



ANNUAL REPORT 2017







THE YEAR IN REVIEW

The year 2017 has been a successful one for the State Mining Corporation Limited (SMCL), as the Company tries to carve its own niche in the mineral resources sector in Bhutan. For the first time after incorporation, the year heralded the break-even point and witnessed the subsequent stabilizing trends. This turning point is a huge morale boost and builds self-assurance in the Management and employees to continue the hard work. It is a source of constant motivation in nurturing and launching the young Company into the future with better prospects.

The Management was mainly engaged in running the two coalmines in Samdrup Jongkhar Dzongkhag, the only projects under operation. In spite of the serious challenges posed by the erratic nature of coal occurrence, the Management's strong resolve to work hard to establish itself in supplying coal to the domestic cement plants has been rewarded with a certain level of success. The Company has gained a significant market share in supplying coal to the domestic cement plants. The market knows that there is a new supplier of coal in the country with competitive offer.

In terms of actual business operations, there were fluctuations over the quarters. In fact, such instabilities keep the Management and employees alert to foresee emerging risks, to tackle them effectively. The first quarter, right after the break-even point was achieved, posted a decent profit after tax (provisional) of Nu. 29.86 M. The profit in the second quarter slumped to Nu.18.99 M due to coal extraction difficulties. In the third quarter, the monsoon further impeded our operation and we suffered a loss of Nu. 9.47 M. However, during the last quarter, we strategized to take advantage of the dry season to make up the loss. Our determined effort bore fruit and we made a profit of Nu. 28.11 M in the last quarter. The year was a mixed bag of challenges, disappointments and joys. The cumulative profit after tax for a young Company from a single coal business, stood at an admirable Nu.67.39 M. This allowed the Company to declare a dividend of Nu. 26.84 M, 11% of the paid up capital of Nu. 243.99 M, for the first time. The commercial income tax was calculated at Nu. 27.08 M and actual tax paid was Nu. 23.75 M, after adjustment of past losses. Overall, the Company has contributed Nu. 50.59 M to the exchequer in 2017 and made an auspicious start for revenue generation. Other significant benefit is the benefit availed by Dungsum Cement Corporation Limited, our major customer, of about Nu. 40.0 M due to price difference of our coal.

The Company was engaged in developing a stone quarry and setting up a crushing plant to supply aggregates to Kholongchhu Hydro Energy Limited (KHEL). This work involved a significant investment in terms of capital and manpower. With indefinite delay of KHEL, the Management was faced with a dilemma, whether to move ahead or wait for the project. Moving ahead had risks of idling our scarce resources while waiting would squander lead-time for operational preparedness to supply construction materials. Project of this nature and scale involves significant preparatory works that require time. Both decisions had the inherent financial implications. However, with constant interaction and directives from the Board, the Management is pleased to note that we have progressed in a measured manner, minimized damages and learned some useful lessons in the process.

By the second quarter we started the quarry access and development works. The other civil works comprising of ground levelling, loading platforms and machine foundations were taken up in subsequent quarters. These works were taken up departmentally to control costs and to bring flexibility in time management.

The quarry development works have been completed, ready for extraction of boulders when required. The three-stage crushing plant machines have been procured and transshipped to sites. Civil works are progressing as planned for installation of the crushing plant. Contract formalities for hiring of EME were completed well in time





and validity extended, ready for deployment when required. Office with minimum staff has been set up and some employees already recruited have been redeployed at other sites.

Important lessons are being learnt in trying to link the preparatory works of supplying materials to a delayed project. Intentional deferral and departmental execution were the two strategies to control costs and manage time. While intentional deferral had certain basis, departmental execution was a well thought out decision. With departmental execution, the Management is in the driver's seat and can control costs and time much better. Due to flexibility of departmental execution, sequencing, staggering or postponing and even deleting some activities for the time being can be done, after taking into consideration of the field situation. Another boon has been the use of the local materials that become available as we work and progress. Under contract, the contractor uses the local materials and reaps the benefits.

In hindsight, when considered with the cost incurred till date and the progress of the work, the Management feels that with the guidance of the Board, we have taken the most appropriate approach and has controlled unnecessary upfront investments. Investments, which would have remained idle have been painstakingly deferred, significantly reducing the financial costs as of date. We have gained confidence in departmental execution and know its advantages. This KHEL experience will be worth replicating in our other project sites in future.

The Board has been truly involved in developing and launching the Company. The Management values and appreciates the special interests shown by the Board in developing the Company and the welfare of the employees, especially in the site offices under difficult working conditions. The visit to the project sites by some of the Board of Directors, led by the Chairman, has amply demonstrated the importance the Board attaches to the Company. The visit has offered the site staff the opportunity to come into close contact with the Board of Directors and given them a huge morale boost. Further, with familiarity of project sites and their activities, boardroom discussions have become more meaningful and appropriate decisions are taken. The Management would like to sincerely thank the Board and DHI for their guidance and support in launching SMCL as a strong mining Company. SMCL as a mining Company cannot operate in isolation. It must relate, collaborate and work closely with the line agencies of minerals resources regulation. Hence, the Management would like to record our appreciation of the Department of Geology and Mines, National Environment Commission, the Local Governments and Communities for their support at all times. Finally, the Management and employees sincerely pledge to work hard in the interests of owners of mineral resources, the people of Bhutan

Tashi Delek!

[Kezang Jamtsho]
Chief Executive Officer



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COMPANY PROFILE

The Royal Government of Bhutan envisioned the noble concept of establishing a state entity realizing the potentials of mining sectors' contribution to the national socio-economic development and expand economic opportunities, create jobs, and generate revenue for the country. During the 45th Lhengyel Zhungtshog, the Royal Government decided to form State Mining Corporation Limited (SMCL). SMCL was incorporated under the Companies Act of Kingdom of Bhutan as DHI 100% subsidiary Company on 31st December 2014.

Vision

To be a premier mineral resources development company in the nation guided by the principles of GNH.

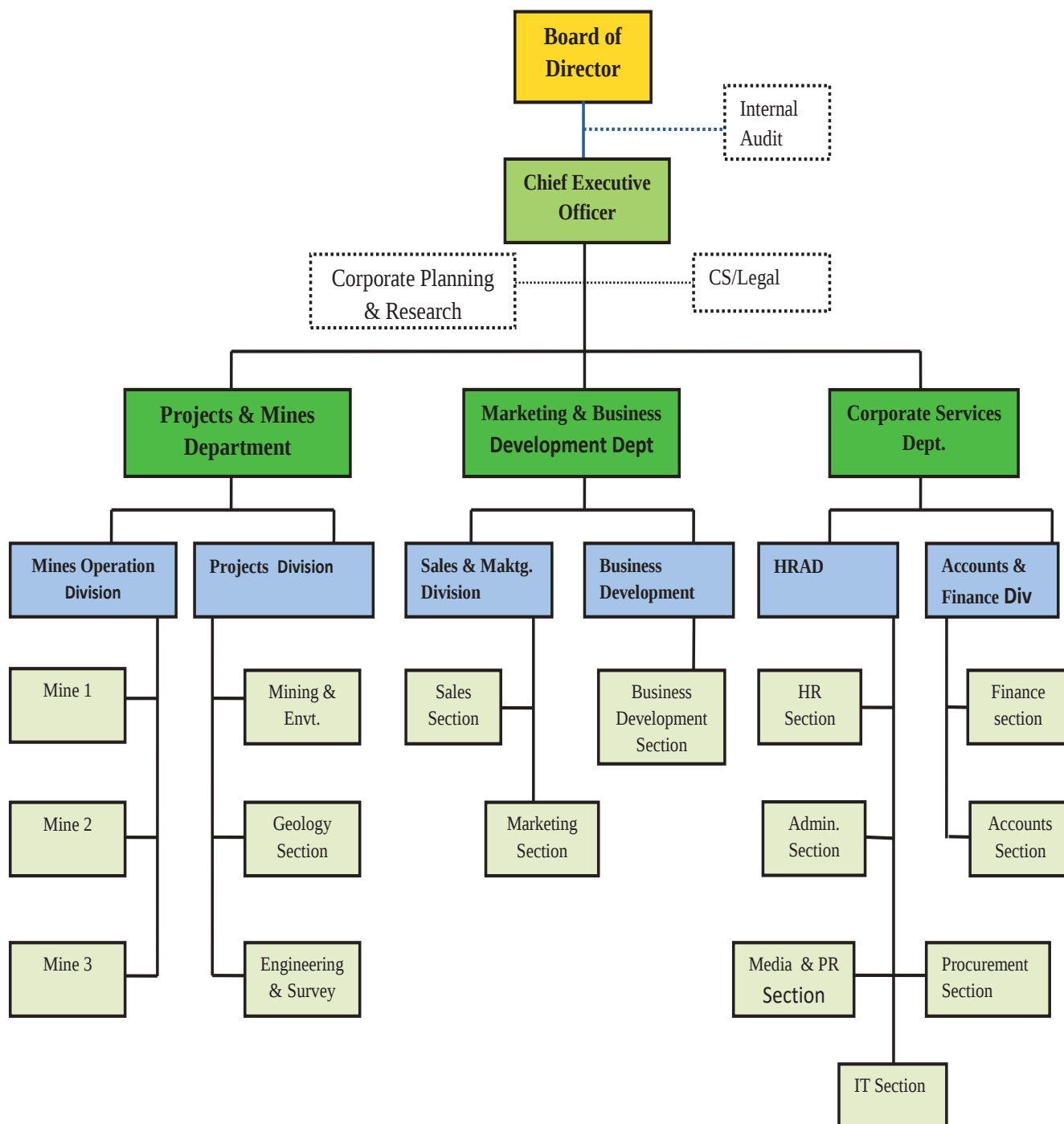
Mission

- Explore and extract mineral resources in a scientific manner and help build a dynamic economy for a vibrant democracy
- Accelerate socio-economic development
- Lead and stimulate private sector development

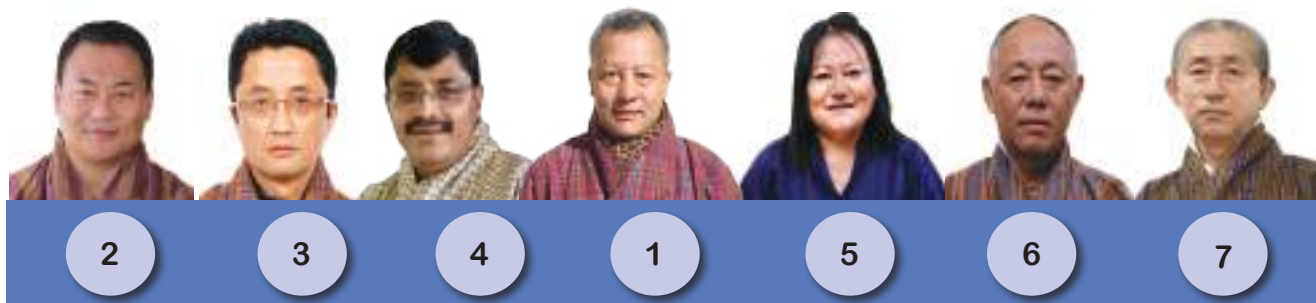
Values

- Integrity – Conduct business with honesty and transparency at the highest level of corporate governance.
- Excellence – Strive for the highest possible standards while conducting business, both in terms of work and quality of goods and services.
- Accountability – Defining & accepting responsibility, delivering on the commitments.
- Team Work – Work collectively across all levels and partners, building strong relationships based on respect, understanding and cooperation.
- Responsibility – Strive to be responsible in keeping with the values of GNH, be sensitive to the environment and accountable to the people of Bhutan.

ORGANIZATION CHART



BOARD DIRECTORS



1. Dasho Karma Yezer Raydi – Chairman.

Chief Executive Officer, DHI

Dasho Karma Yezer Raydi has Master Degree in Geo Technical Engineering, from Nippon Institute of Technology, Japan and B.E Civil from University of Roorkee, India. He has rich leadership experience acquired over the 27 years of service to the Tsa-Wa-Sum. He started his career in 1989 and shouldered important positions in ministries, financial institutions, authorities and finally as an Eminent Member of National Council from 2008-2013. Currently, he is serving as the Chief Executive Officer of the Druk Holding and Investments Ltd.

2. Sonam Wangyel – Director

Dzongdag, Dzongkhag Administration, Samtse

He has Master Degree in Curriculum Studies from University of New England, Australia and B.Ed from NIE, Samtse. He joined the Civil Service in August 1993 and served at various capacities in Ministry of Education and has vast knowledge and experience in HR management, public administration and local governance. Currently, he is serving as Dzongdag for Samtse Dzongkhag.

