ANNUAL REPORT

Financial year

2021

شركة المصانع الكبرى للتعدين

أماك

AMAK

Al Masane Al Kobra Mining Co.

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Al Masane Al Kobra Mining Co

KING OF SAUDI ARABIA

CUSTODIAN OF THE TWO HOLY MOSQUES

KING SALMAN BIN ABDULAZIZ AL SAUD

His Royal Highness Prince

MOHAMMED BIN SALMAN BIN ABDULAZIZ AL SAUD

CROWN PRINCE OF SAUDI ARABIA

FIRST DEPUTY PRIME MINISTER OF SAUDI ARABIA

HIS HIGHNESS

JALAWI BIN ABDUAZIZ BIN MUSAED AL SAUD

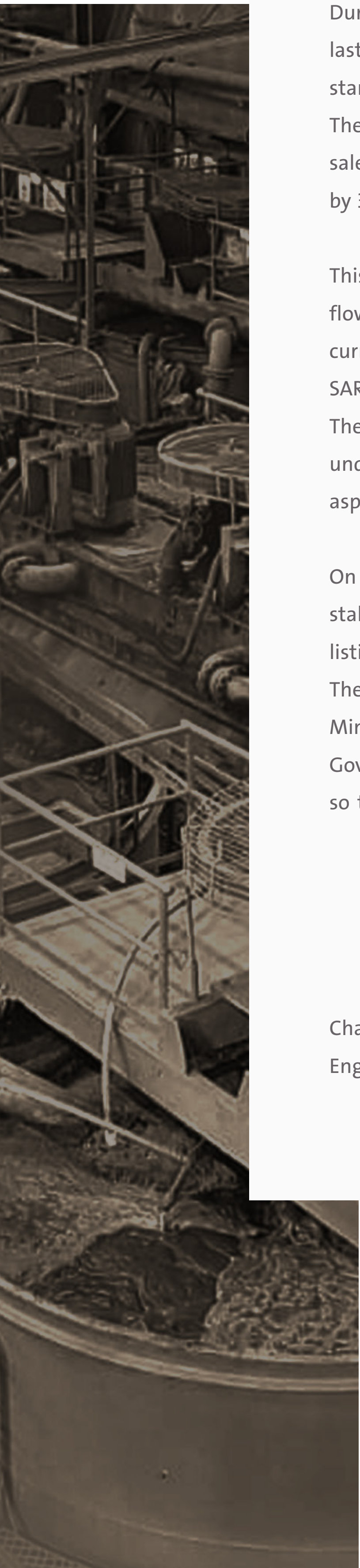
GOVERNOR OF NAJRAN REGION

HIS ROYAL HIGHNESS

TURKI BIN HATHLOUL BIN ABDULAZIZ AL SAUD

DEPUTY GOVERNOR OF NAJRAN PROVINCE

1. CHAIRMAN'S MESSAGE



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

This significant improvement in performance led to an improvement in the Company's cash flows, which enabled the Company to reduce its debt to levels commensurate with the current financial position of the Company. By end of 2021, the Company's loans decreased to SAR 329 million, thereby reducing its loans by 16%.
The Company's management will continue its efforts to take its performance to new levels under the supervision and guidance of Board of Directors with an aim to achieve the aspirations and hopes of our Shareholders in accordance with the Kingdom's Vision 2030.

On behalf of the Board of Directors of the Company, I would like to congratulate all the stakeholders on the auspicious achievement of Initial Public Offering (IPO) and successful listing of the Company's shares with Tadawul on March 29, 2022.
The Board take this opportunity to thank the Government of the Kingdom of Saudi Arabia, Ministry of Commerce and Industry, Ministry of Industry and Mineral Resources and Governorate of Najran for their continuous support. I look forward to your continued support so that together we build a Company that delivers excellence.

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

2. COMPANY PROFILE

Al Masane Al Kobra Mining Company ("the Company" or "AMAK") is a Saudi Closed Joint Stock Company approved by the Ministry of Commerce and Investment Decree Number 247/Q dated 9 Shawwal 1428H (corresponding to 21 October 2007) and registered in Jeddah under Commercial Registration No. 4030175345 on 7 Muharram 1429H (corresponding to 16 January 2008). During 2015, the head office of the Company was moved from Jeddah to Najran. Accordingly, Najran Commercial Registration No. 5950017523 dated 3 Duh Al-Qi'dah 1431H (corresponding to 11 October 2010) was modified to be main Commercial Registration. During the year, the Company obtained commercial registration number 5950123986 dated 22 Dhu Al-Hijjah 1442H (corresponding to 1 August 2021) of a new branch in Najran.
The registered office is located at P.O. Box 96, Najran, Kingdom of Saudi Arabia. The Company is engaged in mining of nonferrous metal ores, mining of ores of precious metals belonging to gold, silver and wholesaling precious metals.

