
Adjustment during the year (note 16)	-	-	-	-	(5,506,382)	**(5,506,382)**
As at 31 December 2022	**85,999,673**	**258,973,236**	**225,457,252**	299,847,498	23,633,835	**893,911,494**
Accumulated depletion and amortization:						
As at 1 January 2021	-	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**
Charge for the year	-	9,247,153	30,038,734	10,966,923	1,582,440	**51,835,250**
As at 31 December 2022	-	194,243,160	128,854,173	217,755,965	12,177,536	**553,030,834**
Net book amounts:						
As at 31 December 2022	**85,999,673**	**64,730,076**	**96,603,079**	**82,091,533**	**11,456,299**	**340,880,660**
As at 31 December 2021	9,524,761	73,977,229	92,849,922	82,030,388	18,545,121	276,927,421

7 MINE PROPERTIES (continued)

7.1 The mine under construction represents Moyeath project.

7.2 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 2022, 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 up to 2030. The balance of mine under construction as at 31 December 2022 relates to Moyeath project.

7.3 The depletion and amortization charge for the year has been allocated to direct costs.

7.4 The amount of borrowing costs capitalised during the year ended 31 December 2022 was nil (2021: SR 566,996). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was nil (2021:4.7%), which is the effective interest rate of the specific borrowing.

7.5 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 was 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.

(All amounts in Saudi Riyals unless otherwise stated)

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings	*Leasehold improvement*	*Civil works*	*Plant and machinery*	*Heavy equipment*	*Tailing dam*	*Motor vehicles*	*Capital work in progress*	*Total*
Cost:									
As at 1 January 2021	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**
Additions during the year	**127,849**	**371,778**	**134,892**	**-**	**15,256,200**	**-**	**239,350**	**8,592,263**	**24,722,332**
Transfers	**260,751**	**1,925,000**	**-**	**-**	**710,176**	**-**	**-**	**(2,895,927)**	**-**
As at 31 December 2022	**193,085,558**	**7,840,216**	**20,772,441**	**412,761,407**	**176,228,267**	**25,556,498**	**22,992,913**	11,238,094	**870,475,394**
Accumulated depreciation:									
As at 1 January 2021	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**
Charge for the year	**11,111,224**	**736,057**	**1,232,485**	**28,344,170**	**12,927,295**	**1,194,055**	**117,550**	-	**55,662,836**
As at 31 December 2022	**114,847,317**	**3,286,346**	**12,497,301**	**191,773,108**	**111,417,407**	**18,020,057**	**22,683,104**	-	**474,524,640**
Net book amounts:									
As at 31 December 2022	**78,238,241**	**4,553,870**	**8,275,140**	**220,988,299**	**64,810,860**	**7,536,441**	**309,809**	**11,238,094**	**395,950,754**
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

(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 construction works and heavy equipment for plant which is expected to be operational in 2023.

8.3 The depreciation charge for the year has been allocated to direct costs.

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:

	Buildings	***Heavy equipment***	***Total***
As at 1 January 2021	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)
As at 31 December 2021	1,721,805	6,147,854	7,869,659
Additions during the year	**2,620,097**	**-**	**2,620,097**
Depreciation expense	**(1,072,055)**	**(867,128)**	**(1,939,183)**
As at 31 December 2022	**3,269,847**	**5,280,726**	**8,550,573**

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

	2022	*2021*
As at the beginning of the year	**3,529,770**	6,055,310
Additions during the year	**2,620,097**	362,550
Accretion of interest during the year	**210,301**	436,395
Payments made during the year	**(3,313,438)**	(3,324,485)
At the end of the year	**3,046,730**	3,529,770
Current	**955,108**	2,555,292
Non-current	**2,091,622**	974,478

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

	2022	*2021*
Depreciation expense of right-of-use assets	**1,939,183**	1,659,621
Interest expense on lease liabilities	**210,301**	436,395
	2,149,484	2,096,016

The Company had total cash outflows for leases of SR 3,313,438 (2021: SR 3,324,485). The Company also had non-cash additions to right-of-use assets and lease liabilities of SR 2,620,097 (2021: SR 362,550).

