

ANNUAL REPORT

2021



A **Chh** Company

शुभ्रल'लखस'स'गुरे'लस'रईक'कड।

STATE MINING CORPORATION LTD.

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A **dhi** Company

STATE MINING CORPORATION LTD.

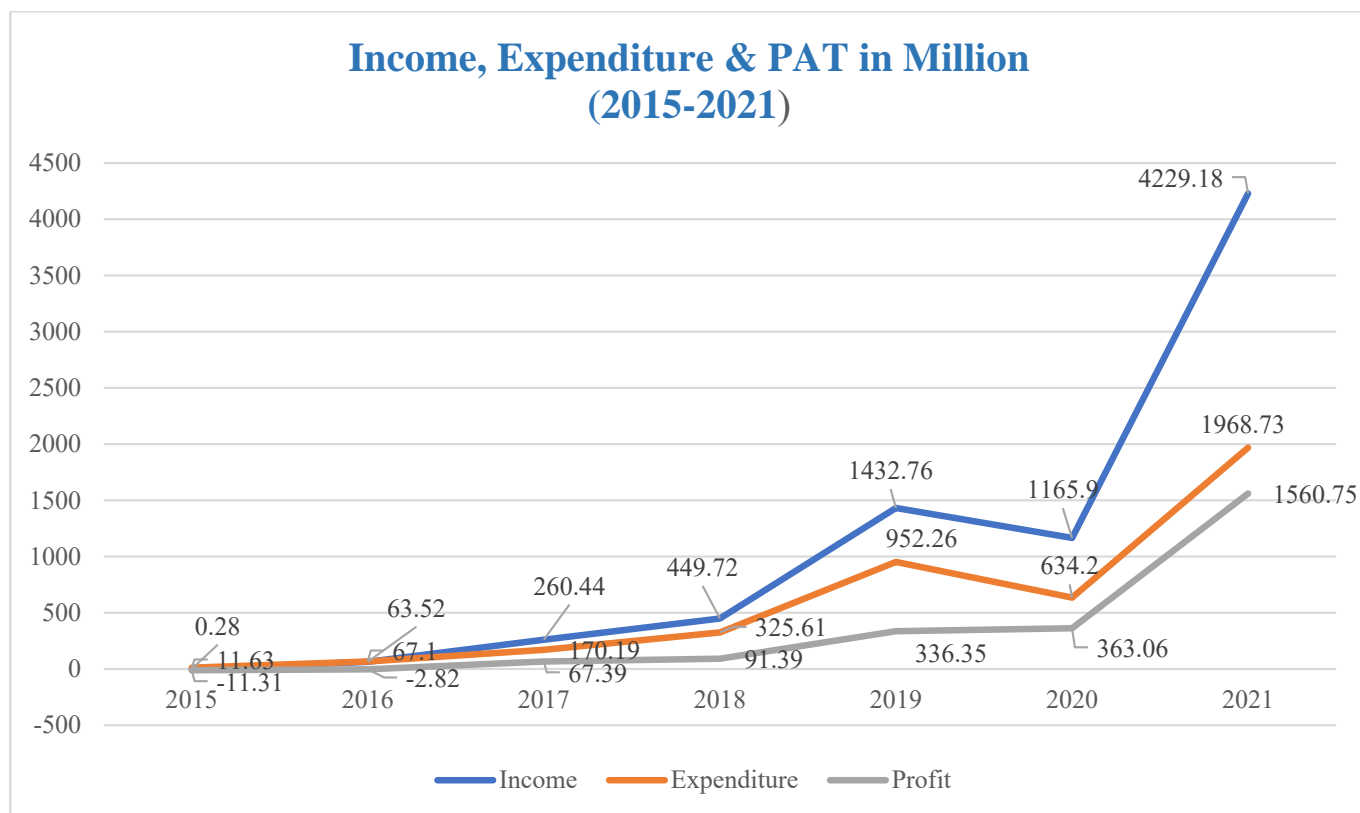
ANNUAL REPORT 2021

THE YEAR UNDER REVIEW

The year began with an exceptionally exciting event, the launching of dolomite export on 9 January 2021. Dolomite operation was granted to SMCL from 1 October 2020 and production in three months had built stock of more than three lakh ton. The business prospects for the year looked excellent. Hence, revenue and profit after tax (PAT) targets were raised by more than three times to Nu 3.804 B and Nu. 1.121 B, respectively, in spite of the pandemic.

It is a great pleasure to report that SMCL was extremely successful in 2021, despite some sporadic disruptions by the pandemic. The Management's agile responses minimized the impacts. The revenue of Nu. 4,229.18 M surpassed the target by more than 11%. The PAT achieved was Nu. 1,568.29 M, against the compact target of Nu. 1,121.58 M, which was an increase of 331.96% when compared to 2020. The PAT margin increased from 31.69% in 2020 to 42.29% in 2021. The return on equity reached 81.21%, an increase of 63.18% compared to 2020, which was 49.77%.

For the first time, PAT crossed the milestone of a billion. The addition of dolomite into the SMCL's business portfolio jacked up the growth trajectory in 2021. SMCL got upgraded into the large firm category under the DHI and has become the third revenue and profit-making Company. SMCL's growth trajectory over the years after its incorporation as 100% DHI owned Company is given in the graph below.



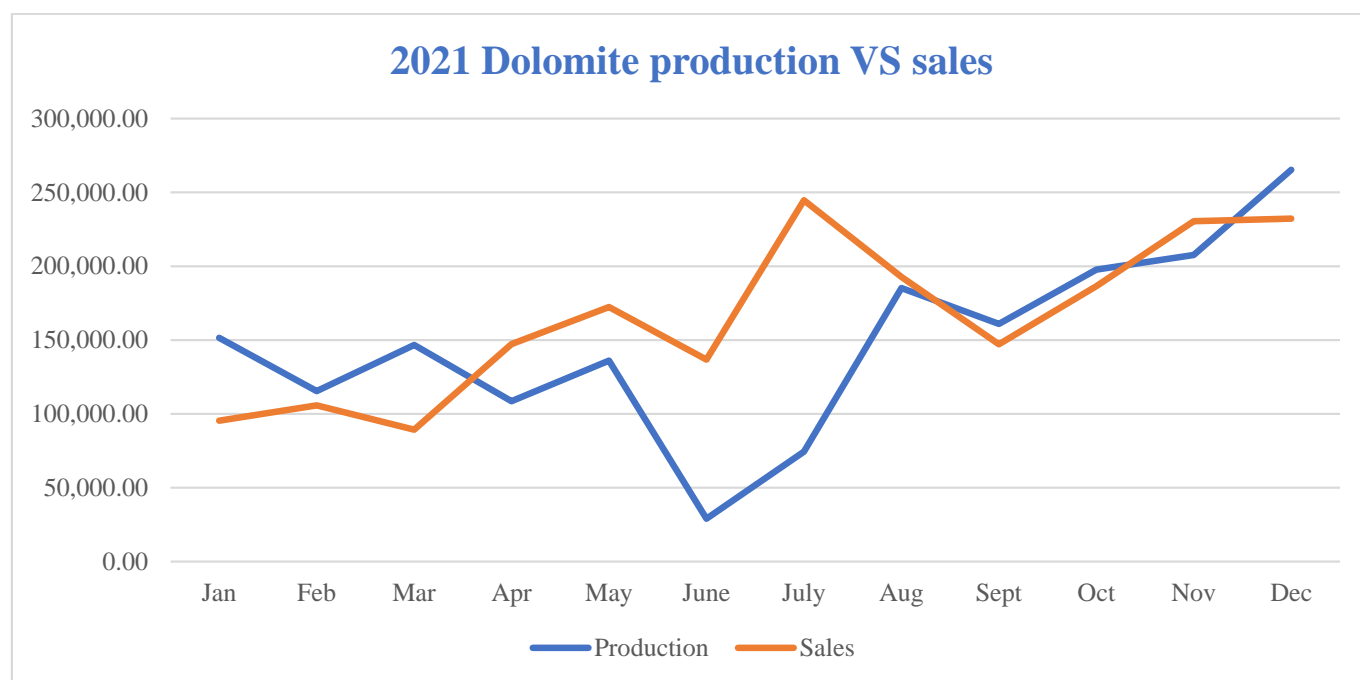
Gypsum production for 2021 was 364,421.58 MT, at 62.53% of the Annual Compact target of 582,750 MT. There was a decrease in production by 7.24% even when compared to 2020. The mining pit conditions due to thick inter-burden of phyllite, highly fractured calcareous quartzite and red clay intrusions impacted production. Sale of gypsum was much better at 433,464.76 MT which was 82.56% against the Annual Compact target of 525,000 MT. Sale in 2021 was higher by more than 100,000 MT when compared to 2020.

Coal production was 100,139.82 MT against the target of 100,000 MT. For the first time, production crossed one lakh ton. The production increased by 8.22% compared to 2020. The total sale was 98,165.31 MT, against the target of 90,000 MT, an increase of 36.03% compared to 2020. The confidence and the resilience of the site staff made it happen.

The operation of Rishor Coal Mine had to be suspended at the directive of DGM. Due to slope stability issue, DGM directed to take up an alternate site within the leasehold areas allocated. SMCL's geological team was immediately deployed to explore and map the coal occurrences in the alternative site for mine planning. The updated pit plan was approved by the Department in the first week of June, 2021. Mine development work resumed in October.

Dolomite production was steady, fulfilling sale and building stock till the first quarter. As sale picked up with dispatch to Steel Authority of India (SAIL), production challenges were faced. Frequent breakdowns of the old mobile crushers and shortage of tippers for internal transport depressed production. A greater challenge was faced when production was completely closed due to lockdown from 6 June to 15 July 2021. However, with our agile response, sale resumed from 17 June under strict containment mode.

The stock from 2020 saved us in keeping up uninterrupted supply. But another disruption hit us in early August. About 50% of local trucks left work, demanding higher transport rates. The Company immediately bought 15 dumper and tipper trucks to stabilize production to sustain sale. As the graph indicates, it was a tight battle to sustain sales with production, in the face of the pandemic, plant and machinery problems. The resilience of site staff in enduring the disruptions saved 2021.



Dolomite sales started on 9th January 2021, with a simple flag off ceremony. In the first two quarters, sales were hampered by restrictions on the number of vehicles for daily dispatch. As we streamlined our dispatch plans and succeeded in COVID risks management, which won the confidence of the Task Force, the number of vehicles were gradually increased. The Company started with 120-30 vehicles in a day and today we can dispatch 345 vehicles daily. Strikes and load restrictions in India affected sales, which are beyond (our) control.

The target for both production and sale was 3,000,000 MT each. Production and sale for the year 2021 was 1,778,371.33 MT and 1,980,800.69 MT respectively.

A sand washing machine manufactured by Ms. CDE Asia was commissioned at Dzungdi on 15 May 2021. The “state of the art” technology washes the crusher dust, making it clean for high quality hydro civil works. The plant is first of its kind in Bhutan and was installed at the total cost of Nu. 22.43 M.

The total expenditure was Nu. 1,957.97 M, an increase from Nu. 634.20 M in 2020. Out of this expenditure, Nu. 891.27 M was pumped into the local economy. Beyond CSR (corporate social responsibility), SMCL strongly believes in sharing our projects’ benefits with the local communities by engaging them, wherever feasible. The table below describes our

activities beyond CSR and their disbursement into the local economy.

Particulars	Details	Amount (Nu.)	Nos	Remarks
EME & Tippers	EMEs hired	247,052,587.99	55	43 excavators and 12 payloaders.
	Tippers hired	132,214,158.16	188	186 tippers and 2 water tankers.
	Freelance individual Tippers-Transportation of minerals	495,567,236.97	337	1. Gypsum transport, Pema Gatshel to S/Jongkhar, 2. Coal transport, Habrang to Nganglam, 3. Coal transport, Habrang to Motanga, 4. Coal Transport, Tshophangma to Habrang 5. Dolomite transport, Stockyard to buyers (Bhutanese Trucks)
Construction works	Contract works (Labour contract)	4,809,274.14		To locals at negotiated rates
Manpower Engaged	Coal raisers	8,150,925.16	42	Incentivized on Output per Man per shift (OMS) in MT.
	Operators		55	
	Drivers		525	
	Daily wage earners	3,476,498.25	42	
	Total	891,270,680.67	664	

The Company also made contributions to activities related to CSR, amounting to Nu. 6,428,895.68.

In view of the landmark performance and the need for finance by the national exchequer, the Board and the Management declared dividend of Nu.1.793 B, which is 610% of the share capital of 293.99 M. The dividend was even higher than the PAT in view of the favorable revenue projection.

Doing business during the pandemic gave us many lessons. The containment mode operation must be flawless. The standard operating protocols must be well thought out and implemented even with greater zeal. People, their diligence and resilience matter the most under such situations. Our employees were aware of the risks, meticulous in approach and resilient in implementation. Except a few minor incidents through contacts, our sites were not the source of cases. All credits go to the employees at the operation sites who worked in difficult conditions and gifted a great success to SMCL.

SALUTE TO THEM!



Kezang Jamtsho
Chief Executive Officer

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COMPANY PROFILE

The State Mining Corporation Limited (SMCL), a state-owned mining company was formed on 31st December 2014 as a 100% sharing holding company of Druk Holding and Investment Limited incorporated under the Companies Act of the Kingdom of Bhutan. The Royal Government of Bhutan envisioned the noble concept of establishing a state entity realizing the potentials of mining sectors' contribution to the nation's socio-economic development and expand economic opportunities, create jobs, and generate revenue for the country.

As on 31st December 2021, the Company has three coal mines, one gypsum mine, one stone quarry and one dolomite mine in operation and the net value of the Company during the year was 1.93B.

MISSION

Explore and develop mineral resources in a responsible manner for intergenerational equity.

VISION

Be the leading company in sustainable mineral resources management to distribute the national wealth to the people of Bhutan.

VALUES

Integrity

Conduct business with honesty and transparency at 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.

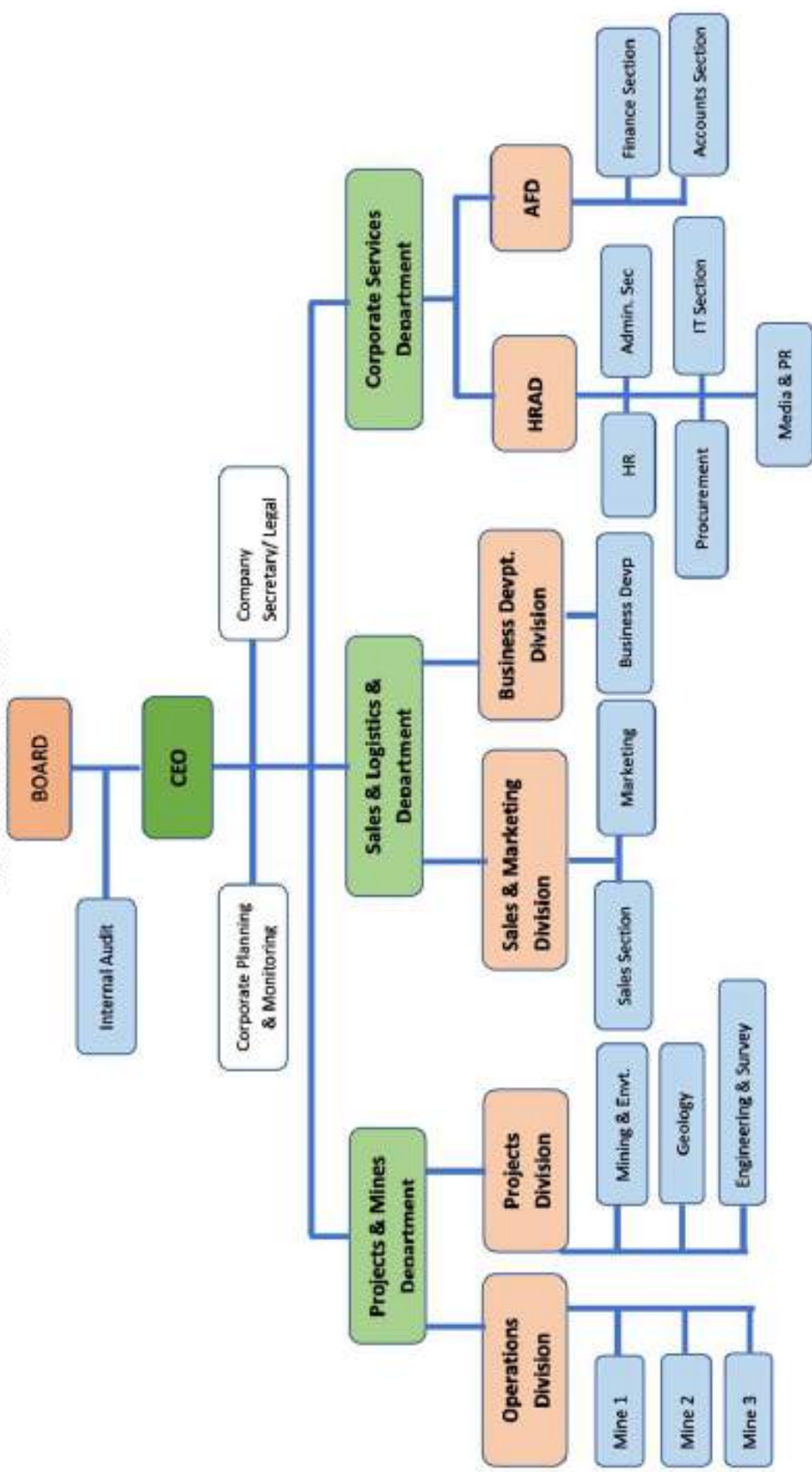
Responsibility

Strive to be responsible in keeping with the values of GNH, be sensitive to the environment and accountable to the people of Bhutan.