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

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

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

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

OUR VISION

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

OUR MISSION

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

OUR STRATEGY

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

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

3- COMPANY'S ACTIVITIES

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

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

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

GOVERNANCE

4. GOVERNANCE

4-1 COMPOSITION OF THE BOARD OF DIRECTORS

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

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

ENGR. TALAL ASAAD AL SAADI
MEMBER
INDEPENDENT

ENGR. AYMAN AL SHIBL
MEMBER
INDEPENDENT

ENGR. FEKRY YOUSSEF MOHAMMED
MEMBER
NON-EXECUTIVE

ENGR. MOHAMMED AL SHEHHI
MEMBER
NON-EXECUTIVE

ENGR MAJED YOUSEF AL MUGLA
MEMBER
INDEPENDENT

ENGR. MAJID ALI BIN MUSALLAM
MEMBER
NON-EXECUTIVE

MR. MEHAIDB S. AL MEHAIDBE
MEMBER
NON-EXECUTIVE

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

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

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

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

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

4.3- Committee members (outside Board of Directors)

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

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

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

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

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

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

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

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

(b) The interest and rights of senior executives

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

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

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

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

a) Audit Committee

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

1. Report regularly to the Board about Audit Committee activities, issues and related recommendations.

2. Provide an open avenue of communication between internal auditor, the external auditors, and the Board.

3. Report annually to the Board, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.

4. Review any other reports the Company issues that relate to Committee's responsibilities.

5. Perform other activities related to this activity as requested by the Board.

6. Follow up on allegations of material, financial, ethical or legal irregularities; look into serious violations of the Company's policies, alleged breach of legal provisions or contravention of code of ethics, which are highlighted by the internal auditor or any other staff member.

7. Institute, oversee and direct any special investigations, as needed, concerning matters relating to the Company's financial statements, internal controls, compliance with the laws or business ethics.

8. Review all significant issues within the scope of the Committee charter, including any changes in accounting principles, with the management and the external auditors, prior to any decision being reached on reporting practices to be followed by the Company, and report thereon to the Board.

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

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

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

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

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

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

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

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

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

d) Executive Committee

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

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

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

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

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

e) Commercial Committee

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

• Reviewing the strategic direction of the commercial activities and monitor the implementation of the agreed strategy.

• Reviewing commercial and other transactions for consistency with the agreed strategy.

• Reviewing and evaluating business performance.

• Monitoring developments and changes in the law relating to the responsibilities and liabilities of directors.

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

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

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

f) Nomination and Remuneration Committee

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

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

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

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

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

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

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

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

4.9- Executive Management

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

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

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

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

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

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

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

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

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

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

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

- Board of Directors', remuneration policy

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

(ii) Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors shall determine the remuneration to be paid to the Chairman of the Board in addition to the remuneration paid to the members of the Board of Directors.

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

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

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

- **Remuneration of Board's Committee Members**

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

(i) The General Assembly of the Company shall determine the remuneration of the members of the Audit Committee. The Board of Directors shall determine the remuneration of the members of the other committees of the Board, Board Secretary and Secretaries of the Committees for their attendance in the meetings of the committees and any other allowances.

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

(iii) The remuneration shall be fair and proportionate to the terms of reference of the member and the duties and responsibilities of the members of the committees emanating from the Board of Directors. The remuneration shall also be commensurate with the activity of the company and the required skills of the members.

- **Remunerations of Senior Executives**

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

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

- ## Directors’ remuneration (In thousand Riyals)

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

- ## Remunerations of Senior Executives (in thousand Riyals)

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

- ## Committee Members Remuneration (in thousand Riyals)

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

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

The Chairman of Board of Directors was granted an additional bonus of SAR 200,000 for his efforts in following up the Company's business for the fiscal year ended 31st Dec 2021.
Chairman of the Audit Committee was granted a financial reward of SAR 150,000 for the financial year ended 31st December 2021.
Chairman of the Commercial Committee was granted a financial reward of SAR 100,000 for the financial year ended 31st December 2021.

- ## Allowance to attend meetings

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

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

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

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

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

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

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

4.16- Company declarations

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

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

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

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

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

Corporate Governance

5- Corporate Governance

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

1- Al Masane Al Kobra Mining Co. has not granted cash loan of any kind to its Board members or rendered guarantees for loans entered into by a Board member with third parties.

2- Al Masane Al Kobra Mining Co. has no interest in the voting shares held by the Company. There are no classes and numbers for any convertible debt instruments, contractual securities, preemptive right, or similar rights that have been issued.

3- There are no rights, transfers, or underwriting under convertible debt instruments, contractual securities, underwriting notes, or similar rights issued or granted by the Company during the fiscal year.

4- There are no arrangements or agreements whereby a member of the Company's Board of Directors or a Senior Executive waived any remuneration and dividends.

5- There are no investments or reserves established for the benefit of the Company's employees.

6- There is no recommendation from the Board of Directors to change the auditor before the end of the period for which they are appointed.

7- The Company does not have any rights to transfer or subscribe under debt instruments convertible into shares

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

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

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

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

1. Paragraph (a) of Article (8) providing that upon calling for the General Assembly, the Company shall announce on the Exchange's website information about the nominees for the membership of the Board.

2. Paragraph (c) of Article (8) providing that voting in the General Assembly shall be confined to the Board nominees whose information have been announced as per paragraph (a) of Article (8).

3. Paragraph (d) of Article (13) providing that the invitation to the General Assembly shall be published on the Exchange's, the Company's websites and in a daily newspaper published in the area where the Company's head office is located.

4. Paragraph (c) of Article (14) providing that the shareholders shall be allowed through the Company's website and the Exchange's website to obtain the information related to the items of the General Assembly's agenda, and to obtain the information related to the items of the General Assembly's agenda, particularly the reports of the Board and the external auditor, the financial statements and the Audit Committee's Report.