(All amounts in Saudi Riyals unless otherwise stated)

10 INVENTORIES

	2022	*2021*
Concentrates	**15,044,811**	12,864,390
Ore stockpile	**5,127,155**	7,939,118
Consumables	**21,008,872**	14,782,053
Tools and spare parts	**47,308,392**	41,376,024
	88,489,230	76,961,585
Less: Allowance for slow moving inventories (see note below)	**(5,612,314)**	(5,612,314)
	82,876,916	71,349,271

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

	2022	*2021*
At the beginning of the year	**5,612,314**	5,612,314
Charge for the year	**-**	-
At the end of the year	**5,612,314**	5,612,314

11 TRADE AND OTHER RECEIVABLES

	2022	*2021*
Trade receivables (subject to provisional pricing) – fair value	**156,302,262**	181,905,672
Add: Provisional pricing adjustment at fair value	**5,012,883**	744,267
Net trade accounts receivable	**161,315,145**	182,649,939
Accrued income on deposits	**1,054,103**	-
	162,369,248	182,649,939

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.

12 ADVANCES AND PREPAYMENTS

	2022	*2021*
Advances to suppliers	**126,365,214**	21,094,354
Less: Provision for advances to suppliers	**(1,754,885)**	(1,754,885)
Advances to suppliers - net	**124,610,329**	19,339,469
Prepayments	**12,337,615**	13,504,045
Employee receivables	**145,472**	407,425
Value added tax	**9,520,339**	6,254,267
	146,613,755	39,505,206

(All amounts in Saudi Riyals unless otherwise stated)

13 CASH AND CASH EQUIVALENTS

	2022	*2021*
Cash in hand	**76,640**	85,582
Bank balances	**131,315,268**	74,634,056
Short-term deposits	**250,000,000**	-
	381,391,908	74,719,638

Short term deposits carries profit margin ranging from 5.8% to 6.3% with a maturity of less than 3 months at reporting date

14 EQUITY

14.1 Share capital

Share capital of the Company is divided into 66 million shares of SR 10 each as at 31 December 2022 (56.3 million shares of SR 10 each as at 31 December 2021).

(a) 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).

(b) On 3 October 2021 (corresponding to 26 Safar 1443H), the shareholders of the Company, in an extraordinary general meeting, passed a resolution to increase 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 were completed on 19 October 2021 (corresponding to 13 Rabi Al-Awwal 1443H).

(c) On 18 November 2021 (corresponding to 13 Rabi Al-Thani 1443H), the shareholders of the Company, in an extraordinary general meeting, passed a resolution to increase 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 have been completed on 23 March 2022 (corresponding to 20 Sha'ban 1443H). The total proceeds received from the IPO subscription were SR 609,281,505, out of which SR 96,711,350 has been recorded as an increase in share capital and the remaining balance of SR 512,570,155 has been recorded as share premium before deducting transaction cost amounting to SR 3,980,404.

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. The reserve is not available for distribution.

14.3 Treasury shares

The Company had 1,458,850 treasury shares at the start of the current year. These shares are held by the Company as treasury shares for the purposes of issuing them to the Company's employees upon vesting of the shares in employee share plans, including those that the Company may adopt in the future. The number of treasury shares issued to employees during the year were 256,637 (2021: Nil) (Note 14.6).

14.4 Share premium

During the year, the Board of Directors recommended to the extraordinary general assembly to use the share premium account, which has a balance of SAR 508,589,751 as at 31 December 2022 as follows:

- Increase the Company's share capital from SR 660,000,000 to SR 900,000,000 by granting one bonus share for every 2.75 shares.
- transfer the remaining balance of SR 268,589,751 to the statutory reserve account.

The proposed increase in share capital and the transfer of the remaining balance to the statutory reserve account is subject to the approval by the shareholders at the extraordinary general assembly meeting which is expected in 2023.