Efficiency

Committed to highest standards through hard work, cost control and innovation

SMCL ORGANOGRAM



BOARD DIRECTORS

DASHO KARMA YEZER RAYDI – CHAIRMAN. CHIEF EXECUTIVE OFFICER –DHI



Dasho Karma Yezer Raydi has Master degree in Geotechnical Engineering, from Nippon Institute of Technology, Saitama, Japan and Bachelor Degree in Civil Engineering, 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 since then he 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.

CHEWANG RINZIN DIRECTOR-ROYAL INSTITUTE FOR GOVERNANCE AND STRATEGIC STUDIES



Dasho Chewang Rinzin is a Deputy Chamberlain to His Majesty The King of Bhutan, and the Director of the Royal Institute for Governance and Strategic Studies (RIGSS). He headed the team that established the Institute in 2013. Prior to being appointed at RIGSS in 2013 by His Majesty The King, Chewang worked at the Bhutan Standards Bureau (BSB), the National Standards Body of Bhutan. While at BSB, he was a core member of Bhutan's WTO Negotiating Team, from 2005-2008, as an expert on Technical Barriers to Trade. Chewang has a B.Tech Degree in Electrical and Electronics Engineering from the TKM College of Engineering, Kerala University and a Master in Public Administration from the Lee Kuan Yew School of Public Policy, National University of Singapore.

KINLEY YANGZOM HM SECRETARIAT (FORMER CHAIR PERSON, ACC)



Kinley Yangzom has Master degree in Education, from New Brunswick, Canada and Bachelor of Arts (English) Honors from IP College, Delhi University. She has rich leadership experience acquired over the 32 years of service to the Tsa-Wa-Sum. She started her career in 1988 in Ministry of Education as HR professional. She served in Royal Civil Service Commission as Chief Human Resource Officer and later as Commissioner. She served as the Chairperson for Anticorruption Commission till July 2020.

She has vast knowledge and experience in HR management, public administration and corruption prevention and mitigation strategies. Currently, she is serving the His Majesty's Secretariat.

PASSANG DORJI
DZONGDAG, SAMTSE DZONGKHAG



He graduated with Bachelor of Arts (Economics) from Sherubtse College, Bhutan in 1995 and holds Master degree in Public Policy from Australian National University, Australia. He joined civil service as Trainee Officer in 1996 and later as planning officer in Thimphu, Tashigang, Ministry of Finance and Gross National Happiness Commission. He has wide knowledge in policy formulations, macro-economic analysis, monitoring and evaluation of projects and international financial perspectives. Prior to his appointment as Dzungdag, he served as Executive Secretary under Thimphu Thromde.

GELEY NORBU
DIRECTOR - NATIONAL LAND COMMISSION, THIMPHU



He has obtained Master's Degree in Urban and Regional Planning from University of Sydney, Australia and Bachelor of Architecture from Maulana Azad National University of Technology, India in the year 2000. He joined civil service as Urban Planner and served under Ministry of Works and Human Settlement. He served as Chief Urban Planner under Thimphu Thromde from 2009 till he was transferred to National Land Commission as the Director in 2017. He has extensive experience in urban planning, implementation of Asian Development Bank and World Bank projects in Bhutan, land and property related disputes resolutions, resettlement programs and instituted systems and processes in various organizations. Served as the member to the drafting of legislations related to land, municipal, building, planning and by-laws. He delivered online course on behalf of World Bank to international participants.

PEM TSHERING
SENIOR ANALYST, DHI



He has MBA from Australian National University, ACT, Australia and Bachelor of Computer Science and Engineering from National Institute of Technology, Durgapur, India. He began his career as Associate Analyst in DHI from 2011 under Corporate Performance Department. He has wide knowledge in formulation of corporate strategic plans, organizational development interventions, monitoring and evaluations of performances of DHI and its subsidiaries, explore business opportunities and projects for investment. He is currently serving as Senior Analyst under Department of Investments, DHI.

KEZANG JAMTSO
CHIEF EXECUTIVE OFFICER- SMCL



He has Master's Degree in Irrigation Engineering and Management from Asian Institute of Technology, Bangkok, Thailand and Bachelor's Degree in Civil Engineering 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 and completed his term as the Commissioner, Anti-Corruption Commission of Bhutan.

MANAGEMENT TEAM



KEZANG JAMTSHO
CHIEF EXECUTIVE OFFICER



SANGAY RINZIN
DIRECTOR, SALES & LOGISTICS

He has obtained Masters in Accounting from Curtin University of Technology, Western Australia in 2005. He served as the Dean, Research and Industrial Linkages in Gaeddu College of Business Studies and as Research Consultant for Institute of Management Studies in Marketing and Management. He has experiences in financial management and accounting, business research, marketing, and development of project proposals.



CHHIMI RINZIN
GENERAL MANAGER, CORPORATE SERVICES

He has obtained Masters in Human Resource Management from Curtin University of Technology, Western Australian 2006. 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, and Royal Civil Service Commission till March, 2015.



SANGAY TSHERING
GENERAL MANAGER, PROJECT & MINES

He did Bachelors of Engineering in Mining from Nagpur University, Maharashtra, India, and Masters in Engineering Science in Mining Industry Management from University of New South Wales at Sydney, 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.



KELDEN JATSHO
HEAD, ACCOUNTS & FINANCE

He obtained his Bachelor of Commerce from Kurseong College, North Bengal University, India. He started his carrier as contract teacher in 2010. Later from August 2012 he joined as Accounts & Finance Officer in Bhutan's first Private Fund Management Company. Before taking up the position as Head (Accounts & Finance) at the SMCL, he worked as Assistant Manager (Accounts) at the Army Welfare Project Limited (AWPL).

To the Shareholders

It is my honor and privilege, as the Chairman of the Board of SMCL, to present the Directors' Report for the year 2021.

2021 began with great excitement since dolomite mine had come to the Company and production was already operational from October 2020. The financial compact targets were raised by more than three times, in spite of the pandemic. The revenue and profit targets were set at Nu. 3.804 B and Nu. 1.121 B, respectively.

With great pride, I inform the shareholders that SMCL was extremely successful in 2021, despite some disruptions by the pandemic. The Management's agile response to disruptions by the pandemic minimized the impacts. The Company achieved revenue of Nu. 4,229.18 M, against its target of Nu. 3,804.05 M, which was an increase of 262.74% when compared to 2020. Dolomite alone contributed 61.77% to the total income. The PAT achieved was Nu. 1,568.29 M, against the compact target of Nu. 1,121.58 M, which was an increase of 331.96% when compared to 2020. For the first time, PAT crossed the milestone of a billion. The PAT margin increased from 31.69% in 2020 to 42.29% in 2021. The return on equity stands at 81.21%, an increase of 63.18% compared to 2020 which was 49.77%

OPERATIONAL HIGHLIGHTS

GYPSUM

Gypsum production for 2021 was 364,421.58 MT, at 62.53% of the Annual Compact target of 582,750 MT. There was a decrease in production by 7.24% when compared to 2020. The mining pit conditions largely impacted production.



When SMCL took over Khothakpa Gypsum Mine, extraction pit was only about 20 m above the bottom of the mine. Hence by September 2019, a new mine pit had to be developed from

top of the mine, foreseeing early exhaustion of the mining pit. After 5 months of overburden removal, gypsum was exposed and extraction started from it. It is the only gypsum producing pit at present. Unfortunately, unexpected occurrence of thick inter-burden of phyllite, highly fractured calcareous quartzite and red clay intrusions were encountered, which hampered production. Inter-burdens are the worst type of mine wastes with significant cost implications where machine hours are lost in mineral segregation from reject rocks. From April 2021 till date, due to absence of nearby OB dump yard, OB is transported to a dump site 3.5 Km from the mine.

The Sale of Gypsum was 433,464.76 MT which is 82.56% against the Annual Compact target of 525,000 MT. Sale in 2021 was higher by more than 100,000 MT when compared to 2020. There was no report of shortfall from the markets.

COAL

Both the production and the sale targets were achieved in 2021. The coal production was 100,139.82 MT against the target of 100,000 MT. The production increased by 8.22% compared to 2020. The total sale was 98,165.31 MT, against the target of 90,000 MT, an increase of 36.03% compared to 2020. The confidence and the resilience of the site staff made it happen.

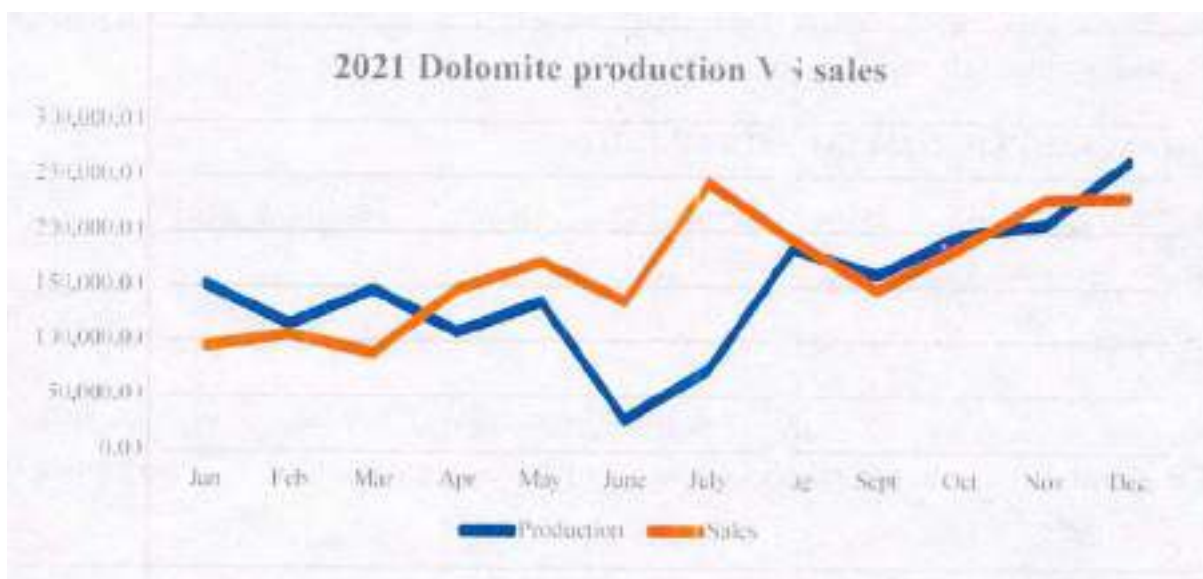
2021 Coal Production VS Sales



The operation of Rishor Coal Mine had to be suspended at the directive of DGM. Due to slope stability issue, DGM directed to take up an alternate site within the leasehold areas allocated to SMCL. SMCL's geological team was immediately deployed to explore and map the coal occurrences in the alternative site for mine planning. The updated pit plan was approved by the Department in the first week of June, 2021.

DOLOMITE

Dolomite production started with a comfortable stock of more than three lakhs ton. Production was steady; more than the sale till the first quarter. After the first quarter, sale picked up as Steel Authority of India (SAIL) started their purchase. But frequent breakdowns of the mobile crushers and shortage of tippers for internal transport depressed production. And a greater challenge was faced when production was completely closed due to lockdown from 6 June to 15 July 2021. However, with our agile response, sale resumed from 17 June under strict containment mode. The stock from 2020 saved us in continuing the supply. Another disruption hit us in early August. About 50% of local trucks left work, demanding higher transport rates. The Company immediately bought 15 dumper and tipper trucks to stabilize production to sustain sale. As the graph indicates, it was a tight battle to sustain sales by production, both plagued by the pandemic, plant and machinery problems. The resilience of site staff in enduring the disruptions saved 2021.



Dolomite sales started on 9th January 2021, with a simple flag off ceremony. In the first two quarters, sales were hampered by restrictions on the number of vehicles for daily dispatch. As we streamlined our dispatch plans and succeeded in COVID risks management, which won the confidence of the Task Force, the number of vehicles were gradually increased. The Company started with 120-30 vehicles in a day and today we are able to dispatch 345 vehicles daily. Strikes and load restrictions in India depress sales, which are beyond (our) control.

The targets for both production and sale was 3,000,000 MT. Production and sale for the year 2021 was 1,778,371.33 MT and 1,980,800.69 MT respectively. Our prompt remedial measures against disruptions made the difference.

STONE BOULDERS AND AGGREGATES

The production of boulders and aggregates were for KHEL. As KHEL did not commence, Company produced only to meet the local demand.

The Company produced 86,421.8 MT of boulders and 63,715.52 MT of aggregates, an increase of 15.07% and 15.05% compared to 2020, respectively. Sale was 76,074.08 MT of aggregates, an increase of 199.77% compared to 2020. There was an increase in sales in 2021, due to construction of KHEL staff quarter, water supply project at Kitshang and a few blacktopping works.

SAND WASHING MACHINE

A sand washing machine manufactured by Ms. CDE Asia, Kolkata was commissioned at Dzungdi on 15 May 2021. The “state of the art” technology washes the crusher dust clean, making it fit to be used for high quality hydro civil works. The plant is first of its kind in Bhutan and was installed at the total cost of Nu. 22.43 M.

FINANCIAL PERFORMANCE HIGHLIGHTS

Financial performance of SMCL in 2021 was outstanding. Achievement surpassed all financial targets, by significant margins.

REVENUE

The total income achieved was Nu. 4,229.18 M against the Compact target of Nu. 3,804.05 M. The growth in revenue was mainly contributed by the dolomite portfolio, which contributed 61.77% to it.

EXPENDITURE

The total expenditure for the year 2021 was Nu. 1,957.97 M, an increase from Nu. 634.20 M in 2020. Out of this expenditure, Nu. 891.27 M was pumped into the local economy in terms of disbursement for hiring of earth moving equipment, trucks for transport, labor for coal raising and other manual jobs and for petty contract works. The major expenses of Nu. 812.17 M was incurred for Chunaikhola Dolomite Mine.

PROFITABILITY

PAT crossed the milestone of a billion for the first time, at Nu. 1,568.29 M, against the target of Nu. 1,121.58 M. It was an increase by 331.96% compared to 2020. The profit margin increased to 42.29% from 31.69% in 2020.



CASH FLOW

The cash generated from the operation increased from Nu. 173.96 M in 2020 to Nu. 2.53 B in 2021.

AUDIT ISSUES

There were two observations from the Statutory Auditors for 2021.

1. Write off of stocks worth Nu. 11,094,523.58
2. Retention of Huge Fund Balance in non-interest-bearing bank accounts amounting to Nu. 1.038 billion

With the management's explanation during the exit meeting, RAA and SA dropped the second observation. The RAA informed that the write off has to be endorsed by the Board and it will be dropped by them.

BOARD'S RECOMMENDATION OF DIVIDEND

The Board and the Management declared dividend of Nu.1.793 B, which is 610% of the share capital.

The calculation of dividend is shown below:

Particulars	(%)	Nu/(M)
Share Capital		293.99
Dividend (%)	610.00%	
Dividend Amount		1,793.34
Total Comprehensive Income/(Loss)		1,566.16
Dividend % on Total Comprehensive Income/(loss)	115.06%	
Profit/(Loss) After Income Tax (PAT)		1,568.29
Dividend % on Profit/(Loss) After Income Tax (PAT)	114.90%	

CORPORATE GOVERNANCE

The Company always strives to abide by the provisions of Corporate Governance Code (CG Code), Ownership Policy of the Druk Holding and Investments Limited (DHI), the Companies Act of the Kingdom of Bhutan 2016 and other statutory requirements.

The Company has seven Board Directors from diverse backgrounds including the Chief Executive Officer. The Company conducted six Board Meetings, an Annual General Meeting, one Board HR Committee Meeting, five Board Tender Committee Meetings, Six Board Audit and Budget Committee Meetings for the year 2021.

CORPORATE SOCIAL RESPONSIBILITY

The Company made contributions to activities related to corporate social responsibilities. The cash and kind contributions were made to C19TFs, where the Company operates.

SL. No.	Beneficiaries	Amount (Nu.)
1	Covid-19	2,318,007.00
2	Culture & religious events (Construction/renovation/preservation of lhakhangs, chortens and other monuments) & Community Development	3,904,806.79
3	Schools, Institution/Colleges & Hospital	206,081.89
	Total	6,428,895.68

BEYOND CSR: SHARING BENEFITS WITH THE COMMUNITIES

SMCL strongly believes in sharing our projects' benefits with the local communities by engaging them. We support the local economy by deploying them in our activities, wherever feasible. The details in the table below describe how much money was disbursed into the local economy by hiring their services.