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

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

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

COMPANY PERFORMANCE

6- Performance

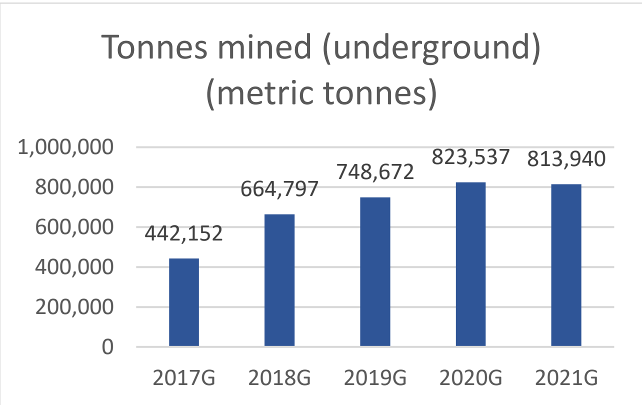
6.1- Operational performance

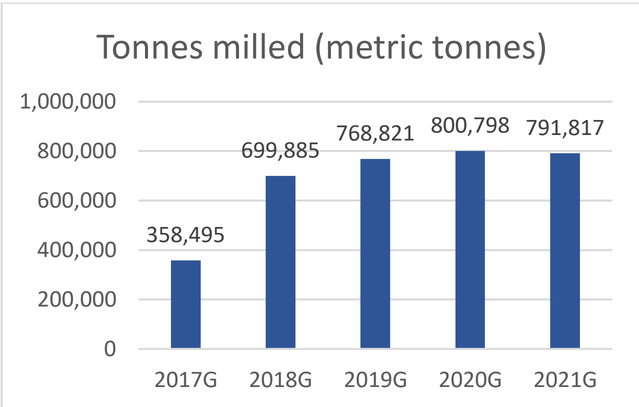
The Company’s primary operations are the operation of the Al Masane Mine and Guyan Mine. Al Masane Mine is located at the main Al Masane mining camp and produces copper and zinc concentrates and silver and gold Doré. The Guyan Mine (started commercial production in 2021) is located approximately 12km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

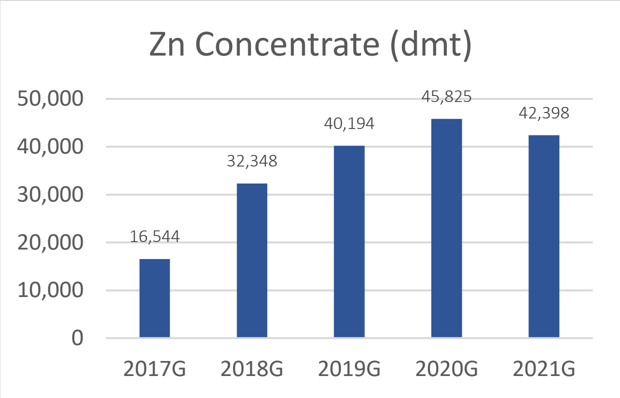
6.2- Al Masane mine production statistics

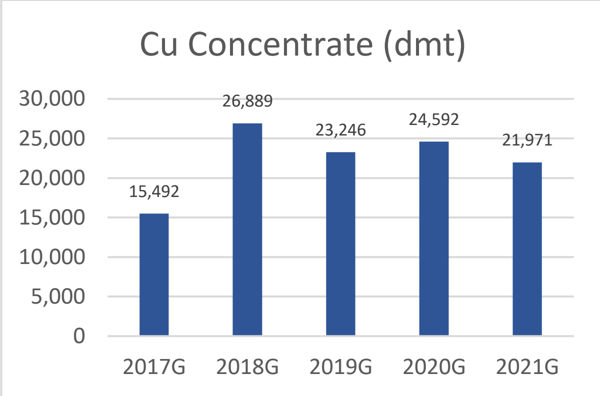
The following table shows the production of Ore, Mill throughput, production of Copper and Zinc concentrates and Gold and Silver dore for the last five years.

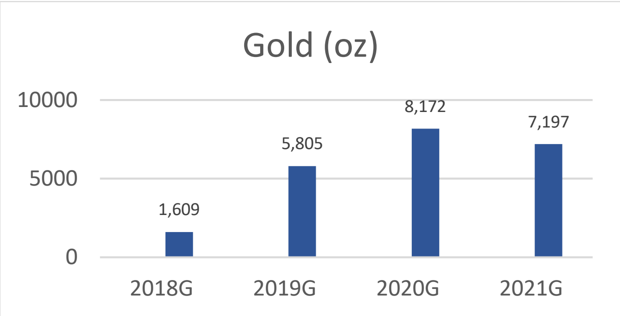
Year	Al Masane Mine				
	2017G	2018G	2019G	2020G	2021G
Production statistics					
Tonnes mined (underground) (metric tonnes)	442,152	664,797	748,672	823,537	813,940
Cu (%)	1.01	1.02	0.94	1.01	0.83
Zn (%)	3.24	3.55	3.74	4.42	3.64
Au (gpt)	-	0.92	0.96	1.02	0.9
Ag (gpt)	23.31	29.49	30.81	37.14	32.74
Tonnes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