3. Thinley Namgyel - Director

Secretary, Gross National Happiness Commission

He has MBA from University of Canberra, Australia and B.Com from Sherubtse College. He joined civil service as Trainee Officer in 1989 and shouldered the responsibilities of key positions under various divisions and departments under Ministry of Finance, His Majesty's Secretariat and as the Director under GNHC. He worked with World Bank and has wide knowledge in policy formulations, macro-economic analysis, monitoring and evaluation of projects and international financial perspectives. He is currently serving as the Secretary to Gross National Happiness Commission.

4. Dr. Damber Singh Kharka – Director

Director, DHI

Has a PhD in Financial Economics . Prior to joining his current assignment in 2008, he served the Royal Institute of Management (RIM) for 19 years as a faculty member. He is an economist by profession and a certified trainer in Corporate Governance and several management disciplines. His long experiences as corporate board director in several companies representing different economic sectors including Bhutan Telecom and as a trainer of the board directors provided him with sound exposure to corporate governance and performance management systems. He is currently serving as the Director, Druk Holding and Investments Ltd. since 2008.



5. Karma Choden – Director

Executive Director, Keshet Foundation

She has Bachelor Degree in Commerce from Sherubtse College. She joined as trainee officer in 1991 and served in various positions under Credit Operations, Bhutan Development Bank Limited then Bhutan Development Finance Corporation Limited. She has extensive knowledge and experience in credit investment, project appraisal, money and banking, project supervision and international financing, asset liability management and worked as trainer for financial sector in Bhutan. She serves as the Executive Director, Keshet Foundation.

6. Yeshi Dorji – Director

Geo-Technical Advisor, DGPC

He did B.Sc. in Applied Geology, Indian School of Mines, Dhanbad, India and M.Sc. in Advance Engineering Geology from the University of Leeds, UK. He served in the Department of Geology and Mines (1984-2011) in various mineral exploration projects, and has been involved in many engineering geological studies. He was actively involved in the assessment of glacial lake outburst floods in Lunana after 1994 GLOF. He has been serving as the Geo Technical Advisor to DGPC since 2011.

7. Kezang Jamtsho - CEO

Chief Executive Officer, SMCL

He has Master Degree in Irrigation Engineering and Management from Asian Institute of Technology, Bangkok, Thailand and B.E Civil from Regional Engineering College, Silchar, India. He worked in various capacities in the Ministry of Agriculture and Forests. Before he joined the State Mining Corporation Limited, he served as the Commissioner, Anti-Corruption Commission of Bhutan.



MANAGEMENT TEAM



1. Kezang Jamtsho - Chief Executive Officer

He has Master Degree in Irrigation Engineering and Management from Asian Institute of Technology, Bangkok, Thailand and B.E Civil from Regional Engineering College, Silchar, India. He worked in various capacities in the Ministry of Agriculture and Forests. Before he joined the State Mining Corporation Limited, he served as the Commissioner, Anti-Corruption Commission of Bhutan.

2. Chhimi Rinzin - General Manager (HR&A)

He has obtained Masters in Human Resource Management from Curtin University of Technology, Western Australia. He started his career as Trainee Officer and served various ministries and agencies in different positions. Prior to appointment as the General Manager, SMCL he served as the Head, Human Resource Management Division, Royal Civil Service Commission till March, 2015.

3. Sangay Rinzin - General Manager (Marketing and Sales)

Obtained Masters in Accounting from Curtin University of Technology, Western Australia. He served as a lecturer, in Sherubtse and Gaeddu College, RUB. He has experience in financial management and accounting, business research, marketing, and development of project proposals.

4. Sangay Tshering - General Manager (Project)

He did B.E Mining from Nagpur University, Maharashtra, India, and Masters in Engineering Science in Mining Industry Management from UNSW, Australia. Before joining the Company he served as the Head of the Mining Division under the Department of Geology and Mines, Ministry of Economic Affairs.

5. Dechen - Head (Accounts & Finance)

She obtained Bachelor of Business Administration from Gaeddu College of Business Studies, Royal University of Bhutan. Before taking up the position as Head (Accounts & Finance) at the SMCL, she worked as Finance Manager at the Dungsum Cement Corporation Limited.

DIRECTORS' REPORT

a) Introduction

On behalf of the Board of Directors and the Management of State Mining Corporation Limited (SMCL), it is a pleasure to present the Directors' Report to Druk Holding and Investments (DHI) on the performance of the Company for the year 2017 (1st January- 31st December 2017). This is the 3rd Annual Report since its incorporation as a DHI owned Company.

SMCL was established with the mandate to generate revenues for the government by carrying out mining activities in an environmentally and socially responsive manner based on best practices.

The year 2017 has been a fruitful one for the Company. One year into the operation of its two coalmines, the Company has made a net profit of Nu.67.39 M, representing a net profit margin of 26.21%. The return on equity (RoE) stands at an admirable 22.78%. The Company has achieved 92.13% of its non-financial and financial compact targets.

b) Operational highlights

The second coalmine, the Tshophangma Coal Mine, started its mining operation from August 2017. From the two coalmines, the Company produced 53,622.15MT of coal in 2017, surpassing the compact target of 50,000 MT. Coal raising is done manually to carefully segregate contaminants to avoid dilution. Machine raising is done only when continuous thick seams without intercalations of diluting minerals are encountered. The output per man per shift (OMS) of Bhutanese labourers has improved and has surpassed or is comparable to Indian counterparts, a significant improvement from last year. The Earth Moving Equipment (EME) hiring rates for overburden removal have been reduced through negotiation and secured to stabilize a major variable cost. Coal transportation contract is renewed at the same rates to fix another major variable cost. The efficiency in EME deployment and transport management is key to business viability of coal.

The Dzongthung Stone Quarry (DSQ) development work of access road and benches construction for stone extraction and setting up the site office were completed. A 200 TPH three-stage (Jaw-Cone-VSI) Crushing Plant was procured. The challenging task of transporting heavy and bulky equipment from Samdrup Jongkhar to Dzongthung and Zungdi by deploying a local transport firm was successfully handled. As KHEL was delayed, the Management deferred commissioning of the Crushing Plant and production of aggregates to reduce operational and capital costs. The hiring of EME has been finalized but deferred for future deployment by extending the bid validity.

Some of the key operational decisions taken by the Management to bring efficiencies were:

- a. Quarry development and civil works done departmentally to cut costs and save time;
- b. Major borrowings to finance capital costs deferred to avoid cost of finance; and
- c. Staff recruitment deferred and already recruited ones redeployed in Tshophangma Coal Mine.

c) Financial position and key financial performance highlights

In 2017, the Company's total assets increased by 138% when compared to 2016 and now stands at Nu.365.35 M. The growth in assets was mainly due to procurement of vehicles, plant, machineries and setting up of infrastructure at the two coalmines and the DSQ. The Company's net worth has increased from Nu.120.37 M to Nu.295.85 M in 2017.

There was a steep rise in the Company's gross revenue from Nu.63.52 M in 2016 to Nu. 260.44 M in 2017. The increase in gross revenue was entirely due to increase in sale of coal (refer figure 1).

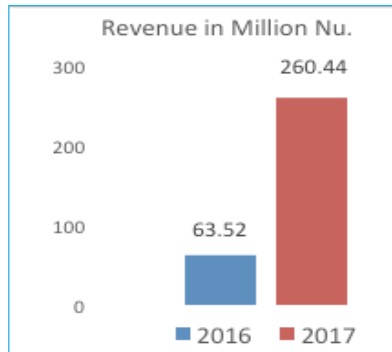


Figure 1: Revenue for 2016-17

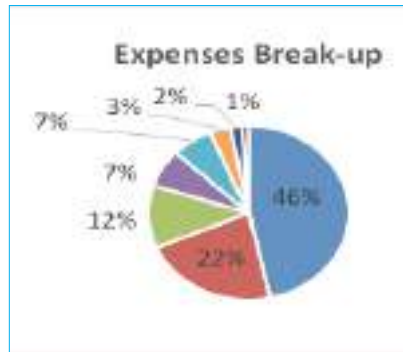


Figure 2: Expenses break-up

The total expenditure for the year was Nu.170.19 M with major expenses on stripping /overburden removal cost of Nu.91.82 M, freight outward cost of Nu.43.45 M, employee cost of Nu.22.90 M, coal raising cost of Nu.13.78 M and Nu.13.14 M towards depreciation and amortization (refer figure 2).

The Company achieved a net profit margin of 26.21% since its establishment. The PAT of Nu.67.39 M was achieved in comparison to losses in previous years.

Marketing and Sales

Revenue from sale of coal is the single source of revenue for SMCL as the Company is in its initial phase. In 2017, the Company supplied coal to DCCL, Lhaki Cement and Penden Cement Authority Limited, a small market diversification. More than the market diversification, it heralded the arrival and taking root of another player in coal business in Bhutan. The Company sold 41,111.36 MT of coal generating a total revenue of Nu. 260.44 M. The DCCL, being the major consumer, was supplied 37,283 MT of coal.

The monthly sales detail is shown in the figure 3 below.



Figure 3: Sales in MT by Customer, 2017



Figure 4: Payment received and receivables from DCCL, 2017

The Company faces severe cash flow problems. At the end of 2017, receivables from DCCL, accumulated over the year stand at Nu.96.35 M(refer figure 4).

The Company continues to manage higher ash content problem with stringent quality control measures. However, due to inherent high ash content, penalty against ash content has deprived the Company of Nu.20.07 M.



d) Projects

Habrang and Tshophangma Coal Mines

The two coalmines produced total 53,622.15 MT of coal against the target of 50,000 MT for 2017. The production from Habrang Coal Mine was 40,729.77 MT with 10,474 mandays of labour and 265.5 machine hours (8,391.4 MT). During the 5 months of production period, (August to December) Tshophangma Coal Mine produced 12,892.38 MT with 2,279 mandays of labour and 73.30 machine hours (2,173.38 MT).

Dzongthung Stone Quarry

The quarry development works of constructing access road, benches and gabion wall for overburden/waste dump site have been completed. The access road of 2 km was constructed departmentally, resulting in cost saving of Nu.17.27 M against the estimate of Nu.18.48 M. As KHEL was delayed indefinitely, operation of the quarry and aggregate production was deferred. The EME hiring contract was finalized but deferred for future deployment by extending the bid validity. The manpower recruited are redeployed in Habrang and Tshophangma coalmines at present.

A 200 TPH three-stage (JAW, CONE & VSI), from TEREX was procured after comprehensive bench-marking. TEREX had quoted Nu.63 M for the three-stage as a package, inclusive of transportation till site. With two rounds of intense negotiations, the cost was brought down to Nu.47.63 M with transportation till Samdrup Jongkhar. The challenging task of transporting heavy and bulky equipment from Samdrup Jongkhar to Dzongthung and Zungdi by deploying a local transport firm was successfully handled. As KHEL was delayed, the Management deferred commissioning of the Crushing Plant and production of aggregates to reduce operational and capital costs.

Kharibari Dara Stone Quarry

A quarry was identified at Kharibari Dara under Tading Gewog, Samtse Dzongkhag and applied to DGM on 8/3/2017. However, PFS was conducted only on 25/8/2017 and released on 21/11/2017 by DGM. In order to save time, geological investigation was carried out in October to November 2017. Based on the geological report, FMFS and EIA reports were prepared and submitted to DGM on 28/12/2017.

Urichu Gypsum Mine

The public clearance was obtained on 13/5/2017 and was submitted to the Dzongkhag Administration, Pemagatshel for Dzongkhag Tshogdu's (DT) endorsement. DT was conducted on 3/8/2017. As per DT resolution, SMCL was required to make a presentation to the DT members for their deliberation in the next DT.

Board and SMCL Management's Meeting with MoEA and DGM

During the MTR, BCPM directed the Board and the Management to meet with the MoEA and DGM for confirming the allocation of the strategic minerals as specified in the TOR of SMCL. As informed by the Board Chairperson during the 22nd Board Meeting held on 22nd November 2017, the issues were discussed with the Director General of DGM. It was confirmed that the allocation of strategic minerals would be done as per the Mineral Allocation Framework, which MoEA was preparing. It was also informed that SMCL would not be given any preferential treatment, but would be treated like any other private mining companies.