Particulars	Details	Amount (Nu.)	Nos	Remarks
EME & Tippers	EMEs hired	247,052,587.99	55	43 nos of excavators and 12 nos of payloaders.
	Tippers hired	132,214,158.16	188	186 nos of tippers and 2 nos of water tanker.
	Freelance individual Tippers-Transportation of minerals	495,567,236.97	337	1. Gypsum transportation from Pema Gatshel to S/Jongkhar, 2. Coal transportation from Habrang to DCCL, 3. Coal transportation from Habrang to Motanga, 4. Coal Transportation from Tshophangma to Habrang & 5. Dolomite transportation from Stockyard to buyers (Only Bhutanese Truckers Included)

Construction works	Contract works (Labour contract to locals)	4,809,274.14		
Manpower Engaged	Coal raisers	8,150,925.16	42	Awarded based on Output per Man shift and per MT.
	Operators		55	
	Drivers		525	
	Daily wage earners	3,476,498.25	42	
	Total	891,270,680.67	664	

KEY CHALLENGES

Uncertain policy environment has impeded SMCL for some time, in terms of planning, investment and business consolidation. It is a matter of great relief to inform that this policy uncertainty will be resolved.

It has been a great challenge to keep Dzungthung Stone Quarry operational, with the hope that KHEL project will commence. Our investment has been idle; even suffering loss as the setup has to be maintained.

As SMCL had to acquire the plant and machineries from the previous operators, running them has been quite a challenge. The Company is studying the options of consolidating the plant and machineries.

It is becoming increasingly difficult to manage transport and logistics. Even with our good intent of giving direct work with its associated benefits, local freelance truckers take us for granted and disrupt our operations.

Design deficiency in road and bridges restrict load carrying capacity. SMCL's business being in bulky minerals, transport efficiency has a significant impact on the Company.

Besides exposing the employees to health risks, Covid-19 increased our cost of operations. With easing of restrictions, we welcome benefits of normal operation.

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ACKNOWLEDGEMENTS

The Board would like to sincerely acknowledge the Royal Government of Bhutan, Druk Holding and Investment Limited, all regulatory agencies like Department of Geology and Mines, National Environment Commission, National Land Commission, their subsidiary offices, Dzongkhags, Communities for their support and guidance towards the achievement of Company's mandates.

The Board would like to acknowledge the C19TFs of Southern and Eastern Regions, Dzongkhag C19TFs of Samtse, Samdrup Jongkhar and Pema Gatshel, for facilitating SMCL's operations during the pandemic.

The Management would like to take note of the Board's swift directives, for the Management to be able to take prompt actions in response to unexpected disruptions in 2021.

The Board would also like to thank the Chief Executive Officer for his selfless leadership and the efforts put by the management and the employees of the Company.

The Board shall continue to guide and contribute in the long-term direction of the company.

Tashi Delek!

For and on behalf of the Board



Dasho Karma Yezer Raydi
(Chairman)

CORPORATE GOVERNANCE REPORT 2021

1. BOARD DIRECTORS

The Board is the highest decision making body of the company. It determines the company's overall strategy and follows up on its implementation, supervises the performance, ensures adequate management and organization and, as such, actively contributes to developing the company and fulfill shareholder's expectation.

2. BOARD COMPOSITION

The Company's Board comprise of seven members appointed by the shareholder at the Annual General Meeting. The members constitute four independent and three non-independent directors from diverse professional background. The diverse composition in terms of knowledge, skills, experiences, age, and gender helps the Board to make informed, independent, objective decisions for the interest of the shareholder, company, employees and other stakeholders.

Board Members in 2021

Sl. No.	Name of Director	Designation & Address	Description	Date of Appointment	Remarks
1	Dasho Karma Yezer Raydi	Chief Executive Officer, DHI	Chairman	03/03/2020	Non-Independent
2	Pem Tshering	Sr. Analyst, DHI	Board Member	30/03/2021	Non-Independent
3	Kezang Jamtsho	Chief Executive Officer, SMCL	Board Member	01/07/2019	Non-Independent
4	Kinley Yangzom	Former Chairperson, ACC	Board Member	30/03/2021	Independent
5	Pasang Dorji	Dzongdag, Samtse Dzongkhag	Board Member	30/03/2021	Independent
6	Geley Norbu	Director, National Land Commission	Board Member	30/03/2021	Independent
7	Chewang Rinzin	Director, RIGSS	Board Member	03/03/2020	Independent

Board Directors' attendance and retired from March 2021

Name	Designation	Date of appointment	Attendance	Remarks
1	Dasho Karma Yezer Raydi	Chief Executive Officer, DHI	6/6	
2	Chewang Rinzin	Director, RIGSS	6/6	
3	Pasang Dorji	Dzongdag, Samtse Dzongkhag	4/6	
4	Kinley Yanzom	Secretary, GNH	4/6	Retired
5	Geley Norbu	Director, National Land Commission	6/6	
6	Pem Tshering	Sr. Analyst, DHI	5/6	
7	Kezang Jamtsho	Chief Executive Officer, SMCL	6/6	
8	Kezang Deki	Chief Engineer, DoI, MoEA	3/6	Retired
9	Jigme Dorji	Sr. Analyst, DHI	2/6	Retired

3. BOARD MEETINGS

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.

Board Meetings held in 2021

No. of Board Meeting	Date	Venue
39 th	22/03/2021	DHI Board Room/Virtual
40 th	21/04/2021	DHI Board Room/Virtual
41 st	23/07/2021	DHI Board Room/Virtual
42 nd	25/10/2021	DHI Board Room/Virtual
43 rd	23/11/2021	DHI Board Room/Virtual
44 th	28/11/2021	DHI Board Room/Virtual

4. BOARD COMMITTEES

The Board may from time to time establish Board Committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions to the subcommittees to assist or to enable the Board to make appropriate decisions.

- Board Audit and Budget Committee
- Board Tender Committee
- Board HR Committee

The Board appoints the members and Chairperson of each Committee. The committees constitute with members from non-executive members of the board where one of the independent directors appointed as the chairman of the committee. Each Board Committee operates under clearly defined terms of reference approved by the Board.

a. Board Budget and Audit Committee

The Board Audit Committee comprise of three Board Directors appointed by the Board from time to time where the chairman and the majority of members are independent directors. Membership of an audit committee includes directors who are financially literate.

- The audit committee shall undertake its activities in accordance with a board approved audit committee charter.
- The audit committee shall monitor and should give the board assurance on the operation of the internal control system and internal audit activities, financial reporting, external audit, accounting and legal compliance of the company. It may also monitor the effectiveness of the company risk management system.

The details of the Board Budget and Audit Committee Meetings held in 2021

No. of Meeting	Date	Venue/Mode	Remarks
17 th	19/03/2021	DHI Board Room/Via Zoom	Audit and Budget Meeting
18 th	06/05/2021	DHI Board Room/Via Zoom	Audit Meeting
19 th	15/06/2021	DHI Board Room/Via Zoom	Audit Meeting
20 th	21/07/2021	DHI Board Room/Via Zoom	Audit and Budget Meeting
21 st	21/10/2021	DHI Board Room/Via Zoom	Budget Meeting
22 nd	17/11/2021	DHI Board Room/Via Zoom	Budget Meeting

b. Board HR Committee

The Board HR Committee of the company comprises three members, all being appointed by the Board from time to time and chairman identified by the Board.

The Board Human Resource Committee reviews and assess the policies & strategies to strengthen internal systems and processes related Human Resource of the company. The primary functions of the committee are to:

- Review proposals submitted by the Management and approve or recommend to the Board.
- Carry out the Selection Interviews for the executive or equivalent positions.
- Carry out any other responsibility related to HR as delegated by Board.

The details of the Board HR Meetings held in 2021

No. of Meeting	Date	Venue
9 th	23/04/2021	DHI Board Room

c. Board Tender Committee

The objective of the Committee is to reinforce corporate governance, integrity and transparency in the procurement process and contract management. The committee comprises of three members including the chairman appointed by Board.

The company followed procurement rules and standards of the company while procuring works, goods and services.

The details of Board Tender Committee meetings held in 2021

No. of Meeting	Date	Venue
10 th	02/02/2021	Virtual
11 th	23/03/2021	Virtual
12 th	11/05/2021	Virtual
13 th	20/08/2021	Virtual
14 th	22/10/2021	Virtual

5. ANNUAL GENERAL MEETING

It decides on and approves important issues concerning the Company's management, including the reappointment & appointment of Directors, amendments to the Articles of Incorporation, approval of financial statements and dividend for the year.

The 7th Annual General Meeting of the company was held on 18th April 2022 at the Board Room, DHI, Thimphu with the representatives from DHI (shareholder). The meeting discussed on the consideration of audited accounts for the financial year ended 31st December, 2021 and auditors' report and declaration of dividend.

The AGM also discussed on the appointment and retirement of directors and remuneration of the Chief Executive Officer. As per the section 138 of the Companies Act of Bhutan 2016, the Directors need to retire during AGM. Dasho Karma Yezer Raydi, Chairman of the Board, Mr. Geley Norbu, Director, NLC have been reappointed for another term and three Board Directors, Dasho Thinley Namgyel, Secretary, GHNC, Kezang Deki, Chief Engineer, DoI, MOEA and Jigme Dorji, Sr. Analyst, DHI have been retired and replaced by Ms. Kinley Yangzom, Former Chairperson, ACC, Mr. Pasang Dorji, Dzongdag, Samtse Dzongkhag and Mr Pem Tshering, Sr. Analyst, DHI respectively.

The meeting declared dividend of Nu.1.793B (610% of the share capital).

6. BOARD REMUNERATION

a. Board Directors' remuneration

Based on the remuneration fixed by DHI, the company paid total of Nu.552,000.00 during 2021 for six Board Committee meetings and three other board level meetings and 12 Board Subcommittee Meetings.

Sitting Fees	2021
Board Meetings	384000
Sub-committee fees	168000

b. Remuneration of CEO

The CEO's remuneration for the 2021 has been presented in the table below:

Pay & Allowances	Amount
Basic Pay	1225800
Allowances	1103220
PBVP	310500
GPF Contribution	183870
Sitting fees	88000
Grand Total	2911390

7. RISK MANAGEMENT

As per the Company's Risk Management Policy, the Company prepares the risk register by recognizing potential risks and accurately program mitigation strategies in the beginning of the year. As per DHI risk management framework, Company's risks are classified under five broad categories i.e., Strategic, Financial, Operational, Compliance and Control.

All Board Members, Management and Employees of the Company is individually responsible to safeguard the Company from any risk associated thereof which would otherwise hinder the performance or the reputation of the Company. The risk register is maintained with approval from the Board in the beginning of the year. It identifies all potential risks and the mitigation plans/ measures to curve or avoid its consequences in future. The register is regularly monitored and updated on its implementation efficiency and if further actions are deemed, the management resolves for additional measures.

The mine workers are normally exposed to risk of accidents at worksite. The mines are operated in a rough and freshly exposed terrains with narrow working space engaging huge earth moving equipment that are highly susceptible to accidents. Additional mitigations, if required, are put in place to address further risks.



INDEPENDENT AUDITORS' REPORT



**STATUTORY AUDIT REPORT OF STATE MINING
CORPORATION LIMITED
FOR THE YEAR ENDED DECEMBER 31, 2021**

Dechok & Associates Pvt. Ltd.
Samdrup Jongkhar
Bhutan
Mobile: +975-17606922
Email: yeshi.jamtsho939@gmail.com
Facebook: Dechok and Associates Pvt. Ltd.

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7. MANAGEMENT REPORT
8. PRIOR YEAR AUDIT FOLLOW UP REPORT

AUDITOR'S REPORT
ON
FINANCIAL STATEMENTS



Dechok & Associates Private Limited
Auditing, Accounting and Tax Services
Thimphu : Bhutan

INDEPENDENT AUDITOR'S REPORT

To
The Shareholders of State Mining Corporation Limited

Opinion

We have audited the accompanying financial statements of State Mining Corporation Limited (the Company) which comprise the Statement of Financial Position as at 31 December 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and the cash flows for the year then ended in accordance with the Bhutanese Accounting Standards.

Basis for Opinion

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 State Mining Corporation Limited in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with the Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016 (on the Minimum Audit Examination and Reporting Requirements) we enclose in the **Annexure - A**, a statement on the matters specified therein to the extent applicable.

We also enclose for information purposes Annexure-II, a statement on applicability of Bhutanese Accounting Standards Phase I, Phase II and Phase III on the Company for the year ended December 31, 2021.

As required by Section 265 of the Act, we report that:

- a) 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.
- b) 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.
- c) 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 have been prepared in accordance with Bhutanese Accounting Standards and are in agreement with the books of account.
- d) In our opinion, the Company has complied with all other legal and regulatory requirements to the extent applicable.

For Dechok and Associates Pvt. Ltd

Yeshi Jamtsho, FCCA

Managing Partner



**REPORT ON MINIMUM
AUDIT EXAMINATION
REQUIREMENT**

Minimum Audit Requirement, 2021

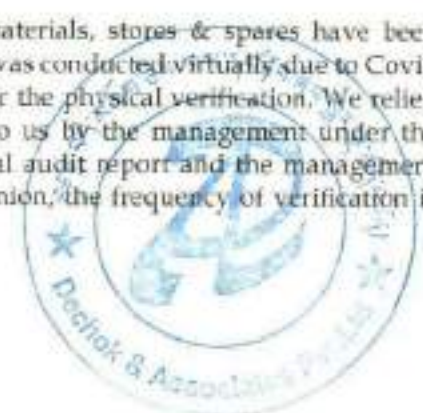
State Mining Corporation Limited

ANNEXURE - I TO THE INDEPENDENT AUDITORS' REPORT (Referred to under' Report on Other Legal and Regulatory Requirements' in our Independent Auditor's Report of even date)

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

General:

- a) To the extent applicable, the company adheres to the Corporate Governance Guidelines issued by Druk Holding and Investments (DHI).
 - b) In our opinion those charged with governance and the management of the Company has pursued a prudent and sound financial management practice in managing the affairs of the Company as it revealed from our audit.
 - c) The financial statements of the Company are prepared to the extent applicable by applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
 - d) The Company has maintained proper books of accounts and the financial statements for the year ended 31st December 2021 are in agreement with the underlying accounting records.
 - e) The Company has maintained the applicable registers as specified under Section 228 of the Companies Act of Bhutan 2016.
 - f) The Company has fulfilled its obligation social and otherwise as entrusted to it.
 - g) The Company has computed the amount of tax correctly and the same has been reflected in the financial statements.
1. The company is generally maintaining proper records of Fixed Assets showing full particulars including quantitative details and situations of its 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. Fixed assets have not been revalued during the year.
 3. Physical verification of finished goods, raw materials, stores & spares have been conducted by the management. Since the audit was conducted virtually due to Covid 19 restrictions, our auditors were not present for the physical verification. We relied on the physical verification report submitted to us by the management under the circumstances in hand as well as on the internal audit report and the management representation letter provided to us. In our opinion, the frequency of verification is



reasonable.

4. As informed to us, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
5. As per the physical verification report, no material discrepancies were noticed during the physical verification.
6. As informed to us, the Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to respective jobs.
7. As informed by the management, quantitative reconciliation in respect of major items of raw materials and finished goods are carried out at the end of the accounting year.
8. There were no obsolete, damaged, slow moving and surplus goods/inventories as informed by the management.
9. Not Applicable as reported in clause 8 above.
10. An amount of Nu. 11,094,523.58 being the difference between the book value and the physical value during physical verification were written off by the management. No approval from the board was obtained.
11. On the basis of examination of available reports and on the basis of information provided by the management, we observed that stocks are valued at lower of moving average price of the stocks at different locations and the net realizable value. The basis of valuation of stocks is consistent with that of the previous year.
12. The company has not taken unsecured loan during the year from other parties under the same management. The rate of interest and other terms and conditions were prima facie not prejudicial to the interest of the company.
13. The company has not granted unsecured loan and advances to companies and other parties which are ultra vires to the Articles of Association and others relevant Acts and regulations.
14. Advances granted to officers/staff are in keeping with the provisions of service rules. No excessive and frequent advances were granted and accumulation of large advances against a particular individual was generally avoided.
15. In our opinion and according to the information and explanation given to us during the course of audit, the company has established an adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in 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.
16. It has been explained to us that there exists a reasonable system of authorization at proper levels 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 materials and labor to jobs.

17. As per information given to us and on the basis of examination of books of accounts and records, there is a reasonable system of competitive biddings, quotations and negotiations, commensurate with the size of the company, and the nature of its business, in respect of purchases of goods and services including stores, plant & machinery, equipment and other assets, and for sale of goods and services.
18. (a) As per the information and explanations given to us, there were no transactions for purchase 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. Transactions between SMCL and other DHI companies are disclosed in the notes to financial statements.