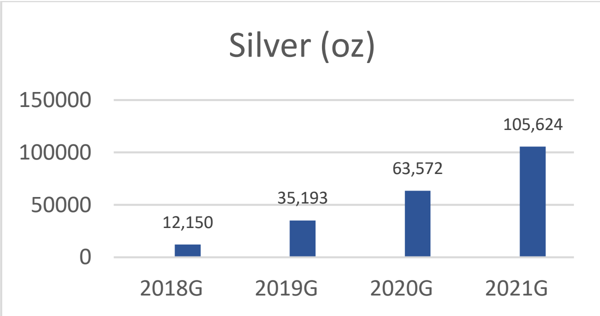












6.3- Guyan Gold Mine production statistics

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

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

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

6.4- Financial performance

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

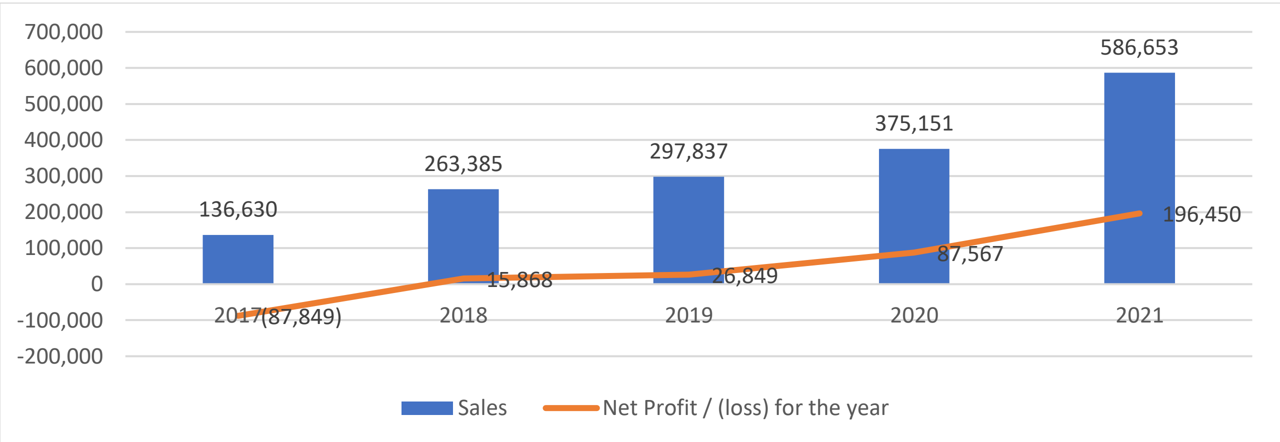
(SAR 000)	2021	2020	Variance	Change (%)
Sales	586,653	375,151	211,502	56.4%
Cost of sales	(318,956)	(249,892)	(69,064)	27.6%
Gross profit	**267,697**	**125,259**	**142,438**	**113.7%**
Selling and marketing expenses	(28,641)	(16,543)	(12,098)	73.1%
General and administrative expenses	(22,441)	(19,980)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

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

6.5- Business results comparison

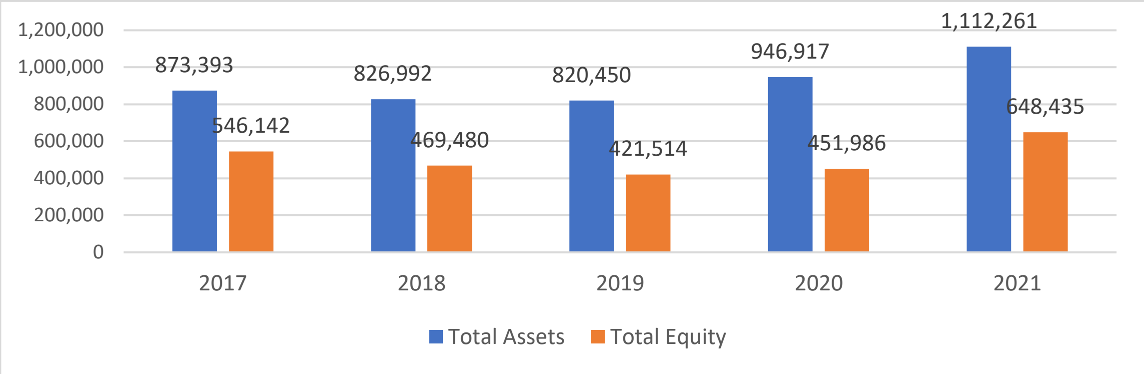
(SAR 000)	2017	2018	2019	2020	2021
Sales	136,630	263,385	297,837	375,151	586,653
Cost of sales	(193,067)	(196,353)	(218,960)	(249,892)	(318,956)
Gross profit	**(56,437)**	**67,032**	**78,877**	**125,259**	**267,697**
Selling and marketing expenses	(7,257)	(17,395)	(20,420)	(16,543)	(28,641)
General and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

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



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

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



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

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

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

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

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

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

6.8- Social contributions

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

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

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

Domestic Source	Amount SAR (000)
Abha	24,526
Al Joshan	12,092
Al Sufah	478
Dammam	17,978
Habouna	18
Jazan	2,334
Jeddah	108,480
Najran	8,942
Riyadh	2,950
KSA Grand Total	**177,797**

Regional Distribution	Amount SAR (000)
JEDDAH	108,480
ASIR	24,526
NAJRAN	21,530
DAMMAM	17,978
RIYADH	2,950
JAZAN	2,334
KSA Grand Total	**177,797**

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

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

Risk Management

7- *Risk and Future Outlook*

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

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

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

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

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

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

a. Market Risk.