(All amounts in Saudi Riyals unless otherwise stated)

14 EQUITY (continued)

14.5 Dividends

On 18 July 2022, the Board of Directors announced the distribution of SR 129,082,300 as cash dividends (SR 2 per share) for the first half of the year 2022 which represents 20% of the nominal value of the shares.

On 13 November 2022, the Board of Directors announced the distribution of SR 38,814,689 as cash dividends (SR 0.6 per share) for the third quarter of the year 2022 which represents 6% of the nominal value of the shares.

14.6 Share-based compensation

Share-based compensation relates to equity-settled grants of ordinary shares granted as per employment contract and equity-settled bonus grants of ordinary shares granted to Company's eligible employees. Awards are equity settled and cannot be settled in cash. The Company recognized the following share-based compensation expense in the statement of profit or loss, as an employee benefit expense during the year:

	2022
Equity settled share-based compensation expense:	
As per employment contract	**1,968,311**
Equity settled share-based employment bonus	**4,762,320**
	6,730,631

Awards for both grants were granted for nil consideration. The fair value of grants was determined by reference to the market value of the Company's ordinary shares on the date of grant for equity-settled awards. The number of awards settled in shares during the year was 196,237 (2021: Nil) in relation to the grants of ordinary shares as per employment contract and 60,400 (2021: Nil) in relation to the bonus grants of ordinary shares to Company's eligible employees.

15 LOANS AND BORROWINGS

	2022	*2021*
Saudi Industrial Development Fund (SIDF) (note 8)	**207,620,205**	295,797,751
Tawarroq	-	33,333,332
	207,620,205	329,131,083
Less: Current portion shown under current liabilities	**(102,648,000)**	(108,666,668)
Loans and borrowings under non-current liabilities	**104,972,205**	220,464,415

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 of the former shareholder of the Company prior to the listing. The loan was 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 of the former shareholder of the Company prior to the listing. However, on 4 October 2022, SIDF has released corporate and personal guarantees of former shareholders for both facilities.

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). During the year, the Company made an early settlement of the Tawarroq loan.

15.3 Loans and borrowings bear finance charges ranging from 2.7% to 5.3% per annum (2021: 2.7% to 4.7% per annum).

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

(All amounts in Saudi Riyals unless otherwise stated)

15 LOANS AND BORROWINGS (continued)

The undiscounted outstanding loans/facilities maturities are as follows:

Year	*2022*	*2021*
2022	-	108,666,668
2023	**101,148,000**	114,166,668
2024	**68,324,000**	66,500,000
2025	**15,000,000**	15,000,000
Thereafter	**28,300,000**	28,300,000
	212,772,000	332,633,336

16 PROVISION FOR MINE CLOSURE COST

	2022	*2021*
At the beginning of the year	**34,448,813**	30,012,302
(Adjustments)/additions for the year	**(5,506,382)**	3,492,524
Unwinding of discount for the year	**1,537,591**	943,987
At the end of the year	**30,480,022**	34,448,813

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:

	2022	*2021*
Balance at the beginning of the year	**9,399,663**	6,902,591
Included in statement of profit or loss		
Current service cost	**3,720,890**	2,412,751
Interest cost	**288,625**	173,546
	4,009,515	2,586,297
Included in statement of other comprehensive income		
Actuarial (gain)/loss	**(1,382,493)**	860,719
Benefits paid	**(1,037,776)**	(949,944)
Balance at the end of the year	**10,988,909**	9,399,663

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

	2022	*2021*
Discount rate	**4.20%**	3.25%
Future salary growth / Expected rate of salary increases	**4.20%**	3.00%
Mortality rate	**Age-wise**	Age-wise
Employee turnover / withdrawal rates	**Age and service**	Age and service

The quantitative sensitivity analysis for principal assumptions is as follows:

	2022	*2021*
Discount rate:		
+1% increase	**(651,281)**	(830,082)
-1% decrease	**729,775**	970,335
Salary increase rate:		
+1% increase	**614,644**	865,298
-1% decrease	**(560,741)**	(757,784)

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 6.5 years (2021: 9.5 years).