(b) This clause is not applicable in view of observation in clause (a) above.
19. In our opinion, the expenses charged to the Company accounts appear to be legitimate business expenses and we have not found any personal expense charged to the Company.
20. The company had determined certain fixed assets as obsolete/damaged/unserviceable during the year. Provision for loss has been made in the accounts.
21. As explained by the management, there is a system of ascertaining and identifying point of occurrence of damages of material in stock during loading/unloading/transportation, in storage and during handling, etc. so that responsibility could be fixed and compensation sought from those responsible.
22. In our opinion and to the best of our knowledge and belief and as per the information and explanations provided to us by the management, the company is maintaining reasonable record for production of finished goods and adequate physical safeguards exist to prevent unauthorised or irregular movement of finished products from the company. There are no by-products.
23. The Company does not have any by-products, however, the company is maintaining reasonable records for sale and disposal of realizable scraps where applicable.
24. 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 appropriate authorities. Provision for corporate tax is reasonably adequate and the company has made necessary adjustments to compute the tax as per the prevailing tax laws, rules and regulations of Bhutan.
25. As per the accounting records, 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 as follows:

Sl.#	Particulars	Amount (Nu.)
1	Tax Deducted at Source	1,846.05900



26. The company maintains mine-wise cost centres, therefore there is no need to allocate man-hours utilized to respective jobs.
27. There is a reasonable system of price fixation taking into account cost of production and market conditions.
28. As stated to us the credit sales policy is reasonable. No such credit rating of the customers is there in place.
29. No such commission agents have been appointed. Therefore, the clause is not applicable to the company.
30. According to the information and explanations given to us, there is a reasonable system for continuous follow up with debtors and other parties for recovery of outstanding amounts. Aging analysis is carried out by the management as and when required for information and follow-up.
31. The management of liquid resources particularly Bank balances are not adequate as excessive amount of Nu. 1.03 billion were lying idle in non-interest bearing accounts. No excessive amounts were found withdrawn from loan accounts leading to avoidable interest burden to the company.
32. In our opinion and on the basis of available records and information, the activities carried out by the company during the year are prima facie lawful and intravires to the Articles of Incorporation of the company.
33. In our opinion and according to the information and explanations given to us, the company has a system of approval of the Board for all capital investment decisions taking into account the technical and economic feasibility of such new ventures.
34. The company has established an effective budgetary control system.
35. This clause is not applicable to SMCL.
36. The details of remuneration, commission and other payments made in cash or kind to the Board of Directors including the Chief Executive Officer by the company are disclosed in the related party disclosure in the notes to the financial statements. No payments were made by the company directly or indirectly to any relatives including spouse and children of any Director or CEO during the year.
37. According to the information and explanations given to us, the directives of the Board have been complied with.
38. The Company is not listed on the Royal Securities Exchange of Bhutan Limited and therefore the transmission of price sensitive information does not arise.
39. Proper records were maintained for inter unit transactions, arrangements and services.
40. Proper Agreements with reasonable terms and conditions are executed for hire/ lease of machineries by the company from other parties.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. The organisational and system development controls and other internal controls are adequate relative to the size and nature of computer installations.
2. The company has adequate safeguard measures and back up facilities exist.
3. As regards back up facilities and disaster recovery measures, we are given to understand that the backup files are kept at different locations.
4. The operational controls are adequate to ensure correctness and validity of input data and output information.
5. The measures to prevent unauthorised access over the computer installation and files are adequate.
6. No data migration took place during the year.

GENERAL:

1. Going Concern Problems :-

The company's present operational and financial data indicate that the company is healthy and the accounts are prepared on the assumption that the company is a going concern.

The company in our opinion is in a position to carry on its business and is not likely to become a sick entity in the foreseeable near future.

2. Ratio Analysis :-

Details are given in Exhibit-1.

3. Compliance with the Companies Act of the Kingdom of Bhutan :-

As confirmed by the management, the Company has generally complied with statutory provisions of the Companies Act of the Kingdom of Bhutan 2016 concerning conducting of meetings, filing requirements, maintenance of records, issue of shares, raising of loans and all other matters specified in the said Act. A compliance of all items listed in the compliance check list and compliance calendar is attached with the audit report as an annexure.

4. 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 the examination and review of financial statements as produced before us by the management. In the course of our audit, we have considered, based on our test checks, the compliance of the provisions of the said Companies Act, 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 other applicable laws.



(other than the said Companies Act), rules and regulations, systems, procedures and practices.

For Dechok and Associates Pvt. Ltd.


Yeshi Jamtsho
Managing Partner



FINANCIAL STATEMENTS

STATE MINING CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION AS ON
31-Dec-21

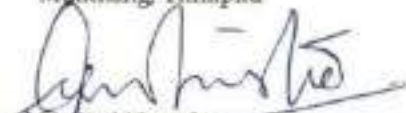
Particulars	Notes	31-Dec-21	31-Dec-20
ASSETS			
Non-Current Assets-			
Property, plant and equipment	2A	481,687,288	291,122,049
Intangible asset	2E	664,740	499,655
Capital work-in-progress	2C	31,861,564	31,836,440
Exploration & evaluation cost	2D	5,278,231	14,225,529
Mines Development	2E	3,521,713	1,613
Trade & other receivable	3	21,260,154	13,438,891
Other non current assets	4	4,328,458	5,027,103
Deferred tax Assets	5	7,484,427	8,923,552
Total non-current asset		556,086,576	365,074,831
Current Assets-			
Inventories	6	314,686,099	357,703,488
Trade & other receivable	7	294,480,143	424,918,772
Cash and cash equivalents	8	1,338,976,868	82,681,943
Other current assets	9	352,046,565	127,590,042
Total current asset		2,300,189,694	992,894,247
Total asset		2,856,276,270	1,357,969,078
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	293,990,000	293,990,000
Retain Earning		1,637,114,717	435,305,342
Total Equity		1,931,104,717	729,495,342
Non-current liabilities			
Deferred tax liability	11	4,047,120	1,337,542
Employee benefit obligations	12	8,205,429	2,548,351
Long-term Borrowing	13	50,334,043	53,133,570
Total non-current liabilities		62,586,592	57,039,463
Current liabilities			
Trade and other payables	14	74,724,270	43,630,873
Short term employee benefit	15	2,667,448	2,775,689
Other current liabilities	16	783,708,643	215,621,812
Short-term Borrowing	17	1,484,399	309,403,698
Total current liabilities		862,584,960	571,434,072
Total of equity and liabilities		2,856,276,270	1,357,969,078
		(0)	-

The above accompanying notes form an integral part of Financial Statements.

Significant Accounting Policy and Notes of Financial Statement 1- 41

As per our report of even date

M/s.Dechok & associates Pvt. Ltd
 Chartered Accountants
 Motithang, Thimphu


 Mr. Yeshi Jamtsho
 Partner

Place: Thimphu
 Date: 25/4/2022

For State Mining Corporation Limited


 Dasho Karma Yezer Raydi
 Chairman

Place: Thimphu
 Date: 25/4/2022

Chairman
 State Mining Corporation Ltd.
 Regd. Office: Samtse, BHUTAN


 Kezang Jamtsho
 CEO

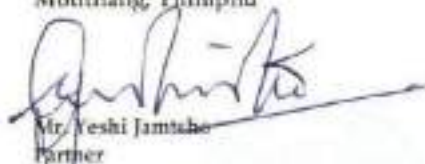
Chief Executive Officer
 State Mining Corporation Limited
 Samtse : BHUTAN

STATE MINING CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

31-Dec-21

Particulars	Notes	31-Dec-21	31-Dec-20
Income-			
Revenue from sale of products	18	3,708,529,276	1,145,693,332
Other income	19	520,646,743	20,202,070
Total Income		4,229,176,018	1,165,895,401
Expenditure-			
Changes in inventories of finished goods	20	115,158,584	(211,954,224)
Mining Cost	21	1,024,033,842	560,678,566
Operation & Maintenance Expenses	22	172,993,451	46,390,384
Depreciation and Amortisation	2A-2E	52,197,995	47,687,071
Employee Benefit Expenses	23	130,961,892	80,578,251
Finance Cost	24	9,187,824	5,566,162
Other Expenses	25	40,979,513	23,961,678
Selling & Distribution	26	412,452,490	81,095,790
Total Expenditure		1,957,967,591	634,203,679
Profit/(Loss) Before Income Tax		2,271,208,428	531,691,723
Income Tax Expenses			
Current tax		699,638,600	167,502,321
Deferred tax		3,282,845	1,125,892
Income tax for earlier year		-	-
Profit/(Loss) After Income Tax		1,568,286,983	363,063,509
Other Comprehensive (income)/Loss			
Actuarial Gain/(Loss) on post employment benefit obligations		2,130,207	(1,100,153)
Net Other Comprehensive (Income)/Loss		2,130,207	(1,100,153)
Total Comprehensive Income/(Loss)		1,566,156,776	364,163,662
Basic and Diluted Earnings per Share	27	533	123

M/s.Dechok & associates Pvt. Ltd
 Chartered Accountants
 Motithang, Thimphu


 Mr. Yeshe Jamshe
 Partner

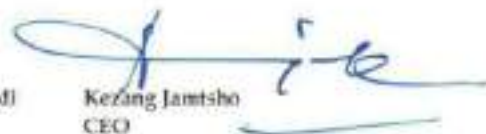
Place: Thimphu
 Date: 25/4/2022

For State Mining Corporation Limited


 Dasho Karma Yezer Raydl
 Chairman

Place: Thimphu
 Date: 25/4/2022

Chairman
 State Mining Corporation Ltd.
 Regd. Office: Samtse: BHUTAN


 Kezang Jamshe
 CEO

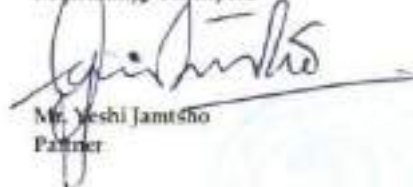
Chief Executive Officer
 State Mining Corporation Limited
 Samtse : BHUTAN

STATE MINING CORPORATION LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED

31-Dec-21

Particulars	31-Dec-2021	31-Dec-2020
Net Profit Before Tax	2,271,308,428	531,691,724
Adjustment for		
Depreciation and amortization	32,197,995	47,687,071
	(2,130,207)	1,100,153
Actuarial Gain/(Loss) on post employment benefit obligations		
Depreciation Adjustments in the trial and system	240,152	
Provision for Deferred tax	(3,282,845)	
Loss on Disposal of PPE	-	1,100,117
Changes in Working Capital:		
Adjustment for:		
(Increase)/Decrease in Inventory	43,017,390	(268,822,445)
(Increase)/Decrease in Trade & Other Receivables	130,438,629	(85,355,235)
(Increase)/Decrease in Other Current Assets	(23,590,974)	67,518,283
(Increase)/Decrease in Non - Current Assets	(5,685,492)	(1,502,163)
(Increase)/Decrease in Trade & Other Payables	31,093,397	24,861,490
(Increase)/Decrease in Short - Term Employee Benefits	(108,241)	2,529,338
(Increase)/Decrease in Other Current Liabilities	35,950,552	(146,571,224)
(Increase)/Decrease in Non - Current Liabilities	8,366,556	(76,890)
Cash Generated from Operations	2,537,717,440	173,960,240
Less : Tax Paid	(368,367,890)	(143,325,848)
Net Cash used in Operating activities (A)	2,169,349,550	30,434,392
Cash Flow from Investing Activities		
Purchase of Fixed Assets and Capital Work in Progress	(237,766,399)	(116,474,859)
Interest earned on Short Term Deposit		
Net Cash used in Investing Activities (B)	(237,766,399)	(116,474,859)
Cash Flow from Financing Activities		
Issue of Share Capital		
Proceed from long term borrowing	(10,740,627)	(5,479,344)
Proceed from short term borrowing	(300,000,000)	300,000,000
Payment of Short Term Borrowings		
Dividend Paid	(364,547,600)	(316,440,000)
Cash flow from Financing Activities (C)	(675,288,227)	(21,919,344)
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	1,256,294,925	(107,959,810)
Cash & Cash Equivalents at the beginning of the year	82,681,943	190,641,754
Cash & Cash equivalents at end of period	1,338,976,968	82,681,943

M/s. Dechok & associates Pvt. Ltd.
 Chartered Accountants
 Muzhaang, Thimphu


 Mr. Yeshe Jamtsho
 Partner

Place: Thimphu
 Date: 25/4/2022

For State Mining Corporation Limited

 
 Dasho Karma Yezer Ray Kezang Jamtsho
 CEO

Place: Thimphu
 Date: 25/04/2022

Chairman
 State Mining Corporation Ltd.
 Regd. Office: Samtse; BHUTAN

Chief Executive Officer
 State Mining Corporation Limited
 Samtse : BHUTAN

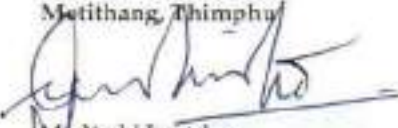
STATE MINING CORPORATION LIMITED
STATEMENT OF CHANGE IN EQUITIES AS ON
31-Dec-21

Amount in Nu

Description	No. of Equity Shares	Equity Share Capital	Retained earnings	Total
Balance at 01 January 2020	2,939,990	293,990,000	387,781,878	681,771,878
Change in Equity for the year				
Issue of share capital	500,000	-	-	-
Profit for the year		-	363,063,510	363,063,510
Other comprehensive income		-	1,100,153	1,100,153
Total comprehensive income for the year		-	364,163,663	364,163,663
Dividend payment		-	316,440,000	316,440,000
Balance at 31 December 2020	2,939,900	293,990,000	435,505,542	729,495,541
Change in Equity for the year				
Issue of share capital				
Profit for the year		-	1,568,286,983	1,568,286,983
Other comprehensive income		-	2,130,207	2,130,207
Total comprehensive income for the year		-	1,566,156,776	1,570,417,191
Dividend payment		-	364,547,600	364,547,600
Balance at 31 December 2021	2,939,900	293,990,000	1,637,114,717	1,931,104,717
Increase/ Decrease in Equity				164.2%

This is the Statement of Changes in Equity referred to in our report of even date.

M/s.Dechok & associates Pvt. Ltd
 Chartered Accountants
 Metithang, Thimphu



Mr. Yeshe Jantscho
 Partner

Place: Thimphu
 Date: 25/12/2022

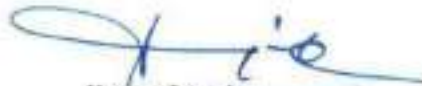
For State Mining Corporation Limited



Dasho Karma Yezer Kaydi
 Chairman

Place: Thimphu
 Date: 25/12/2022

Chairman
 State Mining Corporation Ltd.
 Regd. Office: Samtse: BHUTAN



Kezang Jantscho
 CEO

Chief Executive Officer
 State Mining Corporation Limited
 Samtse : BHUTAN

ACCOUNTING POLICIES, NOTES TO ACCOUNTS

1. 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 2021.

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 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 Financial Statements have been prepared in line with Bhutanese Accounting Standards and the Company has opted for early adoption of all BAS from 2017.

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 gratuities, accumulated leave liabilities and the discount rates used in the valuations.

Assets relating to mining: Certain plant and equipment and intangible costs are expensed using the units of production method. Estimates are made regarding the expected reserves of minerals and that markets and selling prices will enable the profitable operation of the company.

Provision is made for future costs to be incurred at the time of the restoration and rehabilitation of mining sites. These are based on the best estimate of the probable cost and the operating life of the mine.

Expenses for searching for mineral resources, determining the technical and commercial viability of extracting mineral resources are recognised as exploration and evaluation assets.

(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/noncurrent classification.

An asset is classified as current when it is:

- 1) Expected to be realized or intended to be sold or consumed in normal operating cycle;
- 2) Held primarily for the purpose of trading;
- 3) Expected to be realized 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, labor 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 derecognized. 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
Property, Plant and Equipment	
Plant & Machinery	10 Years with 20% residual value
Furniture & Fixture	10 Years
Safety Equipment	4 to 7 Years
Survey Equipment	4 to 7 Years
Motor Vehicle	10 Years with 20% residual value
Building & Civil Structure	10 to 30 Years
Lab Equipment	4 to 7 Years
Office Equipment	4 to 7 Years
Data Processing Equipment	4 to 7 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 licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized 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 programmed are recognized as an expense when incurred.

Other Intangibles:

Other intangible assets comprise exploration and evaluation costs of mines. These are amortized 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 Non-financial assets:

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis

Reversal of impairment loss:

An impairment loss in respect of goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of

depreciation or amortization, if no impairment loss had been recognized directly in other comprehensive income and presented within equity.

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 realizable 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 labor, other direct costs and related production overheads (based on normal operating capacity).