Kalanadi Coal Study

The geological investigation of the coal deposits in Kalanadi area under Samrang Gewog, Samdrup Jongkhar Dzongkhag was carried out departmentally to assess the reserve in terms of quality and quantity. The study was carried out in December 2017. The Company's geologists have reported that there is a probable coal reserve of 97,600 MT with ash content ranging 14.6% to 53.66%. The study was carried out with topographical mapping at 2 M contour intervals covering an area of 89 acres.





e) Audit Issues

The Company is pleased to report that there was no audit observation by the statutory auditors for the year 2017.

f) Board's Recommendation of Dividend

Upon Board's recommendation, the Company declared 11% dividend on its paid up capital of Nu.243.99 M, corresponding to Nu.26.84 M.

g) Corporate Governance

The following Board Level Committees were instituted to ensure good governance of the Company:

1. Human Resource Committee
2. Audit and Budget Committee
3. Tender Committee

Total of six Board Meetings were conducted during the period. Except for three Board Directors, four of them have visited two coalmines (Habrang and Tshophangma), and Dzongthung stone quarry. The Company has also instituted risk management policy and credit policy. Standard Operating Procedure (SOP) for mining and other functional areas are put in place.

h) Corporate Social Responsibility

Khatoethang Chiwog under Phuntshothang Gewog had drinking water shortage since long time. As part of social services to the Chiwog, the Company provided drinking water supply investing Nu. 2,70,000/-. The Company also strives to give benefits from mining to the local communities to enhance their income.

At Habrang coalmine, on average, 22 tippers every month belonging to the local individuals were engaged in mining. Coal raising is done through direct employment of the local workers. In 2017, about 6881 mandays were used with Nu.7.01 M being disbursed. Students during winter breaks were also given opportunity to work. With 676 mandays contributed by the students, they earned about Nu.0.51 M. Similarly, a community level benefit was also catered to Samrang community. They had formed a committee to carry out coal raising work at Tshophangma coalmine. A total of 1749 mandays were engaged by the committee and earned Nu.2.02 M.

i) Compact signed with DHI

Compact for 2017 was signed for non-financial targets of 71.5% and financial target of 28.5% with DHI. During the 24th Board Meeting held on 14th March, 2018, the Board assessed the achievement of Company's compact for 2017. The Board evaluated the achievement at 92.13% (64.83% for non-financial and 27.3% for financial targets).

j) Challenges and Way Forward

Established by the Government, SMCL is the designated body to develop the strategic minerals as given in tripartite Terms of Reference (ToR) agreed among MoF, MoEA and DHI during its incorporation. The Mineral Development Policy 2017 (May) grants prerogative authority to the RGoB in allocation of strategic minerals. DGM, MoEA has confirmed that SMCL will not be allocated strategic minerals, but treated as any other mining company. Such inconsistency over strategic minerals, undermines the Company's strategic planning and investment efforts, both short and long term. Indeed, the sacred Constitutional intent of inter-generational equity and sovereign rights over natural resources demands that mineral resources be brought under the control of the State and not be allowed to be squandered for the benefit of a few.



Mines leasing require numerous clearances from local communities and government agencies. Time consuming processes administered by different agencies, which are mandatory for approval is a hurdle in quick decision-making, required by nature of business. Poor precedents on compensation and other mining related problems suffered by project-affected families have led to a strong resistance to mining proposals. Same regulations and procedures are explained and interpreted contrarily.

Coal from Bhutan has inherent higher ash content. The average ash content was 3.07% higher than the acceptable ash content of 20% by cement industries. Compensation for coal quality has reduced the revenue by Nu.20.07 M in spite of stringent quality management.

The Company supplies coal mainly to DCCL and it has been difficult to collect its receivables from DCCL. As of 31st December 2017, receivables reached to Nu.96.35 M and it has severely affected the Company's cash flow.

Shortages of professionals/experts in the mining field still remain. Therefore, manpower planning is still a challenge for the Company. Coal extraction is done manually and therefore is labor intensive. Though the Company strives in employing Bhutanese laborers, Bhutanese workers are available on seasonal basis and not dependable.

Coal mining has its inherent challenges due to erratic nature of coal reserves. Mine feasibility studies have limited degree of certainty due to swelling and pinching nature of coal seams. Faced with high degree of uncertainty on coal reserves, mine plans require frequent revisions and updates, which puts pressure on time and resources.

Mining business by nature involves transportation of bulky minerals. Transportation cost is about 30-40% of total cost. The low carrying capacity of existing bridges and road conditions, increase transport cost, sometimes even to the extent of making the overall business not feasible.

k) Acknowledgements

On behalf of the Board of Directors and the Management of SMCL, I would like to sincerely value and thank the Royal Government of Bhutan and DHI for having entrusted with full faith on us in developing SMCL. Further, Board would also like to thank all regulatory agencies and stakeholders like DGM, NECS, Dzongkhags, and Communities for the support rendered to nurture and encourage the Company.

Let me also place on record, the enormous contribution made by the Board of Directors in providing strategic directions and unfailing support, particularly when the company is in the critical and initial phase of establishment. The success of smooth establishment of SMCL and launching it into operational phase with certain confidence are true reflections of your contributions.

The Chair and the Board of Directors would like to acknowledge the hard work and leadership provided by the Chief Executive Officer and his team towards realizing the aspirations of the Government, People and the Shareholder. As the Company enters into its vital operational phase, I urge the SMCL team to maintain the highest professionalism, dedication and hard work for the continued success of our Company for years to come.

Tashi Delek!

For and on behalf of the Board

(Dasho Karma Yezer Raydi)
Chairman

CORPORATE GOVERNANCE REPORT

The Company is committed to comply with the provisions of the Companies Act of Bhutan 2016, Corporate Governance Code, Ownership Policy and other statutory requirements.

The Company strives to meet the expectations and earn the trust of shareholder and stakeholders, realize corporate growth and enhance shareholder value through sound and effective corporate practices which are fundamental to the smooth, effective and transparent operation of the Company.

The Board constitutes of seven members which are identified and appointed by DHI with subsequent endorsement in the general meetings. The DHI organize and conducts orientation programme for the new board members to prepare them on the roles and responsibilities of the board.

a) Board Directors

Table No: 1

Sl. No.	Name	Address	Date of Appointment	Status	Term	Board on other DHI Companies
1	Dasho Karma Yezer Raydi	CEO, Druk Holding & Investments Ltd (DHI)	April 2016	Non-Independent Director	2 nd term	Dungsam Cement Corporation Ltd. (Chairman)
2	Dasho Sonam Wangyel	Dzongdag, Samtse Dzongkhag	July 2016	Independent Director	2 nd term	-
3	Dasho Thinley Namgyel	Secretary, Gross National Happiness Commission	March 2017	Independent Director	1 st term	-
4	Dr. Damber S. Kharka	Director, Druk Holding & Investments Ltd. (DHI)	April 2016	Non-Independent Director	1 st term	Bhutan Telecom Ltd. (Board Director)
5	Mrs Karma Choden	Executive Director, Keshet Foundation	March 2017	Independent Director	2 nd term	Royal Insurance Corporation of Bhutan Ltd. (Board Director)
6	Mr Yeshi Dorji	Geo-tech Advisor, Druk Green Power Corporation Ltd.	March 2017	Non-Independent Director	2 nd term	-
7	Mr Kezang Jamtsho	CEO, State Mining Corporation Ltd.	July 2016	Non-Independent Director	1 st term	-

b) Board Meetings

Board Directors play an active role in the Board Meetings through contribution of their professional opinions and active participation in discussion. The Board met six times during the year and quorums for each of these meetings were duly met. The dates for the Board meetings are decided in advance and communicated to the Directors. Agenda, along with necessary explanatory notes are sent to the Directors before the meetings.

The attendance record of each of the directors for the Board meetings held during 2017 is listed as follows:

Table No: 2

Sl. No.	Board Meetings Held	Board Directors	Attendance
1	18 th Board Meeting Venue: DHI Conference Hall, Thimphu Date: 17/02/2017	Dasho Karma Yezer Raydi, Chairman	Present
		Dr. Damber S. Kharka	Present
		Mr. Yeshi Dorji	Present
		Mrs. Karma Choden	Present
		Mr. Kezang Jamtsho	Present
		Dasho Sonam Wangyel	Apologies
2	19 th Board Meeting Venue: DHI Conference Hall, Thimphu Date: 23/05/2017	Dasho Karma Yezer Raydi, Chairman	Present
		Dr. Damber S. Kharka	Present
		Dasho Thinley Namgyel	Present
		Mrs. Karma Choden	Present
		Mr. Yeshi Dorji	Present
		Mr. Kezang Jamtsho	Present
3	20 th Board Meeting Venue: DHI Conference Hall, Thimphu Date: 25/07/2017	Dasho Karma Yezer Raydi, Chairman	Present
		Dr. Damber S. Kharka	Present
		Dasho Sonam Wangyel	Present
		Mrs. Karma Choden	Present
		Mr. Kezang Jamtsho	Present
		Mr. Yeshi Dorji	Apologies
4	21 st Board Meeting Venue: Jigme Namgyel Engineering College, Dewathnag Date: 14/10/2017	Mr. Thinley Namgyel	Apologies
		Dasho Karma Yezer Raydi, Chairman	Present
		Dr. Damber S. Kharka	Present
		Mr. Yeshi Dorji	Present
		Mrs. Karma Choden	Present
		Mr. Kezang Jamtsho	Present
5	22 nd Board Meeting Venue: DHI Conference Hall, Thimphu Date: 22/11/2017	Dasho Sonam Wangyel	Apologies
		Dasho Thinley Namgyel	Apologies
		Dasho Karma Yezer Raydi, Chairman	Present
		Dr. Damber S. Kharka	Present
		Dasho Thinley Namgyel	Present
		Mr. Yeshi Dorji	Present
6	23 rd Board Meeting Venue: Hotel Bhutan Ga Me Ga, Phuentsholing Date: 29/12/2017	Mrs. Karma Choden	Present
		Mrs. Kezang Jamtsho	Present
		Dasho Sonam Wangyel	Apologies
		Dasho Karma Yezer Raydi, Chairman	Present
		Dasho Sonam Wangyel	Present
		Mr. Yeshi Dorji	Present
		Mrs. Karma Choden	Present
		Mr. Kezang Jamtsho	Present
		Dasho Thinley Namgyel	Apologies
		Dr. Damber S Kharka	Apologies

c) Board Committees

The three Board Committees: Board Audit Committee (Finance and Budget Committee), Board HR Committee, and Tender/Procurement Committee assist the Board in execution of its responsibilities.

Board Audit Committee

The Board Audit Committee constitutes of three members who are independent directors. The committee met three times during the period

Table No. 3

Sl No	Member	Chairman	No. of Meeting held	Attendance
1	Karma Choden	Karma Choden	4 th meeting held on 25/07/2017	Present
2	Dasho Sonam Wangyel			Present
3	Dasho Thinley Namgyel			Apologies
1	Karma Choden	Karma Choden	5 th meeting held on 22/11/2017	Present
2	Dasho Thinley Namgyel			Present
3	Yeshe Dorji			Present
1	Karma Choden	Karma Choden	6 th meeting held on 13/12/2017	Present
2	Dasho Thinley Namgyel			Present
3	Yeshe Dorji			Apologies

Board HR Committee

The Board HR Committee constitute three members where the independent director is the chairman of the committee. The committee meets as and when required.

Table No. 3.1

Sl. No	Member	Chairman	No. of Meeting held	Attendance
	No. of meeting held	Attendance	-	
1	Yeshe Dorji	Chairman	-	
2	Dr. Damber S. Kharka	Director	-	
3	Kezang Jamtsho	Director	-	
4	Dasho Sonam Wangyel	Director	-	

Board Tender/Procurement Committee

Table No. 3.2

Sl. No	Member	Chairman	No. of Meeting held	Attendance
1	Dr. Damber S. Kharka	Dr. Damber S. Kharka	2 nd meeting held on 16/02/2017	Present
2	Dasho Karma Yezer Raydi			Present
3	Kezang Jamtsho			Present
1	Dr. Damber S. Kharka	Dr. Damber S. Kharka	3 rd meeting held on 11/04/2017	Present
2	Dasho Karma Yezer Raydi			Present
3	Kezang Jamtsho			Present
1	Dr. Damber S. Kharka	Dr. Damber S. Kharka	4 th meeting held on 08/05/2017	Present
2	Dasho Karma Yezer Raydi			Present
3	Kezang Jamtsho			Present
1	Dr. Damber S. Kharka	Dr. Damber S. Kharka	5 th meeting held on 07/06/2017	Present
2	Dasho Karma Yezer Raydi			Present
3	Kezang Jamtsho			Present
1	Dr. Damber S. Kharka	Dr. Damber S. Kharka	6 th meeting held on 09/11/2017	Present
2	Dasho Karma Yezer Raydi			Present
3	Kezang Jamtsho			Present

d) Board Remuneration

The Board remuneration and CEO's remuneration paid during the year are given below:

Table No: 4 Remuneration of Directors

Board Sitting fee	Nu. 316,000
Sub Committee sitting fee	Nu. 178,000

Table No: 4.1 Remuneration of CEO

Expenses Head	Amount(in Nu)
Basic Pay	974,400
Allowances	584,640
GPF Contribution (Employer)	107,184
Travelling expense of CEO	313,045
Sitting fees	56,000
Leave Encashment	82,400
Leave Travel Concession	15,000
Total	2,132,669

e) Annual General Meeting

The Annual General Meeting for 2017 was held on 14th March, 2018 at Ro-Chogpel Hotel, Thimphu.