(All amounts in Saudi Riyals unless otherwise stated)

17 EMPLOYEE BENEFITS (continued)

The following is the breakup of the actuarial (gain) / loss:

	2022	*2021*
Demographic assumptions	**(802,313)**	389,277
Experience adjustments	**(630,151)**	471,442
Change in financial assumptions	**49,971**	-
	(1,382,493)	860,719

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

	2022	*2021*
Within the next 12 months (next annual reporting period)	**1,661,829**	908,429
Between 1 and 5 years	**4,906,357**	2,550,820
Beyond 5 years	**8,189,196**	9,782,665
Total expected payments	**14,757,382**	13,241,914

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

	2022	*2021*
Accrued expenses	**19,531,740**	22,836,795
Vacation accruals and others	**9,276,331**	8,459,713
Others	-	2,628,130
	28,808,071	33,924,638

20 ZAKAT AND INCOME TAX

20.1 ZAKAT

Charge for the year

	2022	*2021*
Zakat relating to current year	**16,051,342**	12,405,653
Zakat relating to prior years	**(4,669,413)**	(3,560,822)
	11,381,929	8,844,831

The zakat charge is based on the following:

	2022	*2021*
Equity	**1,105,281,591**	804,696,405
Opening provisions and other adjustments	**50,878,520**	31,758,131
Book value of long-term assets (net of related financing)	**(589,712,197)**	(521,596,385)
	566,447,914	314,858,151
Zakatable income for the year	**144,047,531**	171,584,236
Zakat base	**710,495,445**	486,442,387

(All amounts in Saudi Riyals unless otherwise stated)

20 ZAKAT AND INCOME TAX (continued)

20.1 ZAKAT (continued)

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

	2022	*2021*
Balance at the beginning of the year	**8,844,831**	2,307,918
Net charge for the year	**11,381,929**	8,844,831
Payments during the year	**(4,175,418)**	(2,307,918)
Balance at the end of the year	**16,051,342**	8,844,831

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:

	2022	*2021*
Included in the statement of profit or loss:		
Income tax expense for the year	**2,469,981**	13,803,562
Deferred tax charge/(credit) during the year	**2,426,519**	(16,780,623)
	4,896,500	(2,977,061)
Included in the statement of other comprehensive income:		
Deferred tax relating to actuarial loss	**87,271**	(45,980)

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

	2022	*2021*
Profit before zakat and income tax	**142,609,575**	203,132,539
Income tax expense as per tax rate of 20% applicable in KSA	**28,521,915**	40,626,508
Adjustments for amounts which are not deductible/(taxable) in calculating taxable income:		
Saudi shareholding not subject to tax – 85.47% (2021: 72.65%)	**(24,377,681)**	(29,775,168)
Others	**752,266**	(13,828,401)
At the effective income tax rate of 3.43% debit (2021: 1.47% credit)	**4,896,500**	(2,977,061)
Share of Non-Saudi shareholding	**14.53%**	27.35%

	2022	*2021*
Income tax relating to current year	**2,651,641**	9,090,672
Income tax relating to prior year	**(181,660)**	4,712,890
	2,469,981	13,803,562

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

	2022	*2021*
At the beginning of the year	**6,293,684**	5,109,868
Provided during the year	**2,469,981**	13,803,562
Paid during the year	**(10,587,401)**	(12,619,746)
At the end of the year	**(1,823,736)**	6,293,684

(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:

	2022	*2021*
Carryforward tax losses	**28,468,630**	29,315,715
Difference in accounting and tax base of property, plant and equipment	**(863,863)**	(1,566,334)
Provisions	**1,235,787**	3,422,256
Employee benefits	**319,423**	502,130
Net deferred tax assets	**29,159,977**	31,673,767

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

	2022	*2021*
As of 1 January	**31,673,767**	14,847,164
Deferred tax credit during the year recognised in statement of profit or loss	**(2,426,519)**	16,780,623
Deferred tax credit to other comprehensive income	**(87,271)**	45,980
As at 31 December	**29,159,977**	31,673,767

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 2021 and obtained the zakat certificate which is valid till 30 April 2023. The zakat and tax returns for the years from 2013 to 2021 are currently under review by the ZATCA.