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 realized 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 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 recognizes 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 organizations 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. Earnings per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

20. Comparative information:

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

2-Property Plant & Equipment, Intangible Assets, Capital Work in Progress and Exploration and Evaluation Cost
(All amounts in Nu., unless otherwise stated)

Particulars	Gross Block				Depreciation/Amortization				Net Block	Net Block	12/31/2020		
	GrossBlock 1/1/2021	Additions	Adjustments	Total 1/1/2021	GrossBlock 12/31/2021	Opening Bal. 1/1/2021	Gross Dep	A.O.I. in total				System Adjustment	Actual Change
2A. Property, Plant and Equipment	214,481,067	169,681,010	299,080	384,461,157	613,853,125	86,833,886	24,180,167	-	-	34,186,167	739,077,952	388,072,694	184,444,107
Plant & Machinery	3,340,365	90,628	75,590	3,516,583	4,017,413	1,138,819	305,117	230	-	314,028	1,482,886	3,175,434	1,389,256
Furniture & Fixtures	281,540	188,237	-	469,777	493,532	20,133	47,998	-	-	67,965	67,967	321,566	186,437
Survey Equipment	691,066	681,080	-	1,372,146	1,319,686	386,354	136,618	-	-	186,618	532,673	687,031	333,645
Motor Vehicle	69,485,528	36,486,963	-	105,972,491	102,484,131	15,670,094	1,699,248	32,010	-	3,907,256	21,629,379	86,256,672	53,733,437
Building & Civil Structure	65,274,452	13,141,255	638,383	79,054,188	81,877,563	31,294,113	6,512,720	257,690	6,341	9,285,076	41,104,880	99,072,483	50,882,350
Lab Equipment	3,895,359	846,700	44,909	4,787,068	3,887,488	777,286	842,477	-	-	302,477	1,110,680	1,585,423	1,088,158
Office Equipment	6,691,276	2,898,118	42,652	9,632,046	17,336,678	2,022,133	947,433	3,366	-	942,128	3,069,567	13,637,107	6,258,188
Auto Possessing Equipment	10,549,813	3,300,967	160,142	14,010,922	13,855,379	5,118,253	1,920,730	13,558	3,714	1,907,673	7,433,666	6,712,313	5,431,268
Total Property, Plant and Equipment	396,818,369	238,235,895	1,302,629	636,356,893	632,253,624	107,992,367	43,071,664	297,812	7,860	43,133,672	151,056,381	481,687,398	291,133,049
2B. Intangible Assets	681,843	288,000	-	969,843	671,813	181,168	131,914	-	-	131,914	366,103	664,748	689,655
Total Intangible Assets	681,843	288,000	-	969,843	671,813	181,168	131,914	-	-	131,914	366,103	664,748	689,655
2C. Capital Work in Progress	31,878,440	3,153,729	3,258,546	38,290,715	47,034,843	181,388	124,914	-	-	-	-	47,034,843	31,836,440
Total Capital Work in Progress	31,878,440	3,153,729	3,258,546	38,290,715	47,034,843	181,388	124,914	-	-	-	-	47,034,843	31,836,440
2D. Exploration & Evaluation Cost	15,967,010	-	-	15,967,010	35,562,010	21,791,491	8,947,297	-	-	8,947,297	30,686,786	44,634,087	14,228,529
Total Exploration & Evaluation Cost	15,967,010	-	-	15,967,010	35,562,010	21,791,491	8,947,297	-	-	8,947,297	30,686,786	44,634,087	14,228,529
2E. Mines Development	3,047,261	3,522,081	-	6,569,342	6,569,372	3,045,348	1,918	-	-	1,918	1,917,659	3,521,713	1,613
Total Mines Development	3,047,261	3,522,081	-	6,569,342	6,569,372	3,045,348	1,918	-	-	1,918	1,917,659	3,521,713	1,613
Balance for Accounts	470,346,019	244,117,625	6,431,225	720,894,869	708,112,418	132,668,735	52,445,887	287,812	7,860	52,187,595	185,098,881	521,013,537	337,695,285

M/S. Deebok & associates PVT. Ltd

Chartered Accountants
Mandi/Kang, Thimphu
Tashi
Date: 25/11/2022

For State Mining Corporation Limited

Tashi Karney Tseren Bayal
Chairman
Date: 25/11/2022
Chairman

Kezang Jamtsho
CEO

Chief Executive Officer
State Mining Corporation Limited
Samtse : BHUTAN

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

STATE MINING CORPORATION LIMITED
NOTES FORMING PART OF STATEMENT OF FINANCIAL POSITION AS ON

31-Dec-21

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

Particulars	31-Dec-21	31-Dec-20
Environment Restoration Bond	21,260,154	13,436,891
Total	21,260,154	13,436,891

Note 4: Other non current assets

Particulars	31-Dec-21	31-Dec-20
Unamortised mining cost	4,328,458	5,027,103
Total	4,328,458	5,027,103

Note 5: Deferred tax

Particulars	31-Dec-21	31-Dec-20
Property, plant and equipment Deferred tax asset (Timing Difference)	7,464,427	(8,923,552)
Total	7,464,427	6,923,552

Note 6: Inventories

Particulars	31-Dec-21	31-Dec-20
Inventory (Valued at cost or NRV whichever is lower)		
Coal	137,094,996	117,314,798
Quartzite	10,655,074	30,800,762
Gypsum	13,418,190	77,654,833
Dolomite	10,514,151	61,348,512
Consumable & Assets	143,003,688	70,584,585
Total	314,666,099	357,703,488

Note 7: Trade & Other receivable(Current)

Particulars	31-Dec-21	31-Dec-20
Sundry Debtor	292,708,531	423,478,394
Security Deposit Placed	1,771,612	1,440,378
Total	294,480,143	424,918,772

Note 8: Cash and Cash Equivalents

Particulars	31-Dec-21	31-Dec-20
Cash-in-hand	287,347	413,380
Bank Balance		-
Bank of Bhutan Ltd A/c No- 100891887	8,967,681	8,072,361
Bank of Bhutan Ltd A/c No- 200194054	243,566,790	41,799,286
Bank of Bhutan Ltd-201550717 - SMCL	29,585,208	13,735,987
Bank of Bhutan Ltd-201766760 - SMCL	396,470,819	18,660,929
Short term deposit	300,000,000	-
Bank of Bhutan Ltd - 203084061 - SMCL	305,553,228	-
Bank of Bhutan Ltd - 203125974 - SMCL	12,268,804	-
Bank of Bhutan Ltd - 203833862 - SMCL	36,694,785	-
Bhutan National Bank Ltd - 0100149610001 -	5,582,206	-
Total	1,338,976,968	82,681,943

Note 9: Other Current Assets

Particulars	31-Dec-21	31-Dec-20
Other Current assets	-	127,363
TDS	16,415,680	7,733,110
Advance Tax	269,332,999	77,150,000
Advance to Employee	(103,637)	117,938
Advance to Vendor	42,244,486	18,272,085
Prepaid Expenses	24,157,057	24,189,526
Unamortised mining cost	-	-
Loans & advance to Intra Company	-	-
Total	352,046,585	127,590,042

Note 10: Capital

Particulars	31-Dec-21	31-Dec-20
Authorised Share Capital		
1000000 Equity Shares of Nu.100 each		1,000,000,000
Issued, Subscribed and Paid-up		
2939900 Equity shares @ Nu. 100 each fully paid up	293,990,000	293,990,000
Total	293,990,000	293,990,000

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 shareholders.

Note 11: Deferred Tax Liability

Particulars	31-Dec-21	31-Dec-20
Deferred Tax Liability:-		
Timing Differences in respect of- Opening		-
Recognised during the year in relation to Property, Plant and Equipment, Intangible Assets and Amortization of Exploration and Evaluation costs	4,047,120	1,337,542
Total	4,047,120	1,337,542

Note 12: Employee benefit obligations

Particulars	31-Dec-21	31-Dec-20
Post-Employment Benefit (Gratuity)	1,383,431	1,379,278
Long-term Employee Benefit (Leave Encashment)	4,629,061	-
Gratuity Bank Account - SMCL	-	-
Post Employee Benefits (Others)	2,192,937	1,169,073
Total	8,205,429	2,548,351

Note 13: Long term Borrowing

Particulars	31-Dec-21	31-Dec-20
Term Loan from NFFE	50,334,043	53,153,570
Intra Company Borrowings(NC) - SMCL	-	-
Total	50,334,043	53,153,570



Note 14: Trade and Other Payables

Particulars	31-Dec-21	31-Dec-20
Other Trade & payables	-	
Employee Payables	1,346,851	717,371
Sundry Creditors - Domestic	57,339,393	38,784,847
Sundry Creditors - International	14,017,883	100,957
Advance from customer	(275,276)	1,642,125
Stock Received but not Billed	2,295,419	2,385,574
Total	74,724,270	43,630,873

Note 15: Short term employee benefit

Particulars	31-Dec-21	31-Dec-20
Post Employment Benefit (Gratuity)	1,902,740	-
Short-term Employee Benefit (Leave Encashment)	764,708	2,775,689
Total	2,667,448	2,775,689

Note 16: Other current liabilities

Particulars	31-Dec-21	31-Dec-20
TDS Payable	1,846,059	1,405,942
Other Liabilities	57,533,996	32,575,933
Provision for Income Tax	699,638,600	167,502,321
Security Deposits	24,537,573	14,012,423
Retention Money	152,415	125,193
Total	783,708,643	215,621,812

Note 17: Short-term Borrowing

Particulars	31-Dec-21	31-Dec-20
Term Loan from NPPF I	1,484,599	9,405,698
Inter Company Borrowing - SMCL	-	300,000,000
Total	1,484,599	309,405,698

State Mining Corporation Limited
Notes forming part of Statement of Comprehensive Income As On
31-Dec-21

Note 18 : Revenue from sale of products

Particulars	31-Dec-21	31-Dec-20
Sale of Coal - SMCL	611,149,481	461,364,790
Less: Quality Compensation - SMCL	(1,145,679)	(1,728,434)
Less: Normal Loss - SMCL	(209,190)	(1,026,908)
Less: Abnormal Loss - SMCL	(67,066)	32,364
Sale of Quartzite - SMCL	61,958,817	16,343,611
Sale of Gypsum-SMCL	925,469,370	670,707,918
Sale of Dolomite - SMCL	2,111,373,543	
Total	3,708,529,276	1,145,693,332

Note 19 : Other Income

Particulars	31-Dec-21	31-Dec-20
Gain on Sale of Assets - SMCL	-	(1,100,117)
Sale of reject stone	2,014,531	129,531
Liquidated Damages	1,921,378	2,457,882
Interest from short term deposit	679,432	2,672,176
Miscellaneous income	2,727,826	1,366,886
Guest House Charges	254,055	89,473
Income from Weigh bridge - SMCL	6,611,190	2,607,956
Sales - Loading Charges - SMCL - SMCL	9,035,529	11,978,282
Sales - Transportation Charges - SMCL	299,525,465	
Sales - Local Transportation Charges - SMCL - SMCL	197,881,317	
Total	529,646,743	20,202,070

Note 20 : Changes in Inventory of Finished Goods

Particulars	31-Dec-21	31-Dec-20
Cost of Good Manufacture - SMCL	115,158,584	(211,954,224)
Total	115,158,584	(211,954,224)

Note 21 : Mining Cost

Particulars	31-Dec-21	31-Dec-20
Drilling & Blasting - SMCL	22,181,945	10,403,250
Environment Management Cost - SMCL	4,178,634	1,054,556
Mineral Rent	21,459,931	5,574,769
Safety & Protective Gadgets - SMCL	3,457,775	2,402,637
Surface Rent	1,669,394	1,577,142
Mineral Testing Expenses - SMCL	10,650	72,870
Stripping Cost	133,739,209	121,475,773
Product Handling & Miscellaneous - SMCL	35,946,893	18,825,491
Mineral Raising - SMCL	104,147,421	76,238,518
Transportation from Tshophangna to Habrang - SMCL	9,932,376	11,020,999
Coal Raising Cost - SMCL	8,150,925	10,224,251
Royalty	214,321,844	55,471,516
Coal Handling cost	78,218	53,640
Transportation from Plant 1 to Plant 2 - SMCL	14,036,334	-
Transportation from Mines to stockyard - SMCL	383,648,997	213,024,845
Wages	3,476,498	2,412,708
Environment Restoration Expenses - SMCL	12,670,784	3,367,734
Amortisation of deferred mining cost	698,646	740,626
License fee - SMCL	50,000,000	26,737,228
Environmental Assessment Fees - SMCL	226,200	-
Total	1,024,033,842	560,878,566

*Note: The amount deposited for Kothapka Gypsum Mine @ Nu 10 per MT of material dispatch in advance by way of Environment Restoration Bond into the government revenue account with the KTCO shall not be eligible for refund and hence, is charged off to the revenue. Licences fee under Habrang Tshophangna mines paid for operations of coal mines to DGM is also non tax deductible as per Income Tax Act.

Note 22: Operation & Maintenance Expenses

Particulars	31-Dec-21	-
R & M - Building - SMCL	3,738,414	676,009
R & M - Furniture & Fixture - SMCL	2,500	-
R & M - Mining Equipment - SMCL	2,750	-
R & M - Office Equipment - SMCL	37,790	18,000
R & M - Vehicles - SMCL	8,514,604	4,515,999
Vehicle Running Expenses (POL) - SMCL	18,734,070	8,270,155
R & M - Plant & Machinery - SMCL	72,088,234	13,089,586
R & M - data processing equipment - SMCL	513,296	132,145
POL Plant & Machinery	58,866,451	14,762,581
Power consumption for crushing plant - SMCL	3,429,790	2,139,175
Road Maintenance - SMCL	-	672,020
Insurance - SMCL	1,703,755	1,334,724
Annual Maintenance-ERP	1,200,000	1,200,000
Hire of Screen Plant - SMCL	4,163,797	1
Total	172,995,451	46,590,384

Note 23: Employee Benefits Expenses

Particulars	31-Dec-21	-
Payroll & related Expenses		
Salaries, wages and allowances	58,486,432	39,106,433
Allowances	31,675,635	17,076,999
Leave Travel Concession - SMCL	4,077,079	2,292,022
Overtime Payment	7,990,119	3,200,973
Performance based Variable Pay - SMCL	9,841,321	5,708,107
HRD expenses	105,109	71,255
Post Employment Benefits		
GPF Contribution (Employer) - SMCL	8,724,780	5,688,038
Gratuity Contribution - SMCL	2,634,370	1,988,210
Repatriation Allowances - SMCL	269,256	270,633
Bonus	-	-
Carnage Charges - SMCL	480,850	842,454
Other Employer Benefits		
Leave Encashment - SMCL	5,510,207	3,067,010
Long Term Studies - SMCL	-	-
Transfer Grant - SMCL	650,888	867,487
GPA	315,626	398,629
Employee Recognition Award -SMCL	-	-
Total	130,961,892	80,578,251

Note 24: Finance Cost

Particulars	31-Dec-21	-
Interest on Secured Loan	9,184,561	5,446,174
Loan processing fees	-	119,988
Loss on Foreign Exchange	3,264	-
Total	9,187,824	5,566,162

Note: The interest on NTF term loan is net off of the interest waiver from Royal Government of Bhutan and NTF with consideration of the impact due to COVID - 19. The interest waiver amounts to Nu. 1,875,994.47

Note 25: Other Expenses

Particulars	31-Dec-21	-
a) Administrative & Other Expenses		
Consulting Charges	45,000	-
Audit Fees & Expenses - SMCL	477,221	408,750
Board Meeting Expenses - SMCL	42,065	34,710
Corporate Social Responsibility - SMCL	6,428,896	1,667,838
Electricity Charges - SMCL	436,701	206,095
Hospitality & Entertainment Expenses - SMCL	1,412,248	978,215
Internet Charges - SMCL	1,890,039	1,204,759
License Registration & Renewal Fees - SMCL	4,340	6,100
Office Expenses - SMCL	2,373,757	1,244,631
Office & Guest House Rent - SMCL	1,879,187	1,450,687
Office Supplies, Printing & Stationeries - SMCL	2,443,781	1,699,304
Telephone & Fax - SMCL	221,401	237,365
Sub-Committee Meeting expenses - SMCL	14,671	-
Sub-committee sitting fee - SMCL	274,000	110,000
Inaugural/sanctification Expenses - SMCL	21,330	-
Board Sitting Fees - SMCL	344,000	232,000
Fees & Subscription - SMCL	6,107,031	3,416,844
Bank Charges - SMCL	1,430,066	464,404
Travel-Foreign - SMCL	-	162,908
Travel-Local - SMCL	6,735,498	4,447,583
Meeting & Retreat Expenses - SMCL	456,079	284,900
Hire Charges - SMCL	663,206	131,866
Working lunch - SMCL	5,534,200	1,536,901
Guest House Expenses - SMCL	284,696	337,773
Donation - SMCL	378,700	511,409
Data Center Charges - SMCL	228,780	230,504
Miscellaneous Expenses - SMCL	(28,225)	-
Lease rent - SMCL	23,339	24,894
Sports/Recreation - SMCL	120,433	40,630
Honorarium - SMCL	24,000	-
Internet and Network Charges - Non - SMCL	12,150	-
Telephone & Fax Charges - Non - SMCL	-	-
Sub Total (a) -	40,282,912	23,091,050
b) General Expenses		
Books,Newspaper & Magazines - SMCL	-	2,130
Rimdo / Tendrai Expenses - SMCL	669,859	835,239
Store & Spares - SMCL	9,735	16,278
Postage & Courier charges - SMCL	17,007	16,982
Sub Total (b) -	696,601	870,628
Total (a+b) -	40,979,513	23,961,678

Note 26: Selling & Distribution

Particulars	31-Dec-21	-
Freight Outwards - SMCL	386,884,466	74,116,944
Loading & Unloading Charges - SMCL	23,549,106	6,703,721
Marketing & Selling Expenses - SMCL	1,203,852	1,236
Advertisement - SMCL	592,902	274,190
Foreigns Bank Charges - SMCL	220,165	-
Total	412,452,490	81,095,790

Note 27: Earnings Per Share

Particulars	31-Dec-21	-
Net profit attributable to equity shareholders	1,568,286,983	363,063,509
Issued and outstanding ordinary shares at the beginning of the year	2,939,900	2,939,900
Weighted average number of ordinary shares	2,939,900	2,939,900
Basic and Diluted Earnings per Share	533	123



(All amounts in Nu , unless otherwise stated)

Note 28: Capital management

(a) Risk management

The company's objectives when managing capital are to

i. safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

ii. Maintain an optimal capital structure to reduce the cost of capital.

The Company is formed as a wholly owned subsidiary of Druk Holding & Investments Limited (DHI). Company manages the share capital issued and subscribed along with shareholder's fund appearing in the financial statement as capital of the company.