Key highlights of the meeting.

- Three Directors, Dasho Karma Yezer Raydi, Chairman, Dr. Damber S. Kharka and Dasho Sonam Wangyel have completed their terms. The AGM approved the reappointment of Dasho Karma Yezer Raydi and Dasho Sonam Wangyel. Mr. Loday Phuntsho, DHI has been appointed in place of Dr. Damber S. Kharka with effect from 14 March, 2018.
- Declared dividend of Nu. 26.84 M.

f) Risk Management Systems

The mineral resources extraction and management happens in a highly competitive market environment on the one hand and depleting mineral resources trend on the other, which dictates the need to manage the whole supply/ demand chain to stay competitive. Such an environment for mining business calls for continuous appraisal of operations and their associated risks. The Company risk management is guided by its policy that explicitly provides through a framework, how every employee must recognize risks at work places and be prepared with required actions in the interests of the Company, employees and the communities.

Effective risk management facilitates the company's business development and operation by identifying the risks from time to time and proactively managing them.

The Board is responsible for ensuring that sound and effective risk management and internal control systems are maintained, while management ensures the sufficient and effective operational controls over the key business processes are properly implemented with regular review and update.



The following are the key risk identified and mitigation measures put in place:

Sl. No	Key risk identified	Description of risk	Mitigation measures in place
1	Strategic risk	Non-conformity at policy level	Board level discussions with external stakeholders is continuing
2	Financial risk	Delay in payment by customers	Strategies in place to improve credit recovery
3	Operational risk	Poor inherent coal quality	Coal grading system in extraction and stocking in practice
		Inefficient controls of hired EMEs and workforce at mines	Daily OMS monitored
		Skills shortages	Need based training of the existing employees and retention strategies in place

g) Corporate Social Responsibility

Khatoethang Chewog under Phuntshothang Gewog had drinking water shortage since long time. As part of social services to the Chewog, the Company provided drinking water supply investing Nu. 2,70,000/-. The Company also strives to give benefits from mining to the local communities to enhance their income.

At Habrang coalmine, on average, 22 tippers every month belonging to the local individuals were engaged in mining. Coal raising is done through direct employment of the local workers. In 2017, about 6881 mandays were used with Nu. 7.01 M being disbursed. Students during winter breaks were also given opportunity to work. With 676 mandays contributed by the students, they earned about Nu.0.51 M.

Similarly, a community level benefit was also catered to Samrang community. They had formed a committee to carry out coal raising work at Tshophangma coalmine. A total of 1749 mandays were engaged by the committee and earned Nu.2.02 M.

In addition to above, the Company has also sponsored for cultural and sport events in schools and made donations either cash or in kind (use of machines/vehicles) during religious events and constructions and renovations of lhakhangs.

h) Policies and Practices of CEO and Board Evaluation

The shareholder ensures that the Board has an appropriate balance of skills, qualities and characteristics so that each board member is equipped with the proper tools and motivation to carry out the responsibilities. The evaluation of individual Directors focuses on the contribution of the Director to the company as specified in the Board Charter. The Board evaluates the performance of the CEO on annual basis (Leadership competencies and attributes 20% and achievement of Annual Compact 80%).







INDEPENDENT AUDITORS' REPORT





INDEPENDENT AUDITOR'S REPORT

To the Shareholders of STATE MINING CORPORATION LIMITED

Opinion

1. We have audited the financial statements of STATE MINING CORPORATION LIMITED (the Company), which comprise the Statement of Financial Position as at December 31, 2017, the Statement of 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.
2. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS) Phase-I, Phase-II and Phase-III.

Basis for Opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
4. 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

5. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Bhutanese Accounting Standards (BAS) 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.



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

Auditor's Responsibilities for the Audit of the Financial Statements

7. 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 ISAs 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.

Report on Other Legal and Regulatory Requirements

8. As required by Section 266 of the Companies Act of Bhutan, 2016 (Minimum Audit Examination and Reporting Requirements), we enclose in Annexure-I, a statement on the matters specified therein to the extent applicable.
9. We also enclose for information purposes Annexure-II, a Statement on applicability of Bhutanese Accounting Standards Phase I, Phase II and Phase-III on State Mining Corporation Limited for the year ended 31st December 2017 as approved by the Company.
10. As required by Section 265 of the Act we report that:
- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - iii. the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of account.

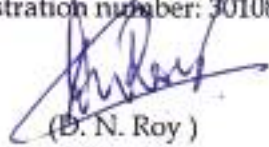




vii. Based on the information, explanation and management representation received during the course of our audit, the

company has complied with all the applicable and relevant legal and regulatory requirements.

Place : Kolkata, India
Date : 2nd April, 2018

For L.B. Jha & Co.,
Chartered Accountants
(Registration number: 301088E)

(D. N. Roy)
Partner
(Membership number 300389)



ANNEXURE - I TO THE AUDITORS' REPORT
(Referred to in paragraph 8 of our Report of even date)

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS.

1. The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets. As per information provided to us by the management, no material discrepancies were noticed on physical verification conducted by the Management during the year.
2. No fixed assets were revalued during the year as the Company is following Cost Model for valuation of fixed asset.
3. The finished goods, stores and spares parts have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
4. In our opinion and according to information and explanations given to us, the procedures of physical verification followed by the Management are reasonable and adequate having regard to the size of the Company and the nature of its business.
5. As per the information and explanations given to us and examination of the records made available to us, no material discrepancies were noticed on physical verification of inventory as compared to book records.
6. On the basis of our examination of the stock records, we are of the opinion that the valuation of stock is fair and proper and in accordance with the normally accepted accounting principles and as per the accounting policy of the Company.
7. The Company has not taken any loan from companies, firms, other parties under the same management. The Company had taken a secured loan from a bank. The rate of interest and other terms and conditions was not prima facie prejudicial to the interest of the Company. The principal along with the interest have been repaid during the year.
8. The loans/advances granted to employees are generally in keeping with the provisions of its service rules based on the test checks carried out and to the best of our knowledge and belief and information available to us and as informed us no excessive/frequent advances are granted and accumulation of large advances against particular individual is generally avoided which is relied by us.
9. In our opinion and as per the information provided to us, the Company has a reasonable system of internal controls to ensure overall completeness, accuracy and reliability of accounting records during the year, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules/regulations and systems and procedures.



10. In our opinion, to the best of our knowledge and belief and according to the information and explanations given to us and checks carried out, there is a reasonable system of competitive biddings, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets, and for the sale of goods and services.
11. As per the information and explanations given to us and based on the declarations received from the Directors, there is no transaction for purchases and sale of goods and services made in pursuance of contracts or arrangements entered into with the Directors or any other party related to the Directors or with the companies or firms in which the Directors are directly or indirectly interested. However, as the Directors of the Company are all Government nominees, there are some transactions with other Government Companies/Agencies, which were generally found to be as per the directives, sanctions, rules and regulations of the Government.
12. As per information and explanation given to us, there are no cases where any items of inventory are unserviceable, obsolete or damaged.
13. As the Company is a mining company, there are no such raw materials and packing materials. Hence the question of ascertaining the point of breakages/ damages does not arise.
14. In our opinion and to the best of our knowledge and belief and as per the information provided to us by the management, the Company is maintaining reasonable record for production of finished goods and physical safeguards exist to prevent unauthorized or irregular movement of goods from the Company. The Company does not have any by-products.
15. On the basis of the examination of the records produced to us, we are of the opinion that the Company is maintaining reasonable records for sales of realizable scraps.
16. In our opinion and on the basis of test checks of records, the Company is generally regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority.
17. As per the information furnished to us, the Company had undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions which were outstanding as at the last day of the financial year concerned. The details of such outstanding balances are given below:-

Particulars	Amount (Nu.)
Tax deduction at source (other than salary)	5,09,464

18. According to the information and explanations given to us, and test checks carried out, to the best of our knowledge, no personal expenses of employees or directors have been charged to the Statement of Comprehensive Income other than those payable as explained to us under normal contractual obligation in accordance with generally accepted practice.





19. In our opinion and as per the information as explanations given to us, Company has a reasonable system for recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
20. In our opinion and as per the records furnished to us, quantitative reconciliation is carried out at the end of accounting year in respect of finished goods.
21. In our opinion and as per the records furnished to us, the company maintains only one Cost-Centre; hence, question of allocating man-hours utilized to the respective jobs does not arise.
22. In our opinion and as per the information and explanations provided to us by the management, the Company has a reasonable system of authorization at proper level and an adequate system of internal control commensurate with the size of the Company and nature of its business, on issue of stores and allocation of material to jobs.
23. In our opinion and as per the information provided to us by the management, the selling prices are fixed by a Pricing Committee, comprising of members from Government of Bhutan.
24. According to the information and explanation given to us, the Company has formulated a credit sales policy effective from July 2017 onwards; however, no credit rating of customers is carried out as the company has only three customers.
25. In our opinion there is a reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts. Age-wise analysis of outstanding amounts is carried out by the Management as and when required for information and follow up action.
26. In our opinion and according to information and explanations given to us, the management of liquid resources particularly cash, bank and short term deposits are adequate and that excessive amount are not lying idle in non-interest bearing accounts. The Company has not withdrawn any excess amount as loan leading to avoidable interest burden on the Company.
27. According to the information and explanations given to us and on the basis of test examination of books and records, in our opinion and to the best of our knowledge, the activities carried out by the Company are lawful and intra-vires to the Articles of Incorporation of the Company.
28. On the basis of our verification and according to the information and explanation given to us, activities/investment decisions are made subject to prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
29. According to the information and explanations provided to us, the Company has established an effective budgetary control system.
30. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer (CEO) by the company are disclosed in the accounts. As explained to us, no payment has been made to any relative of any Director or CEO during the year.



31. According to the information and explanations given to us and based on our review, in our opinion and to the best of our knowledge, the directives of the Boards have been complied with.
32. As per information and explanation given to us and to the best of our knowledge, the officials of the company have not disclosed any price sensitive information to their relatives/friends/associates or close persons which would directly or indirectly benefit themselves.
33. The clauses 8, 9, 23, 28 and 34 of the Companies Act of Bhutan, 2016 read with Section II of Schedule XIV thereto the Minimum Audit Examination and Reporting Requirements are not applicable to the Company. In addition to the above, all clauses for Finance and Investment Company, Trading Company and other Service Sector Companies are not applicable.

COMPUTERISED ACCOUNTING ENVIRONMENT

As per information and explanations provided to us and to the best of our knowledge and belief:-

1. The Company has a system for maintenance of accounting information during the year and in our opinion the organizational and system development controls and other internal controls need further strengthening.
2. The Company has certain safeguard measures and backup facilities of financial data.
3. The Company has back up facilities and disaster recovery measures which include keeping files in different and remote locations.
4. Operational controls are found reasonable to ensure correctness and validity of input data and output information.
5. Overall measures taken by the Company to prevent unauthorized access over the computer installation and files are generally adequate.

GENERAL

1. Going Concern

Based on the Company's financial statements for the year ended 31st December 2017, audited by us, the company has generated profits during the year. The Company has earned sufficient profit during the year under audit and we have no reason to believe that the company is not a going concern. Accordingly, the financial statements have been prepared under the going concern basis.