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

b. Commission rate risk

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

c. Foreign currency risk

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

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

d. Commodity price risk

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

e. Credit risk

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

Trade receivables

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

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

Financial instruments and cash deposits

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

f. Liquidity risk

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

AKAM's Future Outlook and Mineral Resources and Reserves

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

a. Capital Projects

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

b. Saudization Program.

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

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

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

Introduction

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

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

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

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

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

Qualifications / Competent Persons

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

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

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

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

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

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

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

Jabal Guyan Gold Mine

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

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

- Mineral Resources are not Ore Reserves and do not have demonstrated economic viability;
- The long-term commodity price assumption is USD1,800/oz Au.
- The open pit Mineral Resource are reported within an optimised pit shell above a 0.6 g/t Au cut-off, and the underground Mineral Resources are reported outside the open pit shell within contiguous regions identified by the MSO as satisfying RPEEE above a 1.2 g/t Au cut-off grade.
- The reported Mineral Resources have an effective date of 31 December 2021. The Competent Person for the declaration of Mineral Resources is Guy Dishaw, P.Geo., of SRK Consulting (UK) Ltd.

- The Mineral Resource estimate was prepared by AMAK personnel and has been reviewed by SRK. The Mineral Resource estimate considers drilling and sampling data up to December 2021 and has been depleted by survey volumes representing mining to 31 December 2021.
- Mineral Resources are reported as undiluted. No mining recovery has been applied in the Statement.
- Mineral Resources are reported inclusive of Mineral Reserves.
- Tonnages are reported in metric units, grades in grams per tonne (g/t), and the contained metal in kilo troy ounces. Tonnages, grades, and contained metal totals are rounded appropriately.
- Rounding, as required by reporting guidelines, may result in apparent summation.
- This Draft Mineral Resource Statement has been prepared as an interim step at the specific request of AMAK. SRK will prepare the final Mineral Resource Statement upon completion of SRK's independent review and verification of all of the data supporting the MRE. The independent review may result in changes to the above Draft Mineral Resource Statement.

<u>Al Aqiq</u>

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

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

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

<u>QV8</u>

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

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

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

AMAK Ore Reserves Statements December 2021 in accordance with JORC 2012

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

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

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

Jabal Guyan Gold Mine

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

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

Glossary

Mineral Resource

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

Inferred Mineral Resource

An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality are estimated from limited geological evidence and sampling. Geological evidence is sufficient to imply, but not verify, geological and grade continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes.
An Inferred Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that most of an Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.

Indicated Mineral Resource

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

Measured Mineral Resource

A measured Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling, and testing
gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes and is sufficient to confirm geological and grade/quality continuity between points where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.

Modifying Factors

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

Ore Reserve

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

Probable Ore Reserve

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

Proved Ore Reserve

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

Reserve Life

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

Grade

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

Cutoff grade

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

Mining Depletion

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

New Data

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

Cost Factors

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

Estimation methodology

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

Life of Mine Plan

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

Revenue Factors

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

Stockpiles

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

THE RIGHTS OF SHAREHOLDERS

9- Rights of Shareholders

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

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

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

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

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

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2021

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2021

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 CLOSED JOINT STOCK COMPANY)

Opinion

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

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the SOCPA and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

for Ernst & Young Professional Services

Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476

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سجل تجاري ٤٠٣٠٢٧٦٦٤٤
CR.4030276644
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

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

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	*2021*	*2020*
ASSETS			
NON-CURRENT ASSETS			
Mine properties	7	**276,927,421**	385,825,168
Property, plant and equipment	8	**426,891,258**	333,976,628
Right-of-use assets	9	**7,869,659**	9,166,730
Long term deposits		**675,039**	195,471
Deferred tax	20	**31,673,767**	14,847,164
TOTAL NON-CURRENT ASSETS		**744,037,144**	744,011,161
CURRENT ASSETS			
Inventories	10	**71,349,271**	62,937,889
Trade and other receivables	11	**182,649,939**	82,933,080
Advances and prepayments	12	**39,505,206**	21,865,726
Cash and cash equivalents	13	**74,719,638**	35,169,618
TOTAL CURRENT ASSETS		**368,224,054**	202,906,313
TOTAL ASSETS		**1,112,261,198**	946,917,474
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14.1	**563,288,650**	820,000,000
Statutory reserve	14.2	**19,726,477**	4,427,449
Retained earnings / (accumulated losses)		**84,862,352**	(240,632,501)
Treasury stock	14.1	**(19,441,401)**	(131,808,900)
TOTAL EQUITY		**648,436,078**	451,986,048
NON-CURRENT LIABILITIES			
Loans and borrowings	15	**220,464,415**	306,451,203
Lease liabilities	9	**974,478**	2,225,106
Provision for mine closure cost	16	**34,448,813**	30,012,302
Employee benefits	17	**9,399,663**	6,902,591
TOTAL NON-CURRENT LIABILITIES		**265,287,369**	345,591,202
CURRENT LIABILITIES			
Loans and borrowings – current portion	15	**108,666,668**	86,666,668
Lease liabilities – current portion	9	**2,555,292**	3,830,204
Trade payables	18	**18,052,017**	16,554,026
Accruals and other non-financial liabilities	19	**33,924,638**	26,115,386
Provision for zakat and income tax	20	**15,138,515**	7,417,786
Provision for severance fees	21	**20,200,621**	8,756,154
TOTAL CURRENT LIABILITIES		**198,537,751**	149,340,224
TOTAL LIABILITIES		**463,825,120**	494,931,426
TOTAL EQUITY AND LIABILITIES		**1,112,261,198**	946,917,474