Note 29: 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	Aging analysis Credit ratings	Diversification of customer base
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts	Availability of committed facilities
Market risk	(i) Foreign Currency (ii) Interest Risk	Cash flow forecasting Sensitivity analysis	Currently the Company has transactions in Indian, Bangladesh and Local currency and timely updates on the exchange rates and no credit sales in foreign currency Working Capital Limit

(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 from domestic customers only.

i) Trade receivables

The Company's 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. Except in case of Dungsam Cement Corporation Limited (DCCL), being the sister company, credit term has been extended.

The requirement for impairment is analysed at each reporting date. Refer note 7 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 7. The Company does not hold collateral as security.

ii) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's Finance & Accounts 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

(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 Board of Company.

(i) Maturities of financial liabilities

The tables below analyze 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	Less than 1 year	More than 1 years	Total
31 December 2021			
Trade and Other Payables	74,724,270	-	74,724,270
Total financial liabilities	74,724,270	-	74,724,270

Contractual maturities of financial liabilities	Less than 1 year	More than 1 years	Total
Trade and Other Payables	43,630,873	-	43,630,873
Total financial liabilities	43,630,873	-	43,630,873

(All amounts in Nu , unless otherwise stated)

(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 Nu or Indian currency and dollar, there is no fluctuation in the exchange rate between Indian currency and Local currency. Hence is not exposed to foreign currency risk from Bs & Nu. The risk of foreign currency was taken care by the exchange rate timely updated by the Royal Monetary Authority with the Financial Institutions

(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 exposed to the risk of changes in market interest rates primarily to the companies working capital limit obligation with floating interests.

The company has only fixed rated borrowings and are carried a amortized cost and hence not subject to interest risk as defined in BFRS 7.



30. Allotment of shares have been made to Druk Holding & Investments Limited (DHIL) who is holding 100 percent shares of the Corporation. During the year, no amount has been received from DHIL as additional equity injection in support of business expansion.

31. Term loan of Nu.80 million was availed from National Pension and Provident Fund (NPPF) by pledging DHIL guarantee in 2018 and there is no such loan availed from any financial institutions in financial year 2021.

32. 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.

33a. There are no contingent liabilities for the Company as on 31st December 2021.

33b. Capital Commitment

Particulars	2021	2021
2A. Property, Plant and Equipment		
Plant & Machinery	156,934,800	54,295,193
Furniture & Fixture	2,175,600	995,800
Safety Equipment	42,100	385,840
Survey Equipment	5,474,000	3,004,000
Motor Vehicle	34,560,000	10,570,000
Building & Civil Structure	155,403,471	84,482,480
Lab Equipment	1,848,021	2,486,766
Office Equipment	830,700	902,400
Data Processing Equipment	13,157,405	5,334,750
Total Property, Plant and Equipment	370,426,097	162,457,229
2B. Intangible Assets		
Software	5,000,000	1,500,000
Total Intangible Assets	5,000,000	1,500,000
Balance to Accounts	375,426,097	163,957,229

5. FINANCIAL EXHIBITS

5.1 DETAILED FINANCIAL EXHIBITS

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

No.	31-Dec-2021	31-Dec-2020
Present value of define benefit obligation	6,800,668	3,921,870
Fair value of plan assets	3,514,497	2,542,592
Funded status - surplus/(deficit)	(3,286,171)	(1,379,278)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(3,286,171)	(1,379,278)

B. COMPOSITION OF DEFINED BENEFIT COST

No.	31-Dec-2021	31-Dec-2020
Expense recognised in profit or loss	2,659,635	1,976,000
Expense recognised in other comprehensive income	956,000	(918,144)
Defined benefit cost	3,615,636	1,057,856



C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

No.	31-Dec-2021	31-Dec-2020
Current service cost	2,685,992	1,949,133
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	235,319	209,191
Less: Interest on plan asset	(261,676)	(182,324)
Expenses recognised in profit or loss	2,659,635	1,976,000

D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

No.	31-Dec-2021	31-Dec-2020
Actuarial (gain) or loss due to experience adjustments	933,158	(836,929)
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	4,709	-
Return on plan assets (greater) or less than discount rate	18,134	(81,215)
Expenses recognised as OCI	956,000	(918,144)

E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

No.	31-Dec-2021	31-Dec-2020
DBO at the beginning of period	3,921,870	2,629,310
Add: Current service cost	2,685,992	1,949,133
Add: Past service cost	-	-
Add: Interest cost	235,319	209,191
Less: Benefits paid by the plan	(650,915)	-
Less: Benefits paid by the employer	(329,465)	(28,835)
Actuarial (gain) or losses due to experience adjustment	933,158	(836,929)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	4,709	-
DBO at the end of period	6,800,668	3,921,870

F. COMPOSITION OF PLAN ASSET

Nu.	31-Dec-2021	31-Dec-2020
Bonds (Government/corporate)	-	-
Gratuity savings/deposit in banks/insurance companies	3,514,497	2,542,592
Equities	-	-
Total	3,514,497	2,542,592

G. RECONCILIATION OF CHANGES IN FAIR VALUE OF PLAN ASSETS

Nu.	31-Dec-2021	31-Dec-2020
Fair value at the beginning of period	2,542,592	2,279,053
Contribution paid into the plan	1,379,278	-
Expected return on plan assets	261,676	182,324
Benefits paid from the plan	(650,915)	-
Return on plan assets greater or (less) than discount rate	(18,134)	81,215
Fair value at the end of period	3,514,497	2,542,592

H. BIFURCATION BETWEEN CURRENT & NON-CURRENT NET LIABILITY

Nu.	31-Dec-2021	31-Dec-2020
Current liability	1,902,740	511,764
Non-current liability	1,383,431	867,515
Net Liability	3,286,171	1,379,278

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

In.	Nu.
December 31, 2022	2,054,959
December 31, 2023	1,123,601
December 31, 2024	1,494,985
December 31, 2025	1,937,749
December 31, 2026	2,370,769
December 2027 to December 2031	16,013,405
December 2032 to December 2041	63,786,492

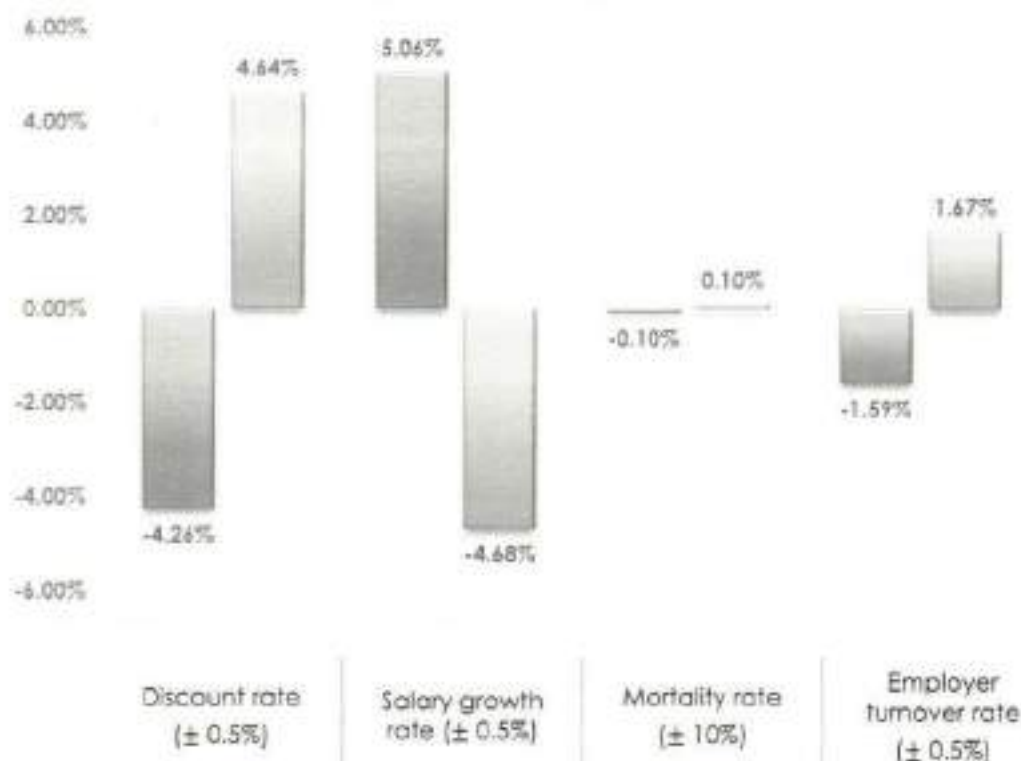
J. ESTIMATED TERM OF LIABILITY (IN YEARS): 14.41

5.2 SENSITIVITY ANALYSES

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 4.4 was employed for this exercise.

Assumption/Parameter	Scenario	Defined Benefit Obligation (DBO)	Net effect of DBO	Percent change
Discount rate	+ 0.5%	6,510,827	(289,841)	-4.26%
	Base rate	6,800,668	-	0.00%
	- 0.5%	7,116,136	315,468	4.64%
Salary growth rate	+ 0.5%	7,144,542	343,874	5.06%
	Base rate	6,800,668	-	0.00%
	- 0.5%	6,482,388	(318,280)	-4.68%
Mortality rate	+ 10%	6,794,006	(6,662)	-0.10%
	Base rate	6,800,668	-	0.00%
	- 10%	6,807,357	6,689	0.10%
Employer turnover rate	+ 0.5%	6,692,405	(108,263)	-1.59%
	Base rate	6,800,668	-	0.00%
	- 0.5%	6,914,187	113,518	1.67%

The following chart shows a graphical representation of the above sensitivity analysis.



6. CERTIFICATION

I certify that the report has been prepared in accordance with the provisions of BAS 19. To the best of my knowledge, I do not hold any interest, direct or indirect with State Mining Corporation Ltd. that would impair objectivity of my work.

I am available to answer any questions or to provide explanations or further details with regard to the materials contained in this report. Dated 14 January, 2022, this version of the report nullifies all other versions, whether signed or not, preceding this date.



Tandin Dorji

Actuarial Consultant

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5. FINANCIAL EXHIBITS

5.1 DETAILED FINANCIAL EXHIBITS

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

<i>No.</i>	31-Dec-2021	31-Dec-2020
Present value of define benefit obligation	5,393,769	2,775,689
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(5,393,769)	(2,775,689)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(5,393,769)	(2,775,689)

B. COMPOSITION OF DEFINED BENEFIT COST

<i>No.</i>	31-Dec-21	31-Dec-20
Service Cost	2,618,080	999,500
Net interest on net defined liability (asset)	-	(22,459)
Immediate recognition of gains/losses – Other long term employee benefits	2,775,689	2,079,387
Expense recognised in other comprehensive income	-	-
Define Benefit Cost	5,393,769	3,056,428

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

<i>No.</i>	31-Dec-21	31-Dec-20
Current service cost	2,618,080	999,500
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	-	(22,459)
Interest on plan asset	-	-
Immediate recognition of gains/losses – Other long term employee benefits	2,775,689	2,079,387
Expenses recognised in profit or loss	5,393,769	3,056,428

D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

Nu.	31-Dec-21	31-Dec-20
Actuarial (gain) or loss due to experience adjustments	2,777,637	2,079,387
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	(1,948)	-
Return on plan assets (greater) or less than discount rate	-	-
Immediate recognition of gains/losses – Other long term employee benefits	2,775,689	2,079,387
Expense recognised as other comprehensive income	-	-

E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

Nu.	31-Dec-2021	31-Dec-2020
DBO at the beginning of period	2,775,689	1,776,189
Add: Current service cost	2,618,080	999,500
Add: Past service cost	-	-
Add: Interest cost	-	(22,459)
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(2,775,689)	(2,056,928)
Actuarial (gain) or losses due to experience adjustment	2,777,637	2,079,387
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	(1,948)	-
DBO at the end of period	5,393,769	2,775,689

F. COMPOSITION OF PLAN ASSET

Nu.	31-Dec-2021	31-Dec-2020
Bonds (Government/corporate)	-	-
Gratuity savings/deposit in banks/insurance companies	-	-
Equities	-	-
Total	-	-

G. RECONCILIATION OF CHANGES IN FAIR VALUE OF PLAN ASSETS

<i>Nu.</i>	31-Dec-2021	31-Dec-2020
Fair value at the beginning of period	-	-
Contribution paid into the plan	-	-
Expected return on plan assets	-	-
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
Fair value at the end of period	-	-

H. BIFURCATION BETWEEN CURRENT & NON-CURRENT LIABILITY

<i>Nu.</i>	31-Dec-2021	31-Dec-2020
Current liability	764,708	88,070
Non-current liability	4,629,061	2,687,619
Net Liability	5,393,769	2,775,689

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

<i>In.</i>	<i>Nu.</i>
December 31, 2022	825,885
December 31, 2023	531,612
December 31, 2024	507,458
December 31, 2025	410,028
December 31, 2026	391,331
December 2027 to December 2031	1,945,135
December 2032 to December 2041	4,349,537

J. ESTIMATED TERM OF LIABILITY (IN YEARS): 9.92

5.2 SENSITIVITY ANALYSES

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 4.4 was employed for this exercise.

Assumption/Parameter	Scenario	Defined Benefit Obligation (DBO)	Net effect of DBO	Percent change
Discount rate	+ 0.5%	5,185,077	(208,692)	-3.87%
	Base rate	5,393,769	-	0.00%
	- 0.5%	5,619,265	225,496	4.18%
Salary growth rate	+ 0.5%	5,640,172	246,403	4.57%
	Base rate	5,393,769	-	0.00%
	- 0.5%	5,164,052	(229,717)	-4.26%
Mortality rate	+ 10%	5,393,769	0.12%	0.00%
	Base rate	5,393,769	-	0.00%
	- 10%	5,393,769	0.12%	0.00%
Employer turnover rate	+ 0.5%	5,457,717	63,948	1.19%
	Base rate	5,393,769	-	0.00%
	- 0.5%	5,326,180	(67,589)	-1.25%

The following chart shows a graphical representation of the above sensitivity analysis.



6. CERTIFICATION

I certify that the report has been prepared in accordance with the provisions of BAS 19. To the best of my knowledge, I do not hold any interest, direct or indirect with State Mining Corporation Ltd, that would impair objectivity of my work.

I am available to answer any questions or to provide explanations or further details with regard to the materials contained in this report. Dated 14 January, 2022, this version of the report nullifies all other versions, whether signed or not, preceding this date.



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<https://drukinfinity.com>

5. FINANCIAL EXHIBITS

5.1 DETAILED FINANCIAL EXHIBITS

A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

No.	31-Dec-2021	31-Dec-2020
Present value of define benefit obligation	746,481	415,443
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(746,481)	(415,443)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(746,481)	(415,443)

B. COMPOSITION OF DEFINED BENEFIT COST

No.	31-Dec-2021	31-Dec-2020
Expense recognised in profit or loss	349,614	318,494
Expense recognised in other comprehensive income	396,867	15,131
Defined benefit cost	746,481	333,625

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

No.	31-Dec-2021	31-Dec-2020
Current service cost	349,614	311,949
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	-	6,545
Less: Interest on plan asset	-	-
Expenses recognised in profit or loss	349,614	318,494



D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

Nu.	31-Dec-2021	31-Dec-2020
Actuarial (gain) or loss due to experience adjustments	396,884	15,131
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	(17)	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	396,867	15,131

E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

Nu.	31-Dec-2021	31-Dec-2020
DBO at the beginning of period	415,443	181,818
Add: Current service cost	349,614	311,949
Add: Past service cost	-	-
Add: Interest cost	-	6,545
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(415,443)	(100,000)
Actuarial (gain) or losses due to experience adjustment	396,884	15,131
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	(17)	-
DBO at the end of period	746,481	415,443

F. COMPOSITION OF PLAN ASSET

Nu.	31-Dec-2021	31-Dec-2020
Bonds (Government/corporate)	-	-
Gratuity savings/deposit in banks/insurance companies	-	-
Equities	-	-
Total	-	-

G. RECONCILIATION OF CHANGES IN FAIR VALUE OF PLAN ASSETS

Nu.	31-Dec-2021	31-Dec-2020
Fair value at the beginning of period	-	-
Contribution paid into the plan	-	-
Expected return on plan assets	-	-
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
Fair value at the end of period	-	-

H. BIFURCATION BETWEEN CURRENT & NON-CURRENT LIABILITY

Nu.	31-Dec-2021	31-Dec-2020
Current liability	551,085	167,245
Non-current liability	195,396	248,198
Net Liability	746,481	415,443

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

In.	Nu.
December 31, 2022	595,172
December 31, 2023	464,492
December 31, 2024	474,722
December 31, 2025	447,443
December 31, 2026	361,936
December 2027 to December 2031	1,953,044
December 2032 to December 2041	4,449,991

J. ESTIMATED TERM OF LIABILITY (IN YEARS): 9.92

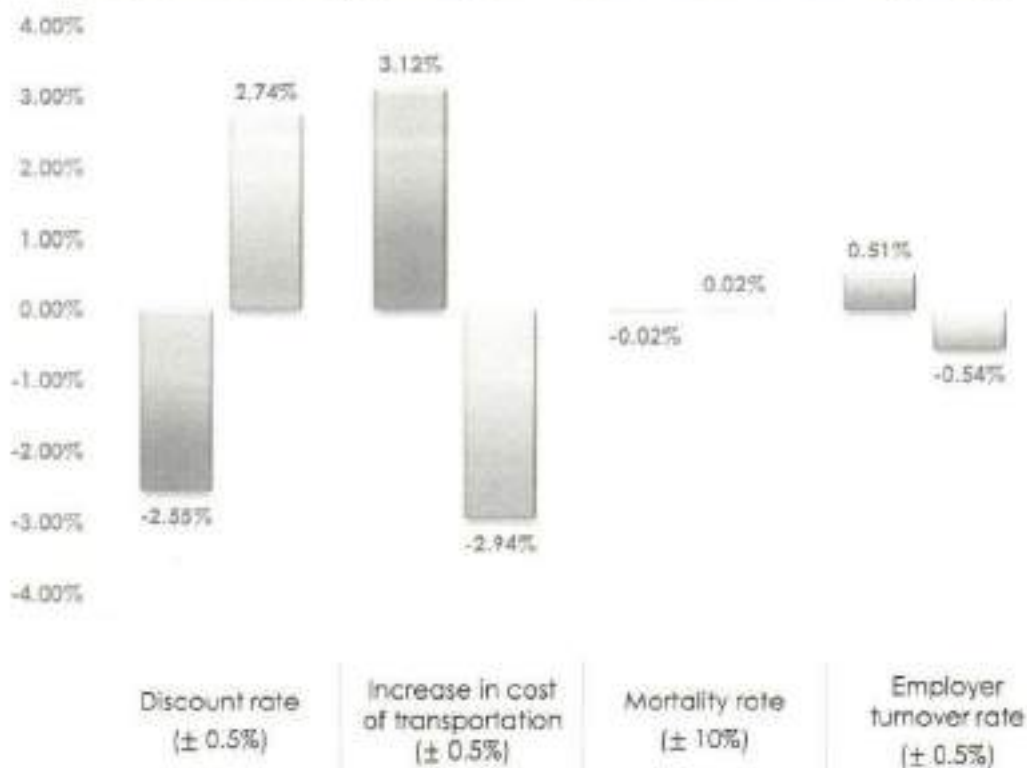


5.2 SENSITIVITY ANALYSES

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 4.4 was employed for this exercise.