2. Ratio analysis.

Financial and Operational Ratio Analysis in respect of the Company are given below:

Particulars	Basis	2017	2016
Earnings per Share	Profit After tax/No. of share issued	31.32	(4.51)
Net Profit Ratio (%)	Net profit/Turnover*100	26.21	(7.00)
Return on Asset (%)	Net profit/Total Asset*100	0.18	(0.03)
Return on Equity (%)	Net profit/Owners Equity*100	22.78	(3.60)
Debtor Turnover Ratio	Sales/Average Debtor	3.39	2.61
Current Ratio	Current Asset/Current Liabilities	3.09	2.10
Quick Ratio	(Current Asset-Inventory)/Current Liabilities	1.8	1.9
Debtor collection period Ratio	(Sundry Debtor*365)/Sales	148Days	279Days

3. **Adherence to Laws, Rules and Regulations:**

The audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the financial statement as produced before us by the Management. In the course of audit we have considered based on our audit checks, the compliance of provisions of the said Companies Act and its Articles of Association relevant to the financial statements to the best of our knowledge and belief. We are unable to state whether the Company has been complying with any other applicable laws (other than the Companies Act), rules and regulation, systems, procedures and practices.

Place : KOLKATA
Date : 02/04/2018

For L.B. Jha & Co.,
Chartered Accountants
(Registration number: 301088E)



(D. N. Roy)
Partner
(Membership number 300389)





FINANCIAL STATEMENTS





STATE MINING CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER, 2017

Amount in Nu

Particulars	Notes	31-Dec-2017	(Re-stated) 31-Dec-2016	(Re-stated) 01-Jan-2016
ASSETS				
Non-Current Assets-				
Property, plant and equipment	2A	89,850,616	30,800,706	5,562,920
Intangible asset	2B	1,837,547	137,075	66,164
Capital work-in-progress	2C	16,310,807	22,377,849	11,395,932
Exploration & evaluation cost	2D	26,190,313	22,213,450	-
Trade & other receivable	3	8,551,934	4,487,598	1,717,962
Other non current assets	4	10,608,556	6,753,706	
Total non-current asset		153,349,774	86,770,383	18,742,977
Current Assets-				
Inventories	5	87,878,406	5,405,308	
Trade & other receivable	6	104,680,166	47,543,731	3,203
Cash and cash equivalents	7	6,883,593	8,243,544	17,607,271
Other current assets	8	12,553,232	5,653,946	808,921
Total current asset		211,995,397	66,846,529	18,419,395
Total asset		365,345,171	153,616,912	37,162,372
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	9	243,990,000	135,990,000	45,580,000
Other Equity		51,862,249	15,619,370	11,385,717
Total Equity		295,852,249	120,370,630	34,194,283
Non-current liabilities				
Deferred tax liability	10	-	797,511	39,713
Employee benefit obligations	11	805,435	564,629	445,818
Total non-current liabilities		805,435	1,362,140	485,571
Current liabilities				
Trade and other payables	12	33,109,643	29,670,042	2,482,519
Short term employee benefit	13	432,143		
Other liabilities	14	35,145,701	2,214,100	
Total current liabilities		68,687,487	31,884,142	2,482,519
Total of equity and liabilities		365,345,171	153,616,912	37,162,373

The above accompanying notes form an integral part of Financial Statements.
This is the Statement of Financial Position referred to in our report of even date.

For L.B. Jha & Co.,
Chartered Accountants
(Registration number: 301088E)

(D. N. Roy)
Partner
(Membership number 300389)

Place: **KOLKATA**
Date: **02/04/2018**



For State Mining Corporation Limited

Karma Yezer Raydl
Chairman

Kezang Jamtsho
CEO

Dasho Karma Yezer Raydl
(Chairman)

State Mining Corporation Ltd.
Regd. Office : Samtse; Bhutan

Place: **Thimphu**
Date: **14/03/18**

Chief Executive Officer
State Mining Corporation Limited
Samtse : BHUTAN

STATE MINING CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME AS ON 31st DECEMBER, 2017

Particulars	Notes	Period ended 31-12-2017	Period ended 31-12-2016 (Re-stated)
Income-			
Revenue from sale of products	15	257,115,172	61,931,164
Other income	16	3,326,321	1,588,194
Total Income		260,441,493	63,519,358
Expenditure-			
Changes in Inventories of finished goods	17	(30,783,097)	(4,867,477)
Mining Cost	18	111,131,900	37,517,389
Operation & Maintenance Expenses	19	3,554,512	682,845
Depreciation and Amortisation	2	13,137,629	2,756,879
Employee Benefit Expenses	20	22,901,993	13,899,135
Finance Cost	21	13,535	121,752
Other Expenses	22	6,788,897	6,745,499
Selling & Distribution		43,445,835	10,240,491
Total Expenditure		170,191,203	67,096,513
Profit/(Loss) Before Income Tax		90,250,290	(3,577,155)
Income Tax Expenses			
Current tax		27,075,087	
Deferred tax		(4,214,142)	(757,778)
Profit/(Loss) After Income Tax		67,389,345	(4,334,933)
Other Comprehensive (income)/Loss			
Actuarial Gain/(Loss) on post employment benefit		92,274	101,280
Net Other Comprehensive (Income)/Loss		92,274	101,280
Total Comprehensive Income/(Loss)		67,481,619	(4,233,653)
Basic and Diluted Earnings per Share	23	31	(5)

The above accompanying notes form an integral part of Financial Statements.
This is the Statement of Comprehensive Income referred to in our report of even date.

For L.B. Jha & Co.,
Chartered Accountants
(Registration number: 301088E)

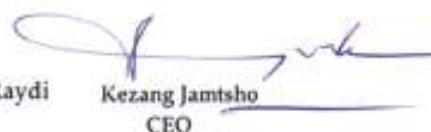


(D. N. Roy)
Partner
(Membership number 300389)

For State Mining Corporation Limited



Karma Yezer Raydi
Chairman



Kezang Jamtsho
CEO

Place: KOLKATA
Date: 02/04/2018



Dasho Karma Yezer Raydi
(Chairman)

State Mining Corporation Ltd.
Regd. Office : Samtse; Bhutan

Place: Thimphu
Date: 14/03/18

Chief Executive Officer
State Mining Corporation Limited
Samtse : BHUTAN

STATE MINING CORPORATION LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31st DECEMBER 2017

Particulars	Period ended 31-12-2017	Period ended 31-12-2016 (Re-stated)
Net Profit Before Tax	90,250,290	(3,577,155)
Adjustment for		
Depreciation and amortization	13,137,629	2,756,879
Actuarial Gain/(Loss) on post employment benefit obligations	92,274	101,280
Interest on Secured Loan	13,535	121,752
Interest earned on Short Term Deposit	(934,890)	(130,137)
Loss on Disposal of PPE		4525
Changes in Working Capital :		
Adjustment for		
(Increase)/Decrease in Inventory	(82,473,098)	(40,499,850)
(Increase)/Decrease in Trade & Other receivable	(57,136,435)	(11,056,051)
(Increase)/Decrease in Other Current Assets	(6,899,285)	
(Increase)/Decrease in Other Non-Current Assets	(7,919,186)	(15,758,302)
Increase/(Decrease) in Trade & Other Payables	3,439,601	29,062,755
Increase/(Decrease) in short term employee benefit	432,143	
Increase/(Decrease) in other current liabilities	32,931,601	338868.62
Increase/(Decrease) in Non- current liabilities	(556,705)	118791
Cash generated from Operations	(118,181,365)	(37,793,789)
Less : Tax Paid	(22,860,945)	
Net Cash used in Operating activities (A)	(38,483,473)	(38,516,645)
Cash Flow from Investing Activities		
Purchase of Fixed Assets and Capital Work in Progress	(71,797,834)	(61,265,467)
Interest earned on Short Term Deposit	934,890	130,137
Net Cash used in Investing Activities (B)	(70,862,943)	(61,135,330)
Cash Flow from Financing Activities		
Issue of Share Capital	108,000,000	90,410,000
Interest on Secured Loan	(13,535)	(121,752)
Cash flow from Financing Activities (C)	107,986,465	90,288,248
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B)	(1,359,951)	(9,363,727)
Cash & Cash Equivalents at the beginning of the year	8,243,544	17607271
Cash & Cash equivalents at 31/12/2017	6,883,593	8,243,544

This is the Statement of Cash Flow referred to in our report of even date.

For L.B. Jha & Co.,
Chartered Accountants
(Registration number: 301088E)

(D. N. Roy)
Partner
(Membership number 300389)

Place: KOLKATA
Date: 02/04/2018



For State Mining Corporation Limited

Karma Yezer Raydi
Chairman

Kezang Jamtsho
CEO

Dasho Karma Yezer Raydi
(Chairman)
State Mining Corporation Ltd.
Regd. Office : Samtse, Bhutan

Place: Thimphu
Date: 14/03/18

Chief Executive Officer
State Mining Corporation Limited
Samtse : BHUTAN

STATE MINING CORPORATION LIMITED
Statement of Changes in Equity For The YEAR ENDED 31st DECEMBER 2017
Amount in Nu

A. Equity share capital

Description	Amount
Balance as at 1st January 2017	1,359,900
Changes in equity share capital	1,080,000
As at 31 December 2017	2,439,900

B. Other equity

Description	Reserve and surplus Retained earnings	Total other equity
Balance at 01 January 2016	(11,385,717)	(11,385,717)
Profit for the year	(4,334,933)	(4,334,933)
Other comprehensive income	101,280	101,280
Total comprehensive income for the year	(4,233,653)	(4,233,653)
Balance at 31 December 2016	(15,619,370)	(15,619,370)

Description	Reserve and surplus Retained earnings	Total other equity
Balance at 01 January 2017	(15,619,370)	(15,619,370)
Profit for the year	67,389,345	67,389,345
Other comprehensive income	92,274	92,274
Total comprehensive income for the year	67,481,619	67,481,619
Balance at 31 December 2017	51,862,249	51,862,249

For L.B. Jha & Co.,
Chartered Accountants
(Registration number: 301088E)

(D. N. Roy)
Partner
(Membership number 300389)

For State Mining Corporation Limited

Karma Yezer Raydi
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Place: KOLKATA
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Dasho Karma Yezer Raydi
(Chairman)
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Samtse : BHUTAN

SIGNIFICANT ACCOUNTING POLICIES

General Information:

State Mining Corporation Limited (SMCL) is incorporated as public limited company under the Companies Act of Kingdom of Bhutan 2000 on 31st December 2014.

The company is a wholly owned subsidiary of Druk Holding and Investment (DHI) and ultimate subsidiary of Ministry of Finance, Royal Government of Bhutan.

The principal activities of State Mining Corporation Limited (the "Company") cover the extraction and marketing of minerals. All significant operations take place within Bhutan. The ultimate parent is the Royal Government of Bhutan.

The Company is a limited liability company incorporated and domiciled in Bhutan. The address of its principal place of business is Gurung Basti, Samtse, Bhutan.

These financial statements relate to the year ended 31st December 2017.

1. Basis of preparation:

(i) *Compliance with International Financial Reporting Standards (IFRS)*

The 'Accounting and Auditing Standards Board of Bhutan' (AASBB), decided to adopt IFRS in phases with minor changes. These standards are referred to as Bhutanese Accounting Standards (BAS). The first phase is being introduced over the period 2013 to 2015. The Company in compliance with the Companies Act of Kingdom of Bhutan has adopted all the Standards in the current period. The financial statements have been prepared in accordance with relevant Bhutanese Accounting Standards (BAS), accounting policies set out in these financial statements and under the accrual, historical cost and going concern conventions.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The functional currency is the Bhutanese Ngultrum.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Fixed assets: critical judgments are expected period of use, condition of the asset, technological advances, regulation, and residual values.

Actuarial valuation of employee benefits: expected uptake of the gratuity, accumulated leave liabilities and the discount rates used in the valuations.





Investments are generally stated at cost. One subsidiary had been placed into liquidation in 2014 and the investment was written down to the value of tangible assets remaining in the Company.

The Company has decided on the early adoption of BAS 19 Employee Benefits, which is in the second phase of Bhutanese Accounting Standards. As the Accounting Standards Board has pronounced BAS 19 in March, 2015 the Company has applied the same accordingly. Employee retirement benefits (Gratuity and Accumulated Leave Liability) are valued on an actuarial basis as it better reflects the estimated liabilities at balance date. Assets and obligations for the retirement benefits are netted off separately, so that net early funding and net shortfall in funding are disclosed as per the cases stated above.

(ii) *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities such as environmental restoration bonds;
- Defined benefit plans – plan assets measured at fair value.

2. *Current versus non-current classification*

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification.