Finance Director   Chief Executive Officer   Chairman

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

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

Finance Director | Chief Executive Officer | Chairman

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

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

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

Finance Director

Chief Executive Officer

Chairman

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Note	***2021***	*2020*
OPERATING ACTIVITIES			
Profit before zakat and income tax		**203,132,539**	82,192,453
Adjustment to reconcile profit before zakat and income tax to net cash inflow from operating activities:			
Depreciation, depletion and amortisation	7&8	**91,551,919**	57,092,234
Amortisation of right-of-use assets	9	**1,659,621**	1,344,434
Provision for slow moving items	10	**-**	920,000
Provision for employee benefits	17	**2,586,297**	2,330,715
Provision for severance fees	21	**20,200,621**	9,254,481
Finance costs		**13,546,970**	6,751,853
		332,677,967	159,886,170
Working capital adjustments:			
Inventories		**(8,411,382)**	(761,446)
Trade and other receivables		**(99,716,859)**	(53,289,608)
Advances and prepayments		**(17,639,480)**	27,991,820
Trade payables		**1,497,991**	(8,760,188)
Accruals and other non-financial assets		**7,809,252**	8,036,394
Long term deposits		**(479,568)**	-
Cash from operations		**215,737,921**	133,103,142
Zakat paid	20	**(2,307,918)**	(4,475,659)
Income tax paid	20	**(12,619,746)**	(1,920,221)
Severance fee paid	21	**(8,756,154)**	(2,498,328)
Employee benefits paid	17	**(949,944)**	(1,202,251)
Finance costs paid		**(12,602,983)**	(6,169,966)
Net cash flows from operating activities		**178,501,176**	116,836,717
INVESTING ACTIVITIES			
Additions in property, plant and equipment	8	**(20,655,345)**	(16,031,921)
Additions in mine properties	7	**(51,420,933)**	(134,860,114)
Net cash used in investing activities		**(72,076,278)**	(150,892,035)
FINANCING ACTIVITIES			
Advances to shareholders		**-**	2,861,341
Purchase of treasury shares		**-**	(57,095,550)
Proceeds from loans and borrowings		**17,360,000**	119,440,000
Payment of principal portion of loans and borrowings		**(81,346,788)**	(44,969,602)
Payment of principal portion of lease liabilities	9	**(2,888,090)**	(3,256,047)
Net cash (used in)/from financing activities		**(66,874,878)**	16,980,142
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**39,550,020**	(17,075,176)
Cash and cash equivalents at the beginning of the year		**35,169,618**	52,244,794
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**74,719,638**	35,169,618
SUPPLEMENTARY NON-CASH INFORMATION			
Transfer from advances to shareholders to treasury stock		**-**	2,861,341
Additions in right-of-use assets and lease liabilities	9	**362,550**	1,156,235
Reduction of share capital	14.1(c)	**353,000,000**	-
Increase in share capital	14.1(d)	**96,288,650**	-
Additions in deferred mine closure cost	7	**3,492,524**	12,805,068
Exploration and evaluation assets transferred to mine properties		**-**	40,663,796
Provision for mine closure cost	25	**943,987**	581,887

Finance Director | Chief Executive Officer | Chairman

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

1. COMPANY INFORMATION

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

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

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. Significant accounting judgements, estimates and assumptions

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

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

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

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.

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

3.1 Judgements (continued)

3.1.3 Stripping cost (continued)

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

3.1.4 Deferred tax assets

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

3.1.5 Revenue from contracts with customers

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

Identification of the enforceable contract

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

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

Application of the variable consideration constraint

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

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

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

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

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

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

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

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

3.2 Estimates and assumptions

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

3.2.1 Ore reserves and mineral resource estimates

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

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

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

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

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

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

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

3.2.2 Useful lives of buildings and motor vehicles

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

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

3.2 Estimates and assumptions (continued)

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

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

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

Changes in estimates are accounted for prospectively.

3.2.4 Mine closure cost and environment obligation

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

3.2.5 Inventories

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

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

3.2.6 Exploration and evaluation expenditure

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

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

3.2 Estimates and assumptions (continued)

3.2.7 Leases - Estimating the incremental borrowing rate

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

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

3.2.8 Defined benefit plan

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

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

3.2.9 Impairment of non-financial assets

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

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

3.2 Estimates and assumptions (continued)

3.2.10 Provisions

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

3.2.11 Going concern

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Foreign currencies

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

4.2 Current versus non-current classification

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

Assets

An asset is current when it is:

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

All other assets are classified as non-current.