Assumption/Parameter	Scenario	Defined Benefit Obligation (DBO)	Net effect of DBO	Percent change
Discount rate	+ 0.5%	727,440	(19,040)	-2.55%
	Base rate	746,481	-	0.00%
	- 0.5%	766,898	20,417	2.74%
Increase in cost of transportation	+ 0.5%	769,786	23,306	3.12%
	Base rate	746,481	-	0.00%
	- 0.5%	724,532	(21,949)	-2.94%
Mortality rate	+ 10%	746,354	(127)	-0.02%
	Base rate	746,481	-	0.00%
	- 10%	746,608	128	0.02%
Employer turnover rate	+ 0.5%	750,297	3,816	0.51%
	Base rate	746,481	-	0.00%
	- 0.5%	742,417	(4,064)	-0.54%

The following chart shows a graphical representation of the above sensitivity analysis.



6. CERTIFICATION

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CONSULTING
INFINITY

<https://drukinfinity.com>



5. FINANCIAL EXHIBITS**5.1 DETAILED FINANCIAL EXHIBITS****A. LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION**

Nu.	31-Dec-2021	31-Dec-2020
Present value of define benefit obligation	721,663	376,815
For value of plan assets	-	-
Funded status - surplus/(deficit)	(721,663)	(376,815)
Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(721,663)	(376,815)

B. COMPOSITION OF DEFINED BENEFIT COST

Nu.	31-Dec-2021	31-Dec-2020
Expense recognised in profit or loss	322,777	258,423
Expense recognised in other comprehensive income	398,885	(98,570)
Defined benefit cost	721,663	159,853

C. EXPENSE RECOGNISED IN STATEMENT OF PROFIT OR LOSS

Nu.	31-Dec-2021	31-Dec-2020
Current service cost	307,705	238,478
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	15,073	19,945
Less: Interest on plan asset	-	-
Expenses recognised in profit or loss	322,777	258,423

D. AMOUNT RECOGNISED AS OTHER COMPREHENSIVE INCOME

Nu.	31-Dec-2021	31-Dec-2020
Actuarial (gain) or loss due to experience adjustments	398,854	(98,570)
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	31.31	-
Return on plan assets (greater) or less than discount rate	-	-
Expenses recognised as OCI	398,885	(98,570)

E. RECONCILIATION OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

Nu.	31-Dec-2021	31-Dec-2020
DBO at the beginning of period	376,815	281,654
Add: Current service cost	307,705	238,478
Add: Past service cost	-	-
Add: Interest cost	15,073	19,945
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(376,815)	(64,692)
Actuarial (gain) or losses due to experience adjustment	398,854	(98,570)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	31.31	-
DBO at the end of period	721,663	376,815

F. COMPOSITION OF PLAN ASSET

Nu.	31-Dec-2021	31-Dec-2020
Bonds (Government/corporate)	-	-
Gratuity savings/deposit in banks/insurance companies	-	-
Equities	-	-
Total	-	-



G. RECONCILIATION OF CHANGES IN FAIR VALUE OF PLAN ASSETS

Nu.	31-Dec-2021	31-Dec-2020
Fair value at the beginning of period	-	-
Contribution paid into the plan	-	-
Expected return on plan assets	-	-
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
Fair value at the end of period	-	-

H. BIFURCATION BETWEEN CURRENT & NON-CURRENT LIABILITY

Nu.	31-Dec-2021	31-Dec-2020
Current liability	540,019	152,514
Non-current liability	181,644	224,301
Net Liability	721,663	376,815

I. EXPECTED BENEFIT PAYMENTS IN FUTURE YEARS

In.	Nu.
December 31, 2022	583,220
December 31, 2023	400,787
December 31, 2024	393,025
December 31, 2025	365,038
December 31, 2026	319,518
December 2027 to December 2031	1,595,119
December 2032 to December 2041	3,573,512

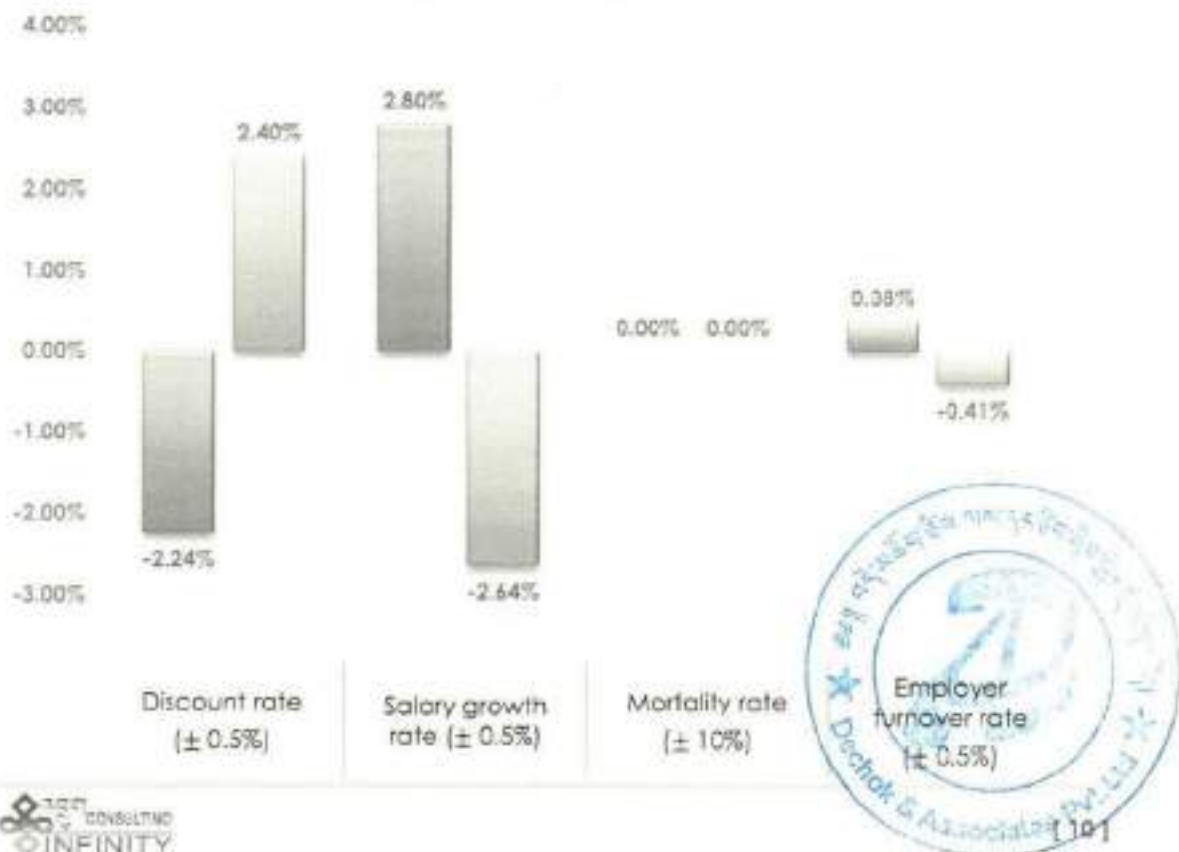
J. ESTIMATED TERM OF LIABILITY (IN YEARS): 9.92

5.2 SENSITIVITY ANALYSES

The following table summarises the results of sensitivity tests performed on the present value of the defined benefit obligation by varying the assumption parameters as listed. The same model and valuation methodology as described in 4.4 was employed for this exercise.

Assumption/Parameter	Scenario	Defined Benefit Obligation (DBO)	Net effect of DBO	Percent change
Discount rate	+ 0.5%	705,475	(16,187)	-2.24%
	Base rate	721,663	-	0.00%
	- 0.5%	739,017	17,354	2.40%
Salary growth rate	+ 0.5%	741,859	20,197	2.80%
	Base rate	721,663	-	0.00%
	- 0.5%	702,615	(19,047)	-2.64%
Mortality rate	+ 10%	721,663	0.05%	0.00%
	Base rate	721,663	-	0.00%
	- 10%	721,663	0.05%	0.00%
Employer turnover rate	+ 0.5%	724,430	2,767	0.38%
	Base rate	721,663	-	0.00%
	- 0.5%	718,685	(2,978)	-0.41%

The following chart shows a graphical representation of the above sensitivity analysis.



6. CERTIFICATION

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5. FINANCIAL EXHIBITS

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Effect of asset ceiling	-	-
Net defined benefit asset/(liability)	(721,663)	(376,815)

B. COMPOSITION OF DEFINED BENEFIT COST

Nu.	31-Dec-2021	31-Dec-2020
Expense recognised in profit or loss	322,777	258,423
Expense recognised in other comprehensive income	398,885	(98,570)
Defined benefit cost	721,663	159,853

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Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(376,815)	(64,692)
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Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	31.31	-
DBO at the end of period	721,663	376,815

F. COMPOSITION OF PLAN ASSET

Nu.	31-Dec-2021	31-Dec-2020
Bonds (Government/corporate)	-	-
Gratuity savings/deposit in banks/insurance companies	-	-
Equities	-	-
Total	-	-

G. RECONCILIATION OF CHANGES IN FAIR VALUE OF PLAN ASSETS

<i>Nu.</i>	31-Dec-2021	31-Dec-2020
Fair value at the beginning of period	-	-
Contribution paid into the plan	-	-
Expected return on plan assets	-	-
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
Fair value at the end of period	-	-

H. BIFURCATION BETWEEN CURRENT & NON-CURRENT LIABILITY

<i>Nu.</i>	31-Dec-2021	31-Dec-2020
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J. ESTIMATED TERM OF LIABILITY (IN YEARS): 9.92

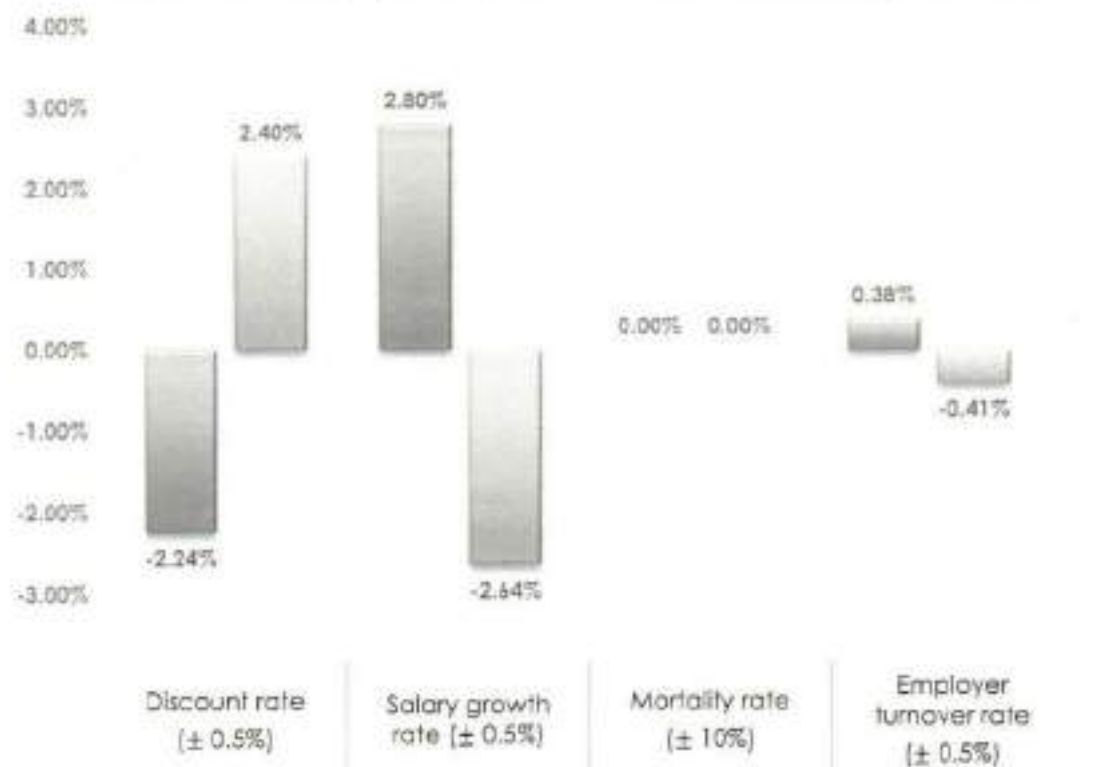


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	Base rate	721,663	-	0.00%
	- 0.5%	739,017	17,354	2.40%
Salary growth rate	+ 0.5%	741,859	20,197	2.80%
	Base rate	721,663	-	0.00%
	- 0.5%	702,615	(19,047)	-2.64%
Mortality rate	+ 10%	721,663	0.05%	0.00%
	Base rate	721,663	-	0.00%
	- 10%	721,663	0.05%	0.00%
Employer turnover rate	+ 0.5%	724,430	2,767	0.38%
	Base rate	721,663	-	0.00%
	- 0.5%	718,685	(2,978)	-0.41%

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35. 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.

35.1 Name of the related parties and Relation

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

35.2 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.(CDCCL)
13. Thimphu Tech Park Ltd.(TTP)
14. Dagschu Hydro Corporation Limited
15. Bhutan Board Expert Limited
16. Koufuku International Limited
17. Thimphu TechPark Limited
18. Tamsibji Hydro Energy Limited
19. Penden Cement Authority Limited

35.3 Transactions with fellow subsidiaries:

Name of related party	Description	2020	2020
Druk Holdings & Investment (DHI)-Holding Company	1.Guarantee fees	244,491	119,988
	2. Dividend Paid	364,547,680	336,440,000
	3. Brand Management	5,848,250	5,315,034
	4.Shares held by DHI	293,990,000	293,990,000
	5.Guarantee fees payable		119,988
Bank of Bhutan Ltd.(BoBL)	1. Bank Charges & Fees paid to BoBL.	1,430,066	464,404
	2. Bank Balance with BOBL.	1,333,107,315	82,268,564
Bhutan Telecom Ltd.(BTL)	1. Internet & Telephone Charged	2,340,220	1,442,104
	2. Intragroup Trade Payables	83,314	247,260



State Trading Corporation of Bhutan Ltd.(STCBL)	1. Running & Maintenance of vehicle	5,448,217	2,517,200
	2. Payable to STCBL	278,475	3,500,475
Dungsum Cement Corporation Limited	1. Sale of Coal	532,678,162	369,763,429
	2. Sale of Gypsum	26,403,056	28,161,900
	3. Receivable from sale of coal/gypsum	266,066,612	414,090,544
Bhutan Power Corporation Ltd.(BPCL)	1. Electricity Charges-Paid to DPH Companies	3,866,490	2,345,270
	2. Intragroup Trade Payables	322,616	79,362
	3. Advance Payments	370,592	
Natural Resources Development Corporation Limited	1. Procurement of sand and wood	39,181	119,436
	1. Sale of Coal	19,440,602	14,421,006
Pemden Cement Authority Limited	2. Sale of Gypsum	16,607,807	12,277,430
	3. Inter-company trade receivable	7,032,979	8,239,061
	1. Intragroup Loans		300,000,000
Drak-Green Power Corporation Ltd.(DGPLCL)	2. Intra group Accrued Interest on loan		2,610,656
	3. Interest on borrowings-Intergroup	7,538,904	2,610,656
	1. Inter company Trade Payables	144,068	500,000
Thimphu Tech Park Ltd.(TTP)	2. Yearly AMC for ERP and Others	1,411,848	1,700,000

35.4. List of Key Managerial Personnel

1. Mr Dasho Karma Yezer Raydel, Chairman
2. Mr. Sonam Wangyel, Director
3. Mr. Thimley Namgyel, Director (till 30th March)
4. Mr. Geley Norbu, Director
5. Mrs. Kezang Dola, Director (till 30th March)
6. Mr. Kezang Jamtsho, Director
7. Mr. Jigme Dorji, Additional Director (till 30th March)
8. Dasho Chowing Kinzind (New Board Director)
9. Mrs. Kinley Yangzum
10. Mr. Pasang Dorji
11. Mr. Pem Tshering

35.5. Related parties with whom transactions have taken place during the year:

Board Directors:-

Name	-Selling Fees (2021)	-Selling Fees (2020)
1. Mr Dasho Karma Yezer Raydel, Chairman	88,000	44,000
2. Mr. Sonam Wangyel, Director		6,000
3. Mr. Thimley Namgyel, Director (till 30th M	20,000	40,000
4. Mr. Geley Norbu, Director	88,000	49,000

5. Mrs. Kezang Deki, Director (till 30th March)	28,000	40,000
6. Mr. Kezang Jamtsho, Director	88,000	48,000
7. Mr. Jigme Dorji, Additional Director (till 30th)	24,000	52,000
8. Dasho Chewing Rinzin (New Board Director)	80,000	28,000
9. Mrs. Kinley Yangzom	40,000	
10. Mr. Pasang Dorji	48,000	
11. Mr. Pem Tshering	64,000	
Total	568,000	308,000

35.6 No transactions were done with relatives of key managerial personnel during the year.

35.7 Transactions during the year.

36. Managerial Remuneration	2021	2020
Basic Pay	1,225,800	1,193,400
Allowances	1,103,220	1,074,060
PVBA and Bonus	310,500	490,500
GPF Contribution (Employer)	183,870	179,010
Travelling expense of CEO	337,750	263,750
Sitting fees to Board of Directors of the company	88,000	48,000
Leave Encashment	100,800	98,100
Leave Travel Concession	15,000	15,000
Grand Total	3,364,940	3,361,820

37. Auditors remuneration	2021	2020
Auditors Fees	105,000	105,000
Auditors Expenses*	342,221	383,750
Total	447,221	488,750

*Provisional including RAA and Tax Audit

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

Note 39 : Operating Segment

The Operating Segment are established on the basis of those components of the group that are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance as defined in Point 5 (b) of IFRS – 8 Operating Segment.