An asset is classified as current when it is:

- 1) Expected to be realised or intended to be sold or consumed in normal operating cycle;
- 2) Held primarily for the purpose of trading;
- 3) Expected to be realised within twelve months after the reporting period, or
- 4) 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.

A liability is classified as current when:

- 1) It is expected to be settled in normal operating cycle;
- 2) It is held primarily for the purpose of trading;
- 3) It is due to be settled within twelve months after the reporting period, or
- 4) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.



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

3. Foreign currency translation:

Foreign currency transactions are translated into Bhutanese Ngultrum using the exchange rates prevailing at the date of transaction / settlement. Monetary assets and liabilities in foreign currencies at balance date are translated at the rates of exchange ruling at balance date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss.

4. Property, Plant and Equipment:

All property, plant and equipment are stated at historical cost less depreciation and impairment, if any. Cost includes purchase price, taxes and duties, labour cost, direct financing costs, direct overheads for self-constructed assets, borrowing costs, other direct costs incurred up to the date the asset is ready for its intended use including initial estimate of dismantling and site restoration cost. Land received as grant from the Royal Government of Bhutan is accounted for at Nominal value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset Class	Useful Life
IT Equipment	4 years
IT High-end Server	7 years
Vehicles	10 years with 20% residual value
Furniture and Fittings (Arts & Portraits, Curtains & Carpets, Furniture, Electrical Equipment and Office Equipment)	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The company has stopped capitalizing Arts, Portraits, Curtains and Carpets from the year 2015. However, the items under the above categories those had been capitalized prior to 2015 are continuing as assets in the books of the company as they are in good conditions and usable.



Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other Income' or 'Other Expenses' as the case may be, in the income statement.

5. Intangible assets:

Computer software:

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 5 years as shown below.

Asset Class	Useful Life
Software	4 years
SAP Software	5 years

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Other Intangibles:

Other intangible assets comprise exploration and evaluation costs of mines. These are amortised using the units of production method.

On transition to IFRS, the group has elected to measure its intangible assets cost in accordance with IFRS as the deemed cost of the intangible assets as at 1 January, 2015.

6. Impairment of asset:

The carrying amount of assets are assessed/ reviewed at the end of the reporting period whether there is any indication of impairment based on internal/external factors. If such indication exists, the company estimates the recoverable amount of the assets. An impairment loss is recognized if the carrying amount of the asset exceeds the recoverable amount on the reporting date, as the carrying amount is reduced to the recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the 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 risks specific to the assets.

7. Capital-work-in-progress (CWIP):

Cost incurred for the generation of qualifying assets is initially recorded in CWIP until the asset is not completed and not functional. Cost incurred is transfer from CWIP to fixed asset only when it starts generating economic benefits and upon receipt of completion certificate from concern authority.

On transition to IFRS, the group has elected to measure its CWIP in accordance with IFRS as the deemed cost of the intangible assets as at 1 January, 2015.





8. Financial assets:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The Company's loans and receivables comprise 'Trade and Other Receivables', 'Other Financial Assets', 'Advance to Ministry of Finance', 'Other Assets' and 'Cash and Cash Equivalents' in the Statement of Financial Position.

9. Inventories:

Inventories are stated at the lower of cost and net realisable value. Cost is determined using moving average price for the materials procured from third parties and on standard cost basis for finished Goods. The cost of finished goods comprises design costs, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

10. Trade and Other Receivables:

Trade and other receivables are initially recognised at the fair value of the amounts to be received. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are reviewed regularly for impairment.

11. Cash and Cash Equivalents:

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

12. Trade and Other Payables:

Trade and other payables are initially recognised at the fair value of the amounts to be paid. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

13. Current and deferred income tax:

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes





provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted at the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

14. Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of a major capital project, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings and their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

15. Employee benefits:

a. Retirement Benefits:

Under defined contribution scheme:

Defined contribution Benefit plan is managed by a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Under Defined Benefit Scheme: Post Employment Benefit (Gratuity)

The company makes retirement payments based on the final salary and years of service. The amount of gratuity is accrued on the basis of actuarial valuation. Changes in service and interest are charged to Statement of Profit or Loss. Changes to actuarial valuation are charged to the Statement of Other Comprehensive Income.

Under Defined Benefit Scheme: Other Long-term Employee Benefit (Accumulated Leave Liability):

The accumulated leave liability is accrued on the basis of actuarial valuation for the leave balance over and above the annual leave encashment against each employee as at the end of the year starting from the year 2015. Changes in leave balance, interest and changes to actuarial valuation are charged to the Statement of Profit or Loss.





b. Other Short-Term benefits:

Other short-term benefits such as annual leave encashment and bonus are accrued at year end.

16. Provisions and Contingent Liabilities:

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.

17. Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below:

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

18. Government grants:

Grants from Royal Government of Bhutan (RGOB) and other organisations relating to costs are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to Property, Plant and Equipment are included in non-current liabilities as Deferred Government Grants. Depreciation on the assets is charged against the grant and not to the Operating Statement.

Grants in kind are recognised at their nominal value.

19. The Company has adopted IFRS 9 and IFRS 15 from 1 January 2015.

20. Comparative information:

Where necessary, certain comparative information has been reclassified and updated in order to provide a more appropriate basis for comparison.



2A. Property Plant & Equipment

Particulars	Furniture & Fixture	Data Processing Equipment	Office Equipment	Vehicle*	Lab Equipment	Safety Equipment	Building & Civil Structure	Plant & Machinery	Survey Equipment	Total
Balances as at 1 January 2017										
Cost	1,853,268	3,092,829	330,753	7,188,044	418,210	12,400	17,086,796	3,398,072	510,000	33,890,202
Accumulated Depreciation	(252,599)	(1,093,529)	(23,410)	(849,114)	(18,221)	(1,407)	(695,059)	(122,366)	(64,031)	(3,086,032)
Book value as at 1 January 2017	1,600,669	2,029,300	307,343	6,338,930	399,989	10,993	16,391,737	3,275,706	445,969	30,804,170
Changes in book value during the year:										
Addition	105,039	984,548	1,223,082	18,053,371	331,675	0	30,316,939	17,837,188	71,998	68,923,411
Deletion/Adjustment	-	-	-	0	0	0	0	0	0	0
Depreciation on deletions and Adjustments	(192,311)	(843,163)	(67,323)	(1,307,845)	(70,946)	(1,770)	(5,841,487)	(1,475,207)	(73,877)	(9,873,229)
Depreciation for the year	(87,272)	141,385	1,155,759	16,745,526	260,729	(1,770)	24,475,452	16,361,981	(1,879)	59,040,000
Total Changes	17,767	141,385	1,155,759	16,745,526	260,729	(1,770)	24,475,452	16,361,981	(1,879)	59,040,000
Balances as at 31st December 2017	1,618,436	2,170,685	1,463,102	23,084,456	660,718	9,223	40,867,189	19,637,688	444,090	89,850,400
Cost	1,958,307.0	4,077,376	1,553,835	23,241,415	749,885	12,400	47,403,735	21,235,260	581,998	102,814,000
Accumulated Depreciation	(444,840)	(1,906,692)	(90,733)	(1,356,959)	(89,167)	(3,177)	(6,536,546)	(2,597,573)	(137,908)	(12,963,200)
Book value as at 31st December 2017	1,513,467	2,170,684	1,463,102	23,084,456	660,718	9,223	40,867,189	19,637,688	444,090	89,850,400

2B. Intangible Assets

Particulars	31-Dec-17
Balances as at 1 January 2017	
Cost	(80,843)
Accumulated Depreciation	(43,768)
Book value as at 1 January 2017	137,075
Changes in book value during the year:	
Addition	2,190,360
Deletion/Adjustment	-
Depreciation on deletions and Adjustments	(489,888)
Amortization for the year	1,700,472
Total Changes	2,377,203
Balances as at 31st December 2017	2,377,203
Cost	(533,656)
Book value as at 31st December 2017	1,837,547

2D. Exploration & Evaluation Cost

Particulars	31-Dec-17
Balances as at 1 January 2017	
Cost	22,636,946
Accumulated Amortization	(423,496)
Book Value as at 1 January 2017	22,213,450
Changes in book value during the year:	
Addition	6,750,676
Deletion/Adjustment	-
Amortization on deletions and Adjustments	(3,773,812)
Amortization for the year	3,476,863
Total Changes	3,476,863
Cost	29,387,622
Accumulated Amortization	(3,197,408)
Book value as at 31st December 2017	26,190,213

2C. Capital Work in Progress

Particulars	31-Dec-17
Balances as at 1 January 2017	22,377,848
Capital Advance	-
Total CWIP as at 1 January 2017	22,377,848
Changes in book value during the year:	
Addition	31,956,719
Deletion/Adjustment	(38,023,260)
Total Changes	(6,067,041)
Book value as at 31st December 2017	16,310,807



STATE MINING CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2017

Note 3: Trade & Other receivable(Non-Current)

Particulars	31-Dec-17	31-Dec-16
Environment Restoration Bond	8,551,934	4,487,598
Total	8,551,934	4,487,598

Note 4: Other non current assets

Particulars	31-Dec-17	31-Dec-16
Unamortised mining cost	7,191,925.00	6,753,706
Deferred tax asset	3,416,631	-
Total	10,608,556	6,753,706

Note 5: Inventories

Particulars	31-Dec-17	31-Dec-16
Inventory	87,878,406	5,405,308
Total	87,878,406	5,405,308

Note 6: Trade & Other receivable(Current)

Particulars	31-Dec-17	31-Dec-16
Sundry Debtor Domestic	104,151,615	47,403,264
Security Deposit	-	-
Security Deposit Placed	528,551	138,280
Other Receivable	-	2,187
Total	104,680,166	47,543,731

Note 7: Cash and Cash Equivalents

Particulars	31-Dec-17	31-Dec-16
Cash-in-hand	-	2
Bank Balance	-	-
Bank of Bhutan Ltd - 100841887 - SMCL	618,912	0
Bank of Bhutan Ltd-200194054 - SMCL	6,264,681	8,243,542
Total	6,883,593	8,243,544

Note 8: Other Current Assets

Particulars	31-Dec-17	31-Dec-16
TDS	3,859,984	149,858
Advance to Employee	26,753	154,767
Advance to Vendor	7,423,733	4,419,126
Prepaid Expenses	-	87,714
Unamortised mining cost	1,242,762	842,482
Total	12,553,232	5,653,946

Note 9: Capital

Particulars	31-Dec-17	31-Dec-16
Authorised Share Capital		
10000000 Equity Shares of Nu.100 each	1,000,000,000	1,000,000,000
Issued, Subscribed and Paid-up		
2439900 Equity shares @ Nu. 100 each fully paid up	243,990,000	135,990,000
Total	243,990,000	135,990,000

Terms/Rights attached to equity shares

The Company has only one class of Equity Shares having a par value of Nu. 100 per share. Each holder of Equity Shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company after distribution of all preferential amount. The distribution will be in proportion to the number of Equity Shares held by the share holders.