21 PROVISION FOR SEVERANCE FEE

	2022	*2021*
Severance fees relating to current year	**18,206,630**	21,911,194
Severance fees relating to prior year	**5,982,320**	(1,710,573)
	24,188,950	20,200,621

	2022	*2021*
At 1 January	**20,200,621**	8,756,154
Provision during the year	**24,188,950**	20,200,621
Paid during the year	**(38,845,491)**	(8,756,154)
At 31 December	**5,544,080**	20,200,621

Severance fees is shown as part of direct costs in the statement of profit or loss.

(All amounts in Saudi Riyals unless otherwise stated)

22 REVENUE, NET

	2022	*2021*
Revenue from contracts with customers:		
Copper concentrate	**187,036,042**	239,844,681
Zinc concentrate	**188,072,494**	205,655,604
Precious metals	**214,969,860**	155,295,314
	590,078,396	600,795,599
Movement in provisional pricing adjustments during the year	**(7,309,693)**	(14,142,281)
	582,768,703	586,653,318

23 SELLING AND DISTRIBUTION EXPENSES

	2022	*2021*
Transportation	**21,370,875**	22,257,669
Advertising and promotion	**3,454,115**	6,383,827
	24,824,990	28,641,496

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	*2021*
Employee costs	**14,829,214**	12,316,809
Management remuneration and benefits	**4,819,650**	3,201,912
Professional fees	**10,273,233**	4,714,326
Computer and office supplies	**2,935,804**	2,208,538
Share based compensation expense	**6,730,631**	-
	39,588,532	22,441,585

25 FINANCE COSTS`

	2022	*2021*
Finance cost on loans and bank charges	**10,294,605**	12,166,588
Finance cost on lease liabilities	**210,301**	436,395
Unwinding on mine closure cost	**1,537,591**	943,987
	12,042,497	13,546,970

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:

	2022	*2021*
Net profit for the year	**126,331,146**	197,264,769
Weighted average number of ordinary shares	**62,405,767**	54,870,015
Earnings per share – Basic and diluted	**2.02**	3.60

27 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 dores;

- Mount Guyan mine segment represents extraction and production of the precious metals i.e. gold and silver dores; and

- 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.

(All amounts in Saudi Riyals unless otherwise stated)

27 SEGMENT REPORTING (continued)

	Al Masane Mine	*Mount Guyan Mine*	*Corporate*	*Total*
For the year ended 31 December 2022:				
Revenue				
External customers	418,644,633	171,433,763	-	**590,078,396**
Movement in provisional pricing	(10,872,176)	3,562,483	-	**(7,309,693)**
Revenue, net	407,772,457	174,996,246	-	**582,768,703**
Direct costs	(253,628,438)	(96,591,083)	(24,188,949)	**(374,408,470)**
Gross profit	154,144,019	78,405,163	(24,188,949)	**208,360,233**
Selling and distribution expenses	(24,824,990)	-	-	**(24,824,990)**
General and administrative expenses	-	-	(39,588,532)	**(39,588,532)**
Operating profit	129,319,029	78,405,163	(63,777,481)	**143,946,711**
Finance costs	(6,883,530)	(5,158,967)	-	**(12,042,497)**
Other income	-	-	10,705,361	**10,705,361**
Profit before zakat and income tax	122,435,499	73,246,196	(53,072,120)	**142,609,575**
Zakat and income tax	-	-	(16,278,429)	**(16,278,429)**
Net profit for the period	**122,435,499**	**73,246,196**	**(69,350,549)**	**126,331,146**
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
Direct costs	(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 period	201,623,350	44,086,302	(48,444,883)	197,264,769
As at 31 December 2022				
Segment assets	**690,545,801**	**225,448,349**	**631,876,396**	**1,547,870,546**
Segment liabilities	**161,093,973**	**80,052,985**	**86,526,399**	**327,673,357**
As at 31 December 2021				
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