These have been identified taking into account for nature of the production processes and nature of product and services. The accounting policies adopted for segment are in line with the same policy of the Company adopted for financial reporting with following additional policies for segment reporting 31/12/2021

- a) Revenue have been identified to the segment on the basis of operating and product segment
- b) Segment result where been identified to the segment on the basis of operating and product segment.

The reporting segment consist of Coal and Gypsum.

I. Primary Segment Information

Particulars	Sales of Coal Products		Sales of Gypsum Products		Sales of Dolomite		Other		Total	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Income										
Gross Segment Revenue	613,345,506	460,091,525	938,220,104	684,540,772	2,612,560,985		65,089,364	20,264,134	4,229,176,088	1,165,895,401
Less: Intra-Segment Revenue	-	-	-	-	-	-	-	-	-	-
Net Segment Revenue	613,345,506	460,091,525	938,220,104	684,540,772	2,612,560,985		65,089,364	20,264,134	4,229,176,088	1,165,895,401
Segment Results before Tax	203,761,459	171,331,556	334,364,379	378,088,434	1,795,748,830		63,166,243	17,748,247	2,277,208,128	531,691,724



Note 40 : Fair value measurements

(All amounts in Nu., unless otherwise stated)

Financial instruments by category

Particulars	31-Dec-21			31-Dec-20			1-Jan-20		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
<i>Financial assets</i>									
Security Deposit	-	-	-	-	-	-	-	-	-
Environment Restoration Bond	-	-	21,260,154	-	-	13,438,891	-	-	11,196,102
Sundry Debtor Domestic	-	-	292,708,531	-	-	423,478,394	-	-	338,435,049
Sundry Debtors International	-	-	-	-	-	-	-	-	(58,683,274)
Security Deposit Placed	-	-	1,771,612	-	-	1,440,378	-	-	1,128,488
Other Receivable	-	-	-	-	-	-	-	-	-
Deposit due for refund	-	-	-	-	-	-	-	-	-
Cash and Cash Equivalents	-	-	1,338,976,868	-	-	82,681,943	-	-	190,641,755
Total financial assets	-	-	1,654,717,165	-	-	521,039,607	-	-	482,718,119
<i>Financial liabilities</i>									
Security Deposits	-	-	24,537,573	-	-	14,012,423	-	-	9,473,404
Employee Payables	-	-	1,346,851	-	-	717,371	-	-	808,799
Retention Money	-	-	152,415	-	-	125,193	-	-	150,648
Sundry Creditors - Domestic	-	-	57,339,393	-	-	38,784,847	-	-	13,579,256
Term Loan from Financial Institutions	-	-	1,484,599	-	-	9,405,698	-	-	14,885,042
Inter Company Borrowing - SMCL	-	-	-	-	-	300,000,000	-	-	-
State Cheque	-	-	-	-	-	-	-	-	-
Other payable	-	-	-	-	-	-	-	-	-
Total financial liabilities	-	-	34,860,832	-	-	363,045,532	-	-	40,897,148

(All amounts in Nu , unless otherwise stated)

(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-21		31-Dec-20	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial assets				
Environment Restoration Bond	21,260,154	21,260,154	13,438,891	13,438,891
Total financial assets	21,260,154	21,260,154	13,438,891	13,438,891

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 41: Exploration and evaluation

Intangible Assets

Particulars	Gross Block			Amortisation			Closing balance as on 31-12-2021	Not carrying amount
	Opening as on 1-1-2021	Additions	Deletions/Adj	Opening as on 1-1-2021	Amortisation for the year	Deletions/Adj		
Capitalised exploration and evaluation expenditure	35,967,010	-	-	21,741,481	3,947,207	-	30,688,778	3,278,231
Total	35,967,010	-	-	21,741,481	3,947,207	-	30,688,778	3,278,231

M/S. Decbook & associates Pvt. Ltd
Chartered Accountants
Mumbai, Bhutan

Mr. Jeevan Samsho
Partner

Place: Thimphu
Date: 25/04/2022

For State Mining Corporation

Daashu Karma Mele Raydi
Chairman

Place: Thimphu
Date: 25/01/2022

Chairman

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

Kezang Jamsho
CEO

Chief Executive Officer
State Mining Corporation Limited
Samtse; BHUTAN

RATIO ANALYSIS

State Mining Corporation Limited
RATIO ANALYSIS
 Exhibit - 1

#	Particulars	Derivation of Ratios	31-Dec-21	31-Dec-20	Variance (%)
1	Earning Per Share	Profit After Tax/No. of Shares Issued	533.45	123.50	331.96%
2	Net Profit Ratio	Net Profit/Turnover*100	42.29	31.69	33.45%
3	Return on Asset	Net Profit/Total Asset*100	54.91	26.74	105.37%
4	Return on Equity (ROE)	Net Profit/Owners Equity*100	81.21	49.77	63.18%
5	Debtors Turnover Ratio	Sales/Average Debtors	12.67	2.71	368.31%
6	Current Ratio	Current Assets/Current Liabilities	2.67	1.74	53.47%
7	Quick Ratio	(Current Asset-Inventory)/Current Liabilities	2.30	1.11	107.08%
8	Debtors Collection Period Ratio	(Sundry debtors*366)/Sales	29	135	-78.59%

M/s. Dechok & associates Pvt. Ltd For State Mining Corporation Limited
 Chartered Accountants
 Motihang, Diphu


 Mr. Zeshi Jamtsho
 Partner
 Place: Thimphu
 Date: 25/6/2022


 Dasho Karma Vezar Raydi
 Chairman
 Place: Thimphu
 Date: 25/06/2022


 Kezang Jamtsho
 CEO

Chairman
 State Mining Corporation Ltd.
 Regd. Office: Samtse: BHUTAN

Chief Executive Officer
 State Mining Corporation Limited
 Samtse : BHUTAN

COMPLIANCE CELENDER & CHECKLIST

CHECK LIST FOR COMPLIANCE OF PROVISION OF THE COMPANIES ACT OF BHUTAN, 2016

NAME OF THE COMPANY:			State Mining Corporation Limited			
REGISTERED NO:			U20141231TH10458			
			COMPLIANCE CHECKLIST			
No.	Ss.	PARTICULARS	YES	NO	NA	REMARKS
INCORPORATION OF A COMPANY & SECURITIES						
1	28	Changes to Articles/ Approval		<input checked="" type="checkbox"/>		
2	47	Change of name/ Approval		<input checked="" type="checkbox"/>		
3	123	Increase or consolidation of share capital		<input checked="" type="checkbox"/>		
4	124	Reduction of share capital		<input checked="" type="checkbox"/>		
5	82	License Copy and share Certificate filing			<input checked="" type="checkbox"/>	
6	107	Public offer of shares & Debentures-ROC Approval			<input checked="" type="checkbox"/>	
MANAGEMENT & ADMINISTRATION						
7	217	Registered Office of Company (Address and Contact Number)	<input checked="" type="checkbox"/>			
8	221	Publication of name by company (Letter Head, Seals and Sign Board)	<input checked="" type="checkbox"/>			
9	241	Financial Year of Companies as of 31 st Dec.	<input checked="" type="checkbox"/>			
	242	Extension up to 15 months – ROC approval			<input checked="" type="checkbox"/>	
	243	Extension up to 18 months – Authority's approval			<input checked="" type="checkbox"/>	
	245	Financial Statements to follow BAS	<input checked="" type="checkbox"/>			
10	267	Annual Return Submission (On/ before 31 st May for listed; others 31 st July)	<input checked="" type="checkbox"/>			
11	177	Annual General Meeting (Minutes)	<input checked="" type="checkbox"/>			
12	180	Extraordinary General Meeting (Minutes)		<input checked="" type="checkbox"/>		
13	185	Notice for calling general meeting	<input checked="" type="checkbox"/>			
	187	Listed Co. – written as well as in media			<input checked="" type="checkbox"/>	
		Public Co./Private Co. – Written notice	<input checked="" type="checkbox"/>			
14	190	Chairman of meeting (CEO can not chair)	<input checked="" type="checkbox"/>			CEO is not a Chair
15	192	Representation of corporations at meetings (appointed by Board Directors)	<input checked="" type="checkbox"/>			
16	193	Ordinary and special resolutions (Minutes)	<input checked="" type="checkbox"/>			
17	195	Minutes of Annual General Meeting and Board Meetings [maintained ss.195 – 198]	<input checked="" type="checkbox"/>			
18	199	Declaration and payment of dividend (199 – 209)	<input checked="" type="checkbox"/>			109% of paid up capital declared as dividend
19	232	Books of account to be kept by the company (location & time period)	<input checked="" type="checkbox"/>			Books of accounts maintained at registered office
20	250	Boards report (signed by Chairman)	<input checked="" type="checkbox"/>			
21	252	Appointment and removal of Auditors Need to re-appoint annually (251 – 259)			<input checked="" type="checkbox"/>	Appointed by the RAA on an annual basis
22	260	Resignation of Auditors from office (Annual Resignation)			<input checked="" type="checkbox"/>	



23	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	<input checked="" type="checkbox"/>			
24	133	Number of Directors (Minimum No. & retirement on rotation)	<input checked="" type="checkbox"/>			7 Directors on the Board of SMCL
No.	Ss.	PARTICULARS	YES	NO	NA	REMARKS
25	139	Additional directors		<input checked="" type="checkbox"/>		
26	140	Consent to act as directors	<input checked="" type="checkbox"/>			
27	141	Certain persons not to be appointed as Directors			<input checked="" type="checkbox"/>	
28	142	Resignation by a director	<input checked="" type="checkbox"/>			
29	143	Removal of directors		<input checked="" type="checkbox"/>		
30	146	Board meetings (14 Meetings for Public Cos & 2 Meetings for Pvt)	<input checked="" type="checkbox"/>			
31	152	General powers of the Board	<input checked="" type="checkbox"/>			
32	156	Restrictions on powers of Board		<input checked="" type="checkbox"/>		
33	210	Appointment of Chief Executive Officer (Max 5 years terms & 2 consecutive terms only)	<input checked="" type="checkbox"/>			
34	414	Appointment of selling or buying agents (govt. Approval obtained or not)			<input checked="" type="checkbox"/>	
35	157	No loans to directors (only for Public Co.)		<input checked="" type="checkbox"/>		
36	53	Inter – corporate investments (investments to be disclosed) apply old rule			<input checked="" type="checkbox"/>	
37	158	Contracts in which Directors are interested		<input checked="" type="checkbox"/>		Directors have no interest in the contracts entered by company.
38	213	Company Secretary Required in all Public Companies	<input checked="" type="checkbox"/>			
39	161	Standard of care required by directors (Reckless decision)	<input checked="" type="checkbox"/>			
STATUTORY RECORD AND INSPECTION						
40	228	Statutory record and inspection				
	a)	Register of buy – back of shares	<input checked="" type="checkbox"/>			
	b)	Register of transfers	<input checked="" type="checkbox"/>			
	c)	Register of charges	<input checked="" type="checkbox"/>			
	d)	Register of inter – corporate loans	<input checked="" type="checkbox"/>			
	e)	Register of inter – corporate investments	<input checked="" type="checkbox"/>			
	f)	Register of contracts in which directors are interested	<input checked="" type="checkbox"/>			
	g)	Register of directors	<input checked="" type="checkbox"/>			
	h)	Register of directors' shareholding	<input checked="" type="checkbox"/>			

For Dechok & Associates Pvt. Ltd.

Yeshi Jamtsho



Membership No. 2641172

Place: Thimphu

Date:



MANAGEMENT REPORT

STATE MINING CORPORATION LIMITED
MANAGEMENT REPORT FOR FINANCIAL YEAR 2021

1. Write off of stocks worth Nu. 11,094,523.58 (2.1.2)

Review of the financial statements together with the physical verification report revealed shortages/ differences between the book quantity and actual quantity at the respective stockyards. The value of the differences amounting to Nu. 11,094,523.58 were written off in the financial statements through adjustment with the change in inventory value of opening and closing stocks.

While we reviewed the management approval to write off these differences, we request the management to obtain the endorsement of these management decision from the Board of SMCL.

Management's Response:

The Board has endorsed the authority to the management to write-off the stock if it is within the reasonable limit. However, did not fixed the permissible ceiling reviewing the risk of misuse of materials if rights of write-off being pre-established. Therefore, it was directed to the management to assess the write-off of stock with highest diligence and accordingly consider the decision whether to act within the management level or if to put up to the Board if it demands Board's endorsement. However, management will avail approval from SMCL Board and submit to the audit team.

Auditor's Further Comments:

Stock losses written off during the year by the management may be submitted to the Board for endorsement and subsequently submitted to RAA for further review and comments.

Who is Accountable?

Direct Accountability: Ugyen Phuntsho, Executive Engineer, CID 11516001210

Supervisory Accountability: Sangay Tshering, GM Project and Mines, CID 11508004101



FOLLOW-UP REPORT

STATE MINING CORPORATION LIMITED

FOLLOW-UP REPORT

Summary of Follow-up Report for Statutory Audit for the year 2020 and prior years

Accounting Year	Total No. of recommendation provided/ pending for implementation	No. of recommendation implemented	Balance recommendations to be implemented
2020	4	4	Nil
2019	2	2	Nil
2018	3	3	Nil
2017	6	6	Nil
2016	5	5	Nil

Detailed Follow-up Report for the year ended 31st December, 2020

Para No.	Observations in brief	Management's Current Response	Status of Compliance
1	Review of Bank Reconciliation Statements (3.3.7)	The Bank Reconciliation Statement (BRS) prepared by the Finance Division is reviewed and documented with evidence by an independent Internal Auditor of the Company. BRS done through the accounting system are reviewed and simplified reflecting only the cheques number and the amount.	Settled
2	Write off of stocks worth Nu. 6,556,695.03 and fixed assets worth Nu.914,677.53 (2.1.2)	The Management obtained Board's approval for the write off.	Settled



3	Need to institute levels of control for processing transactions through the accounting system (3.3.34)	The implementation of e-payment was done with all the DHI companies. Go live sign off on 29th September 2021.	Settled
4	Unrealized Sale proceeds from Dungsam Cement Corporation Limited Nu. 417,468,986.23 (3.3.16)	SMCL has fully received unrealized sale proceeds amounting to Nu. 417,468,986.23 from DCCCL as of 31 st December 2021.	Settled


 Yeshi Jamtsho
 Dechok and Associates Pvt. Ltd


Branch Offices

Habrang Coal Mine
Samdrupcholing, Dungkhag
Samdrup Jongkhar
Tel: 17121651

Tshophangma Coal Mine
Samdrupcholing Dungkhag
Samdrup Jongkhar
Tel: (+975)-17121651

Dzongthung Stone Quarry
Tashigang
Tel: (+975)-17453433

Crushing Plant 2, Zungdi
Tashi Yangtse
Tel: (+975)-17453433

Khothakpa Gypsum Mine
Pema Gatshel
Tel: (+975)-07-471114

Sales Office
Samdrup Jongkhar
Tel: (+975)-07-252047/252048

Chunaikhola Dolomite Mine
Phuentshopelri, Samtse
Tel: (+975)-77106537