Note 10: Deferred Tax Liability

Particulars	31-Dec-17	31-Dec-16
Deferred Tax Liability-1		
Timing Differences in respect of-		
Opening	797,511	39,733
Recognised during the year in relation to Property, Plant and Equipment, Intangible Assets and Amortization of Exploration and Evaluation costs	797,511	757,778
Total	-	797,511

Note 11: Employee benefit obligations

Particulars	31-Dec-17	31-Dec-16
Post Employment Benefit (Gratuity)	394,896	214,505
Other Long-term Employee Benefit (Leave Encashment)	410,539	350,124
Total	805,435	564,629

Note 12: Trade and Other Payables

Particulars	31-Dec-17	31-Dec-16
Employee Payables	941,908	874,279
Sundry Creditors - Domestic - SMCL	32,164,175	24,330,949
Bank overdraft (Bank of Bhutan Ltd - 100891887 - SMCL)	-	3,868,489
Stale Cheque - SMCL	3,560	2,000
Other payable	-	594,325
Total	33,109,643	29,670,042

Note 13: Short term employee benefit

Particulars	31-Dec-17	31-Dec-16
O/S Liability for Gratuity - SMCL	330,900	-
O/S Liability for Leave Encashment - SMCL	101,243	-
Total	432,143	-

Note 14: Other current liabilities

Particulars	31-Dec-17	31-Dec-16
TDS-2% - SMCL	509,464	268,077
TDS-3% - SMCL	-	1,200
TDS-5% - SMCL	-	-
Other Liabilities	14,094,019	64,592
Security Deposits	307,000	255,500
Retention Money	235,218	1,619,731
Total	35,145,701	2,214,400

Note 15 : Revenue from sale of products

Particulars	31-Dec-17	31-Dec-16
Sale of Coal - SMCL	278,186,192	67,058,823
Less: Quality Compensation - SMCL	(20,729,256)	(4,882,376)
Less: Normal Loss - SMCL	(341,764)	(245,283)
Total	257,115,172	61,931,164

Note 16 : Other Income

Particulars	31-Dec-17	31-Dec-16
Sale of reject stone	655,743.96	592,985
Liquidated Damages	931,651.22	377,114
Sale of tender documents	500.00	27,500
Interest from short term deposit	934,890.42	130,137
Interest income from financial instruments at amort	791,806.00	460,458
Audit recoveries	11,729.81	-
Total	3,326,321.4	1,588,194

Note 17 : Changes in Inventory of Finished Goods

Particulars	31-Dec-17	31-Dec-16
Opening inventory of finished goods	4,867,477	-
Less: Closing inventory of finished goods	(35,650,574)	(4,867,477)
Total	(30,783,097)	(4,867,477)

Note 18 : Mining Cost

Particulars	31-Dec-17	31-Dec-16
Coal Raising Cost - SMCL	137,811,86.01	5,649,818
Environment Management Cost - SMCL	557,586	854,286
Fuel & Spares - SMCL	-	13,489
Safety & Protective Gadgets - SMCL	906,154	279,511
Mineral Testing Expenses - SMCL	14,000	98,495
Royalty	2,046,769	-
Mineral Rent	206,323	67,719
Stripping Cost	91,819,287	29,679,282
Surface Rent	294,379	67,597
Amortisation of deferred mining cost	1,167,866	807,192
Wages	338,350	-
Total	111,131,900	37,517,389

Note 19 :Operation & Maintenance Expenses

Particulars	31-Dec-17	31-Dec-16
Insurance - SMCL	165,923	24,879
R & M - Vehicles - SMCL	1,025,661	299,098
R & M - Building - SMCL	389,242	5,600
R & M -data processing equipment - SMCL	47,175	18,500
R & M - Office Equipment - SMCL	-	1,500
Vehicle Running Expenses (POL) - SMCL	1,365,658	338,268
R & M - Plant & Machinery - SMCL	517,685	-
POL Plant & Machinery	43,179	-
Total	3,554,512	682,845



Note 20: Employee Benefits Expenses

Particulars	31-Dec-17	31-Dec-16
Payroll & Related Expenses		
Salaries, wages and allowances	18,001,996	11,090,506
Leave Travel Concession - SMCL	577,419	356,401
Staff Welfare	397,004.00	-
HRD expenses	1,478,162	567,387
Post Employment Benefits		
GPF Contribution (Employer) - SMCL	1,098,134	820,098
Gratuity Contribution - SMCL	603,565	315,785
Repatriation Allowances - SMCL	18,335	245,892
Other Employee Benefits		
Leave Encashment - SMCL	727,379	593,066
Total	22,901,993	13,899,135

Note 21: Finance Cost

Particulars	31-Dec-17	31-Dec-16
Interest on Secured Loan	13,535	121,752
Total	13,535	121,752

Note 22: Other Expenses

Particulars	31-Dec-17	31-Dec-16
Travel-Local - SMCL	2,291,714	2,566,307
Board Sitting Fees - SMCL	316,000	376,000
Office Rent - SMCL	485,187	511,187
Rimdo / Tendral Expenses - SMCL	120,688	4,045
Office Supplies, Printing & Stationeries - SMCL	475,166	460,214
Sub-committee sitting fee - SMCL	178,000	212,840
Advertisement - SMCL	35,320	210,668
Hospitality & Entertainment Expenses - SMCL	343,810	338,762
Internet Charges - SMCL	453,233	445,561
Office Expenses - SMCL	636,034	445,149
Vehicle Expenses	-	-
Meeting & Retreat Expenses - SMCL	285,732	110,530
Audit Fees & Expenses - SMCL	148,482	251,052
Donation	-	-
Honorarium	-	-
Telephone & Fax - SMCL	133,768	86,099
Hire of Vehicles - SMCL	-	22,828
Electricity Charges - SMCL	62,553	43,634
Insurance	-	-
License Processing Fees - SMCL	6,100	20,300
Books, Newspaper & Magazines - SMCL	7,090	3,265
Postage & Courier charges - SMCL	7,200	7,000
Bank Charges - SMCL	8,209	4,458
Transportation Charges	-	-
Miscellaneous Expenses - SMCL	-	1,904.0
Board Meeting Expenses - SMCL	212,608	116,328
Carriage Charges - SMCL	80,001	211,000
Consulting Services - SMCL	-	75,000
Corporate Social Responsibility	178,720	-
Store & Spares - SMCL	-	22,370
Sub-Committee Meeting expenses - SMCL	5,005	31,193
Fees & Subscription - SMCL	311,287	16,400
Travel-Foreign - SMCL	2,250	32,750
Wages - SMCL	-	17,100
Asset write-off	-	101,555
Inaugural/sanctification Expenses - SMCL	4,740	-
Total	6,788,897	6,745,499

Note 23: Earnings Per Share

Particulars	31-Dec-17	31-Dec-16
Net profit attributable to equity shareholders	67,389,345	(4,334,933)
Issued and outstanding ordinary shares at thebes	1,359,900	455,800
Effect of ordinary shares issued during the year	792,082	506,449
Weighted average number of ordinary shares	2,151,982	962,249
Basic and Diluted Earnings per Share	31.32	(4.51)

Note 24 : Fair value measurements
Financial instruments by category

Particulars	31-Dec-17			31-Dec-16			Amount in Nu		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets									
Security Deposit	-	-	-	-	-	-	-	-	30,000
Environment Restoration Bond	-	-	8,551,934	-	-	4,487,598	-	-	-
Sundry Debtor Domestic	-	-	104,151,615	-	-	47,403,364	-	-	-
Security Deposit Placed	-	-	528,551	-	-	138,280	-	-	-
Other Receivable	-	-	-	-	-	1,187	-	-	16,405
Deposit due for refund	-	-	-	-	-	-	-	-	792,536
Cash and Cash Equivalents	-	-	6,883,593	-	-	8,243,544	-	-	17,607,271
Total financial assets	-	-	120,115,094	-	-	60,274,873	-	-	18,426,192
Financial liabilities									
Security Deposits	-	-	387,000	-	-	255,500	-	-	423,874
Employee Payables	-	-	941,908	-	-	874,279	-	-	298,215
Retention Money	-	-	235,218	-	-	1,619,731	-	-	740,942
Sundry Creditors - Domestic - SMC	-	-	32,164,175	-	-	24,330,949	-	-	933,490
Bank overdraft (Bank of Bhutan Ltd - 100891887 - SMCCL)	-	-	-	-	-	3,868,489	-	-	-
Sale Cheque - SMCCL	-	-	3,569	-	-	2,000	-	-	-
Other payable	-	-	-	-	-	594,325	-	-	80,000
Total financial liabilities	-	-	33,651,861	-	-	11,545,273	-	-	2,482,519

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the fair value of the financial instruments is determined using discounted cash flow analysis.

(iii) Fair value of financial assets and liabilities measured at amortised cost

Particulars	31-Dec-17		31-Dec-16	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Environment Restoration Bond	8,551,934	8,551,934	4,487,598	4,487,598
Total financial assets	8,551,934	8,551,934	4,487,598	4,487,598

The carrying amounts of remaining financial assets and liabilities are considered to be the same as their fair values, due to their short-term nature.

The fair values for financial instruments were calculated based on cash flows discounted using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see (ii) above.

Note 25: Capital management

(a) Risk management

The Company is formed as an wholly owned susidiary of Druk Holding & Investments Limited (DHI).The amount mentioned under total equity in balance sheet is considered as Capital and Company does not have any external borrowings.

Note 26: Financial Risk Management

The Company's activities expose it to credit risk, liquidity risk and market risk (i.e. foreign currency risk, interest rate risk and price risk).

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of it in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Aging analysis Credit ratings	Diversification of customer base
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts	Availability of committed facilities
Market risk - foreign exchange	Future commercial transactions and recognised financial liabilities not denominated in Bhutanese Ngultrum (Nu.)	Cash flow forecasting Sensitivity analysis	Currently the Company has no such transactions

A) Credit risk

Credit risk is the risk that 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 and other receivables.

i) Trade receivables

The Company's trade receivables has major dues from Dungsam Cement Corporation Limited (DCCCL). Trade receivables are non-interest bearing and are generally on 30 days to 60 days credit term. Outstanding customer receivables are regularly monitored. The ageing of trade receivables as of balance sheet date is less than six months.

The requirement for impairment is analyzed at each reporting date. Refer note 5 for details on the impairment of trade receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 22. The Company does not hold collateral as security.

ii) Financial instruments and cash deposits

Credit risk from balances with banks and financial institution is managed by the Company's Finance & Investment Department. For banks and financial institutions, only high rated banks/institutions are accepted. Financial Assets are considered to be of good quality and there is no significant credit risk.

B) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally performed in accordance with practice and limits set by the Company.

(i) Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities 31 December 2017	Less than 1 year	More than 1 years	Total
Trade and Other Payables	33,109,643	-	33,109,643
Total financial liabilities	33,109,643		33,109,643

Contractual maturities of financial liabilities 31 December 2016	Less than 1 year	More than 1 years	Total
Trade and Other Payables	29,670,042	-	29,670,042
Total financial liabilities	29,670,042		29,670,042

(C) Market risk

(i) Foreign currency risk

Foreign Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in only one currency Nu and accordingly is not exposed to foreign currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to the risk of changes in market interest rates because it does not have any borrowings nor does it have any interest bearing financial

(iii) Price Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company does not have any financial asset investments which are exposed to price risk.

OTHER NOTES TO FINANCIAL STATEMENTS

27. Allotments of shares have been made to Druk Holding & Investments Limited (DHIL) who is holding 100 percent shares of the Corporation. During the year, a sum of Nu.108.00million (P. Yr - Nu. 90.41 million) has been received from DHIL as additional equity injection in support of business expansion.
28. A loan of Nu.11,100,000 (P. Yr - Nu. 10,000,000) was availed from a fellow subsidiary i.e., Bank of Bhutan by securing Plant and Equipment of the company. The final loan and interest instalment was remitted and the loan stands liquidated as on 31st December, 2017.
29. All the balances against debtor, creditors and advances are based on the invoices raised to/ raised from and advances paid respectively, which are not settled as at reporting date. The Company has already initiated the process of availing confirmation from various parties. Pending completion of the same including reconciliation, any further adverse adjustments to be made in these accounts are not presently ascertainable at this stage. The Directors are of the opinion that the effect of process may not be significant and material in relation to these financial statements.
- 30. Contingent Liability**
There are no contingent liabilities for the Company as on 31st December 2017.
- 31. Retirement Benefit Obligations:**
- A. Defined Contribution Plan:**
Qualifying employees are members of a defined contribution plan operated by the National Pension and provident Fund. The Company matches employee contributions to the fund. The only obligation on the Company is to make the contribution monthly. Total cost of contributions for the year ended 31st December 2017 was Nu. 1,098,133.54.
- B. Defined benefit Scheme:**
Valuation in respect of Gratuity & Earned Leave has been carried out by Royal Insurance Corporation Limited, Thimphu. Present value of defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The disclosures as per the actuary reports are as given below:



a) Gratuity as at 31 December 2017

(All figures in Bhutanese Ngultrum's (NU) unless otherwise stated)

A1. Change in defined benefit obligation (DBO)	31-Dec-2017	30-Dec-2016
DBO at the beginning of the current period	383,909	290,853
Current service cost	587,477	304,878
Past service cost	-	-
Interest cost	28,793	16,865
Benefits paid by the plan	-	(131,969)
Benefits paid by the employer	-	-
Actuarial (gains)/losses due to plan experience	(93,154)	(96,718)
Actuarial (gains)/losses due to change in demographic assumptions	-	-
Actuarial (gains)/losses due to change in financial assumptions	-	-
DBO at the end of the current period	907,025	383,909
A2. Change in fair value of plan assets	31-Dec-2017	30-Dec-2016
Fair Value of Assets at the beginning of current period	169,404	-
Contributions paid into the plan	-	290,853
Expected return on the plan assets	12,705	5,958
Benefits paid by the plan	-	(131,969)
Return on plan assets greater or (less) than discount rate	(880)	4,562
Fair Value of assets at the end of the current the period	181,229	169,404
A3. Income statement	31-Dec-2017	30-Dec-2016
Current service cost	587,477	304,878
Past service cost	-	-
Net interest cost on net DB liability/(asset)	16,088	10,907
Net cost for the year recognised in income statement	603,565	315,785
A4. Other comprehensive income (OCI)	31-Dec-2017	30-Dec-2016
Actuarial (gains)/losses due to liability experience	(93,154)	(96,718)
Actuarial (gains)/losses due to liability assumption changes	-	-
Return on plan assets (greater)or less than discount rate	880	(4,562)
Remeasurement (gains)/losses recognized in OCI	(92,274)	(101,280)
A5. Defined benefit cost	31-Dec-2017	30-Dec-2016
Current service cost	587,477	304,878
Past service cost	-	-
Net interest cost on net DB liability/(asset)	16,088	10,907
Remeasurement (gains)/losses recognized in OCI	(92,274)	(101,280)
Total Defined Benefit Cost	511,291	214,505