(All amounts in Saudi Riyals unless otherwise stated)

28 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:

Related party	***Relationship***	***Nature of transaction***	***Transactions***	
			2022	*2021*
Arab Commercial Enterprises for Travel	Other related party	Travel charges	**1,712,396**	3,100,085
Najran Mineral Water	Other related party	Water charges	**57,960**	53,130

Following is the detail of related party balances payable at the year-end:

	2022	*2021*
Amount due to related party		
Arab Commercial Enterprises for Travel	**(2,810)**	(593,846)

Key management compensation
Compensation for key management is as follows:

	2022	*2021*
Salaries and other benefits	**9,792,258**	9,780,764
End of service benefits	**567,610**	744,619
	10,359,868	10,525,383

29 CONTINGENCIES AND COMMITMENTS

Contingencies
The Company has no bank guarantee as at 31 December 2022 (2021: SR 44.4 million) relating to the mine closure provision.

Commitments
At 31 December 2022, the Company has future commitments amounting to SR 369 million (2021: SR 100.4 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 2022 and 2021 will be as follows:

	Increase / decrease in basis points	***Effect on profit before zakat and tax***
2022	**+100**	**(2,076,202)**
	-100	**2,076,202**
2021	+100	(3,291,311)
	-100	3,291,311

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.

(All amounts in Saudi Riyals unless otherwise stated)

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Commodity price risk (continued)

	Effect on profit before tax for the year ended 31 December 2022 increase/(decrease)	*Effect on profit before tax for the year ended 31 December 2021 increase/(decrease)*
Increase / (decrease) in the Copper price		
+10%	**18,765,639**	23,079,903
-10%	**(18,765,639)**	(23,079,903)
Increase / (decrease) in the Zinc price		
+10%	**17,489,060**	19,780,790
-10%	**(17,489,060)**	(19,780,790)
Increase / (decrease) in the Gold price		
+10%	**21,447,714**	15,326,593
-10%	**(21,447,714)**	(15,326,593)
Increase / (decrease) in the Silver price		
+10%	**574,458**	478,045
-10%	**(574,458)**	(478,045)

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 two customer which account for total sales of the Company. 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 2022 and 2021 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.

(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:

2022	***Within 1 year SR***	***1 to 5 years SR***	***More than 5 Years SR***	***Total SR***
Loans and borrowings	101,148,000	111,624,000	-	**212,772,000**
Lease liabilities	1,140,106	2,308,185	-	**3,448,291**
Trade payables	26,957,734	-	-	**26,957,734**
	129,245,840	**113,932,185**	-	**243,178,025**

2021	*Within 1 year SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total 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

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.

	2022	*2021*
Debt – lease liabilities and loans and borrowings (including current portion)	**210,666,935**	332,660,853
Equity	**1,220,197,189**	648,436,078
Capital and debt	**1,430,864,124**	981,096,931
Gearing ratio	**14.72%**	33.91%

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 2022 and 2021, 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 2022 and 2021, the carrying amounts of loans and borrowings were not materially different from their calculated fair values.

(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:

	1 January 2022	*Additions*	*Cash flows*	*Other*	*31 December 2022*
Lease liabilities	**3,529,770**	2,620,097	(3,313,438)	210,301	**3,046,730**
Loans and borrowings	**329,131,083**	**-**	(130,909,806)	9,398,928	**207,620,205**
Total liabilities from financing activities	**332,660,853**	**2,620,097**	**(134,223,244)**	**9,609,229**	**210,666,935**

	1 January 2021	*Additions*	*Cash flows*	*Other*	*31 December 2021*
Lease liabilities	**6,055,310**	362,550	(3,324,485)	436,395	**3,529,770**
Loans and borrowings	**393,117,871**	17,360,000	(92,890,487)	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**

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 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2022, which would have a material impact on the financial position of the Company as reflected in these financial statements.

35 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 22 Sha'ban 1444H, corresponding to 14 March 2023.