Liabilities

A liability is current when it is:

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

The Company classifies all other liabilities as non-current.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Exploration and evaluation assets

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

E&E activity includes:

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Mine under construction

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

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

4.5 Mine properties and property, plant and equipment

Initial recognition

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

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

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

Depreciation / amortisation

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

Depreciation/amortisation is calculated based on the following methods:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Mine properties and property, plant and equipment

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Leases

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

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

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:
- Buildings 10 years; and
- Heavy Equipment 3 years

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

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

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

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

4.7 Inventories

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Inventories (continued)

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

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

4.8 Cash and cash equivalents

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

4.9 Financial instruments

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

i) Financial assets

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

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

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

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

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

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

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

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

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

ii) Financial liabilities

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

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

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

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

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

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

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

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

iii) Offsetting of financial instruments

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Impairment of non-financial assets

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

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

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

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

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

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

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

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

4.11 Loan and borrowing

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

Additionally, borrowing costs that are directly attributable to the acquisition, construction 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Employee benefits

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

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

4.13 Provisions

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

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Provisions (continued)

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

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

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

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

4.14 Severance fees

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

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

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

4.15 Zakat and tax

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Zakat and tax (continued)

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

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

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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

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

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

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

Withholding tax
The Company 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Earnings per share

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

4.17 Revenue

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

4.18 Expenses

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

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

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

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

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

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

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

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

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

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

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

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

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

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

6.1 IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

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

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

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

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

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

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

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

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

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

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

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

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

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

6.9 Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

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

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

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

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

7 MINE PROPERTIES (continued)

7.1 The mines under construction represent Mount Guyan mine and Moyeath project. Mount Guyan mine has started its commercial production from 1 February 2021 onwards for the extraction of the gold dores and consequently during the year ended 31 December 2021, the related assets of mine under construction have been transferred to the producing mines (as mentioned above) and property, plant and equipment (refer note 8) and accordingly depreciation and amortisation on these assets has commenced. The useful life of the Mount Guyan project is expected upto 2026. The balance of mine under construction as at 31 December 2021 relates to Moyeath project.

7.2 The depletion and amortization charge for the year has been allocated to cost of revenue.

7.3 The amount of borrowing costs capitalised during the year ended 31 December 2021 was approximately SR 566,996 (2020: SR 3,436,496). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 4.7%, which is the effective interest rate of the specific borrowing.

7.4 Intangible assets represents exploration and evaluation assets (including mining rights originally granted by the Royal Decree Number M/17 effective 1 Dhu Al-Hijjah 1413H (corresponding to 22 May 1993) for a period of thirty years, with a right of renewal for future period of twenty years to Arabian Shield Development Company (“AADC”) for the exploitation in Al Masane mine located in Najran, Saudi Arabia, with an area of 44 square kilometers for surface rental of SR 10,000 per square kilometer per year, i.e. SR 440,000 per year.). These exploration and evaluation assets (including mining rights) were purchased by the Company from AADC in August 2009 for a cash consideration of SR 236.25 million. The title of aforementioned rights were transferred to the Company as per the ministry of Petroleum and mineral resources resolution dated 13 Ramadhan 1429H (corresponding to 13 September 2008) and the ministry subsequent letter dated 2 Muharram 1430H (corresponding to 30 December 2008). The Company also incurred further costs of SR 22.7 million subsequent to acquisition of these exploration and evaluation assets. These exploration and evaluation assets were transferred to intangible assets under mine properties after the production started in 2012 and amortized over the useful life of mine. Useful life of mine is determined based on the lower of the term of mining rights or the estimated time to explore and process the estimated ore reserves. During the year, the useful life of mine was revised based on the revised estimated reserves and production capacity to end on 31 December 2029 (2020: 31 March 2030). Changes in estimates are accounted for prospectively.

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

(All amounts in Saudi Riyals unless otherwise stated)

8 PROPERTY, PLANT AND EQUIPMENT (continued)

8.1 Property, plant and equipment are subject to a pledge as collateral against a long-term loan (note 15).

8.2 Capital work in progress represents firefighting works and equipment for plant which is expected to be operational in 2022.

8.3 The depreciation charge for the year has been allocated to cost of revenue.

8.4 The buildings are constructed on the site for the mines which are leased by the Company from the Ministry of Industry and Mineral Resources.

9 LEASES

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

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

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

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

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

9 LEASES (continued)

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

10 INVENTORIES

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

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

	2021	*2020*
At the beginning of the year	**5,612,314**	4,692,314
Charge for the year	**-**	920,000
At the end of the year	**5,612,314**	5,612,314

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

11 TRADE AND OTHER RECEIVABLES

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

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.

(All amounts in Saudi Riyals unless otherwise stated)

12 ADVANCES AND PREPAYMENTS

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

13 CASH AND CASH EQUIVALENTS

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

14 EQUITY

14.1 Share capital

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

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

(a) The above shareholding includes shareholding by key management personnel amounting to SR 2.4 million (2020: SR 2.2 million).

(b) During 2018, in the Extraordinary General Assembly Meeting held on 28 October 2018, the shareholders authorised the Board of Director of the Company to repurchase the shares of the Company up to 10% of the total shares at a maximum price of SR 30 per share. The Company repurchased 2,490,445 shares at a price of SR 30 each and registered these shares as treasury stock of SR 74.7 million in 2019. The Company further repurchased 5,709,555 shares at a price of SR 10 each and completed the legal formalities in this regard during 2020.

(c) The shareholders of the Company, in an extraordinary general meeting held on 23 March 2021 (corresponding to 10 Sha'ban 1442H), resolved to reduce the share capital of the Company from SR 820 million to SR 467 million through absorbing accumulated losses of SR 240,632,501 and reducing treasury stocks by 6,990,526 shares worth of SR 112,367,499. The legal formalities in this regard were completed on 10 May 2021 (corresponding to 28 Ramadhan 1442H).