A6. Development of net financial position	31-Dec-2017	30-Dec-2016
Defined benefit obligation	(907,025)	(383,909)
Fair value of plan assets	181,229	169,404
Funded status - (deficit)/surplus	(725,796)	(214,505)
Net defined benefit asset/(liability)	(725,796)	(214,505)

A7. Reconciliation of net financial position	31-Dec-2017	30-Dec-2016
Net defined benefit liability/(asset) at the beginning of current period	214,505	290,853
Amount recognized in the income statement	603,565	315,785
Amount recognized in the OCI	(92,274)	(101,280)
Contributions paid into the plan	-	(290,853)
Benefits paid by employer	-	-
Net defined benefit liability/(asset) at the end of current period	725,796	214,505

A8. Expected benefit payments for the year ending	in Nu.
December 31, 2018	330,900
December 31, 2019	105,700
December 31, 2020	138,178
December 31, 2021	171,980
December 31, 2022	207,187
December 31, 2023 to December 31, 2027	2,085,661

A9. Estimated term of liability (Years)	18.92
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A.10 Scheme Asset Allocation	Amount (Nu.)	Percentage
Deposits	181,229	100%

A.11 Sensitivity Analyses	In Nu.	
	Defined Benefit Obligation	Net Effect on DBO
1. Discount Rate		
Base Discount Rate of 7.5%	907,025	-
Discount rate of 8% (+0.5%)	554,805	(352,220)
Discount rate of 7% (-0.5%)	971,763	10,738
2. Salary Escalation Rate		
Base Salary Escalation Rate of 5%	907,025	-
Salary Escalation Rate of 6% (+1%)	1,051,566	144,541
Salary Escalation Rate of 4% (-1%)	787,811	(119,214)
3. Attrition Rate		
Base Attrition Rate of 3%	907,025	-
Attrition Rate of 4% (+1%)	862,433	(44,592)
Attrition Rate of 2% (-1%)	957,969	50,944



A.12 Summary of Actuarial Assumptions

	31-Dec-2017	31-Dec-2016
Discount Rates	7.50%	7.50%
Salary Escalation Rates	5.00%	5.00%
Employee Turnover Rates	3.00%	3.00%
Mortality Rates	100% of IALM (2006-08)	100% of IALM (2006-08)

B) Leave Encashment Benefits as at 31 December 2017

(All figures in Bhutanese Ngultrum's (NU) unless otherwise stated)

B.1. Change in defined benefit obligation (DBO)	31-Dec-2017	31-Dec-2016
DBO at the beginning of the current period	350,124	154,985
Current service cost	161,658	195,139
Past service cost	-	-
Interest cost	5045	930
Benefits paid by the plan	-	-
Benefits paid by the employer	(565,721)	(285,175)
Actuarial (gains)/losses due to plan experience	560,676	284,245
Actuarial (gains)/losses due to change in demographic assumptions	-	-
Actuarial (gains)/losses due to change in financial assumptions	-	-
DBO at the end of the current period	511,782	350,124
B.2. Change in fair value of plan assets	31-Dec-2017	31-Dec-2016
Fair Value of Assets at the beginning of current period	-	-
Contributions paid into the plan	-	-
Expected return on the plan assets	-	-
Benefits paid by the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
Fair Value of assets at the end of the current the period	-	-
B.3. Income statement	31-Dec-2017	31-Dec-2016
Current service cost	161,658	195,139
Past service cost	-	-
Net interest cost on net DB liability/(asset)	5,045	930
Remeasurement (gains)/losses	560,676	284,245
Net cost for the year recognised in income statement	727,379	480,314
B.4. Development of net financial position	31-Dec-2017	31-Dec-2016
Defined benefit obligation	(511,782)	(350,124)
Fair value of plan assets	-	-
Funded status - (deficit)/surplus	(511,782)	(350,124)
Net defined benefit asset/(liability)	(511,782)	(350,124)



B.5. Reconciliation of net financial position	31-Dec-2017	31-Dec-2016
Net defined benefit liability/ (asset) at the beginning of current period	350,124	154,985
Amount recognized in the income statement	727,379	480,314
Contributions paid into the plan	-	-
Benefits paid by employer	(565,721)	(285,175)
Net defined benefit liability/ (asset) at the end of current period	511,782	350,124

B.6. Expected benefit payments for the year ending	in Nu.
December 31, 2018	101,243
December 31, 2019	20,505
December 31, 2020	20,914
December 31, 2021	21,339
December 31, 2022	21,781
December 31, 2023 to December 31, 2027	127,604

B.7. Estimated term of liability (Years)	14.19
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B.8. Sensitivity Analyses	In Nu.	
	Defined Benefit Obligation	Net Effect on DBO
1. Discount Rate		
Base Discount Rate of 7.5%	511,782	-
Discount rate of 8% (+0.5%)	484,630	(27,152)
Discount rate of 7% (-0.5%)	541,695	29,913
2. Salary Escalation Rate		
Base Salary Escalation Rate of 5%	511,782	-
Salary Escalation Rate of 6% (+1%)	578,905	67,123
Salary Escalation Rate of 4% (-1%)	455,697	(56,085)
3. Attrition Rate		
Base Attrition Rate of 3%	511,782	-
Attrition Rate of 4% (+1%)	528,173	16,391
Attrition Rate of 2% (-1%)	493,258	(18,524)

B.9 Summary of Actuarial Assumptions

	31-Dec-2017	31-Dec-2016
Discount Rates	7.50%	7.50%
Salary Escalation Rates	5.00%	5.00%
Employee Turnover Rates	3.00%	3.00%
Mortality Rates	100% of IALM (2006-08)	100% of IALM (2006-08)



32. Related Party Disclosure:

The Company is a wholly owned subsidiary of Druk Holding & Investments (a Royal Government of Bhutan undertaking). The Company has no subsidiary Company. The Company considers that for the purpose of BAS 24 the Royal Government of Bhutan is in a position of control over it, and therefore regards the Royal Government of Bhutan and its controlled companies/corporations as related parties for the purpose of the disclosures required by BAS 24.

32.1 Name of the related parties and Relation

- a. Druk Holdings & Investment (DHI)-Holding Company

32.2 Name of the fellow Subsidiaries

1. Dungsam Cement Corporation Ltd.(DCCL)
2. Wood Craft Center Ltd.(WCCL)
3. Druk Green Power Corporation Ltd.(DGPCCL)
4. Dungsam Polymers Ltd.(DPL)
5. Bhutan Power Corporation Ltd.(BPCL)
6. Bank of Bhutan Ltd.(BoBL)
7. Bhutan Board Product Ltd.(BBPL)
8. Natural Resources Development Corporation Ltd.(NRDCL)
9. State Trading Corporation of Bhutan Ltd.(STCBL)
10. Bhutan Telecom Ltd.(BTL)
11. Druk Air Corporation Ltd.(DCL)
12. Construction Development Corporation Ltd.(CDCL)
13. Thimphu Tech Park Ltd.(TTPL)
14. Dagachu Hydro Corporation Limited
15. Bhutan Board Export Limited
16. Koufuku International Limited
17. Thimphu TechPark Limited
18. Tangsibji Hydro Energy Limited
19. Penden Cement Authority Limited

32.3 Related parties with whom transactions have taken place during the year: Board Directors:-

Dasho Karma Yezer Raydi, Chairman
Dasho Sonam Wangyel, Director
Dasho Thinley Namgyel, Director
Dr. Damber Singh Kharka
Mr. Yeshe Dorji, Director
Mrs. Karma Choden, Director
Mr. Kezang Jamtsho, Director



32.4 No transactions were done with relatives of key managerial personnel during the Year.

32.5 Transactions during the year.

32.5. a Transactions with Subsidiaries

(Amount in Nu)

Company	Description	2017	2016
BoBL	Interest paid to BoBL for Loan	13,535	121,752
BoBL	Working Capital Loans from Banks	11,100,000	10,500,000
BoBL	Bank Charges & Fees paid to BoBL	8,209	4,458
BTL	Purchase of lease Line Equipment	214,442	144,020
BTL	Training Fees paid		50,000
BTL	Fees & Subscription	18,326	
BTL	Internet & Telephone Charged	587,001	531,660
WCCL	Purchase of Furniture		117,440
BBPL	Purchase of pre-fab house	900,000	
DCCL	Mineral Testing Fees		9,680
DCCL	Sale of coal	229,932,313	62,570,808
PCAL	Sale of coal	7,148,218	-
BPC	Electricity Charges-Paid to DHI Companies	62,553	43,634
BPC	Construction Power substation	1,739,797	
STCBL	Purchase of vehicle	15,376,372	3,776,817
STCBL	Purchase of Portable Magazine	476,505	
STCBL	Running & Maintenance of vehicle	99,597	93,255
CDCL	Construction of infrastructure	17,203,302	23,534,766
CDCL	Advance payment		3,688,482
CDCL	Hire Charges		1,101,030
NRDCL	Procurement of sand	30,437	
DHI	Equity Injection	108,000,000	90,410,000



32.5. b Balances with Subsidiaries

(Amount in Nu)

Company	Description	2017	2016
BoBL	Intergroup Current Deposits	8,139,621	4,375,053
DHI	Shares held by DHI	243,990,000	135,990,000
BBPL	Intragroup payable	900,000	
WCCL	Intragroup Trade Payable		22,645
NRDCL	Intragroup Trade Payable	2,528	
DCCL	Intragroup Trade Receivable	92,988,982	47,403,264
PCAL	Intragroup Trade Receivable	70,561	
BPC	Intragroup Advances	5,771,729	240,640
BPC	Intragroup Trade Receivable	363,114	11,280
STCBL	Intragroup Trade Payable	6,128,689	91,390
CDCL	Retention Money Payable		1,401,608
CDCL	Advance for Capital work		3,688,482
CDCL	Intragroup Trade Payable		9,518,690

33. Managerial Remuneration

	2017	2016
Remuneration to the Chief Executive Officer (CEO)		
Kinzang Norbu - CEO upto 30.06.2016		
Basic Pay		480,000
Allowances		344,000
GPF Contribution (Employer)		52,800
Leave Encashment		53,333
Leave Travel Concession		7,500
Performance Based Variable Allowance(PBVA)		52,377
Travelling expense of CEO		213,539
Sitting fees to Board of Directors of the company		36,000
Total (A)		1,239,549
Dasho Kelzang Jamtsho - CEO From 01.07.2016		
Basic Pay	974,400	480,000
Allowances	584,640	288,000
GPF Contribution (Employer)	107,184	52,800
Travelling expense of CEO	313,045	205,250
Sitting fees to Board of Directors of the company	56,000	40,000
Leave Encashment	82,400	
Leave Travel Concession	15,000	
Total (B)		1,066,050
Grand Total	2,132,669	2,305,599



34. Auditors remuneration

Particulars	2017	2016
Auditors Fees	65,000	65,000
Auditors Expenses*	148,482	135,000
Total	213,482	200,000

*Provisional

35. Where necessary certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

As per our report of even date

For L. B Jha & Co.

For State Mining Corporation Limited

Chartered Accountants

Registration Number: 301088E



D.N Roy
Partner



Karma Yezer Raydi
Chairman



Kezang Jamtsho
CEO

Membership Number: 300389

Dasho Karma Yezer Raydi
(Chairman)

State Mining Corporation Ltd.

Regd. Office : Samtse, Bhutan

Place: **KOLKATA**

Date: **02/04/2018**



Chief Executive Officer
State Mining Corporation Limited
Samtse : BHUTAN

Place: **Thimphu**

Date: **14/03/18**