(d) Further, on 3 October 2021 (corresponding to 26 Safar 1443H), the shareholders of the Company, in an extraordinary general meeting, passed a resolution about the proposed increase in the Company's share capital from SR 467,000,000 to SR 563,288,650 through the transfer of SR 91,861,201 from the account of retained earnings and SR 4,427,449 from the account of statutory reserve. The legal formalities in this regard have been completed on 19 October 2021 (corresponding to 13 Rabi Al-Awwal 1443H).

(All amounts in Saudi Riyals unless otherwise stated)

14 EQUITY (continued)

14.2 Statutory reserve

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

15 LOANS AND BORROWINGS

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

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

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

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

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

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

15 LOANS AND BORROWINGS (continued)

The undiscounted outstanding loans/facilities maturities are as follows:

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

16 PROVISION FOR MINE CLOSURE COST

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

17 EMPLOYEE BENEFITS

General description of the plan

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

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

Actuarial assumptions

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

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

(All amounts in Saudi Riyals unless otherwise stated)

17 EMPLOYEE BENEFITS (continued)

The quantitative sensitivity analysis for principal assumptions is as follows:

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

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

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

The following is the breakup of the actuarial loss:

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

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

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

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

20 ZAKAT AND INCOME TAX

20.1 ZAKAT

Charge for the year

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

The zakat charge is based on the following:

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

Movement in zakat provision during the year

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

	2021	*2020*
Balance at the beginning of the year	**2,307,918**	4,475,659
Net charge for the year	**8,844,831**	2,307,918
Payments during the year	**(2,307,918)**	(4,475,659)
Balance at the end of the year	**8,844,831**	2,307,918

(All amounts in Saudi Riyals unless otherwise stated)

20.2 INCOME TAX

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

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

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

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

	2021	2020
Income tax relating to current year	**9,090,672**	5,865,538
Income tax relating to prior year	**4,712,890**	-
	13,803,562	5,865,538

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

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

(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:

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

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

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

Status of assessments

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

21 PROVISION FOR SEVERANCE FEE

	2021	*2020*
Severance fees relating to current year	**21,911,194**	9,254,481
Severance fees relating to prior year	**(1,710,573)**	-
	20,200,621	9,254,481

	2021	*2020*
At 1 January	**8,756,154**	2,000,001
Provision during the year	**20,200,621**	9,254,481
Provision paid during the year	**(8,756,154)**	(2,498,328)
At 31 December	**20,200,621**	8,756,154

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

(All amounts in Saudi Riyals unless otherwise stated)

22 REVENUE, NET

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

23 SELLING AND DISTRIBUTION EXPENSES

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

24 GENERAL AND ADMINISTRATIVE EXPENSES

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

25 FINANCE COSTS`

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

(All amounts in Saudi Riyals unless otherwise stated)

26 EARNINGS PER SHARE

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

The earnings per share calculation is given below:

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

26 SEGMENT REPORTING

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

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

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

- Al Masane mine segment represents extraction and production of the base metals i.e. copper and zinc concentrates and byproducts like precious metals i.e. gold and silver dores;

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

- Corporate is responsible for effective management and governance including funding of the projects. The presentation of Corporate information does not represent an operating segment.

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

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

(All amounts in Saudi Riyals unless otherwise stated)

27 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

Key management compensation
Compensation for key management is as follows:

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

29 CONTINGENCIES AND COMMITMENTS

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

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

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

Credit risk

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

Trade receivables

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

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

Financial instruments and cash deposits

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

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

Liquidity risk

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

(All amounts in Saudi Riyals unless otherwise stated)

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

2021	***Within 1 year***	***1 to 5 years***	***More than 5 years***	***Total***
	SR	***SR***	***SR***	***SR***
Loans and borrowings	108,666,668	208,166,668	15,800,000	**332,633,336**
Lease liabilities	2,107,673	1,644,182	**-**	**3,751,855**
Trade payables	18,052,017	-	-	**18,052,017**
	128,826,358	**209,810,850**	**15,800,000**	**354,437,208**

2020	*Within 1 year*	*1 to 5 years*	*More than 5 years*	*Total*
	SR	*SR*	*SR*	*SR*
Loans and borrowings	86,666,668	304,333,332	28,300,000	419,300,000
Lease liabilities	3,830,204	2,802,543	-	6,632,747
Trade payables	16,554,026	-	-	16,554,026
	107,050,898	307,135,875	28,300,000	442,486,773

31 CAPITAL MANAGEMENT

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

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

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

32 FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

(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 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**	-	(75,530,487)	11,543,699	**329,131,083**
Total liabilities from financing activities	**399,173,181**	**17,722,550**	**(96,214,972)**	**11,980,094**	**332,660,853**

	1 January 2020	*Additions*	*Cash flows*	*Other*	*31 December 2020*
Lease liabilities	8,155,123	1,156,234	(4,048,946)	792,899	6,055,310
Loans and borrowings	318,647,472	-	65,792,000	8,678,399	393,117,871
Total liabilities from financing activities	326,802,595	120,596,234	(57,696,946)	9,471,298	399,173,181

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

34 COVID – 19

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

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

(All amounts in Saudi Riyals unless otherwise stated)

35 COMPARATIVE INFORMATION

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

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

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

36 SUBSEQUENT EVENTS

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

37 APPROVAL OF THE FINANCIAL STATEMENTS

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